

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:182
ANSWERED ON:06.08.2010
NPAS OF BANKS QUESTION
Acharia Shri Basudeb;Ponnam Shri Prabhakar

Will the Minister of FINANCE be pleased to state:

- (a) whether the Non-Performing Assets (NPAs) of the public sector and private sector banks have increased during the last three years and the current financial year;
- (b) if so, the details thereof alongwith the reasons therefor;
- (c) whether such banks have written off a large amount of their NPAs during the same period;
- (d) if so, the details thereof and the reasons therefor;
- (e) whether the Government has any proposal to bring a legislation for the recovery of NPAs;
- (f) if so, the details thereof and the time by which the proposed legislation is likely to be introduced; and
- (g) the other remedial measures taken / being taken by the Government to contain NPAs?

Answer

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE)

(a) to (g): A statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO. 182 FOR 06-08-2010 REGARDING NPAs OF BANKS TABLED BY SHRI PONNAM PRABHAKAR AND SHRI BASUDEB ACHARIA

(a) & (b): The ratio of Gross Non-Performing Asset (NPA) to Gross Advances of Public Sector Banks (PSBs) decreased from 2.34 % as on 31-03-2008 to 2.27 % as on 31-03-2010 while this ratio increased from 2.26% to 2.31% and from 2.90% to 3.22% for Old and new Private Sector Banks respectively during the same period. Bank group-wise data is as follows:

Amount Outstanding at end (Rs. Crore)

Mar-08 Mar-09 Mar-10
Gross NPAs

New Private Sector Banks 10,419 13,815 13,772

Old Private Sector Banks 2,557 3,072 3,612

Public Sector Banks 39,749 44,039 57,301

Total Gross Advances

New Private Sector Banks 359,305 389,358 428,184

Old Private Sector Banks 113,040 130,297 156,407

Public Sector Banks 1,696,333 2,103,763 2,519,331

Gross NPAs to Gross Advances (%)

New Private Sector Banks 2.90 3.55 3.22

Old Private Sector Banks 2.26 2.36 2.31

Public Sector Banks 2.34 2.09 2.27

The increase in NPAs, in absolute terms, is broadly on account of the consolidated impact of business cyclically, economic slowdown, delay in implementation of projects and consequent repeated restructuring of accounts by banks, credit growth across the banking industry during the last few years.

(c) & (d): Although the banks have various channels of recovery for dealing with bad loans, they write-off bad loans after exhausting all the avenues of recovery including legal action and the recoverable value of the asset charged to the banks becomes nil.

Bank group-wise data on write-offs by banks during the last three financial years are as follows:

Write-Offs during the year ended (Rs. Crore)

Mar-08 Mar-09 Mar-10

Old Private Banks 453 504 1,331

New Private Banks 1,581 4,700 6,696

Public Sector Banks 7,347 6,929 10,040

(e) to (g): No, Sir. However, to improve the health of financial sector, to reduce the NPAs, to improve asset quality of the banks and to create a good recovery climate, Reserve Bank of India (RBI) and the Government have already taken various steps over the years, which, inter- alia, include prescribing prudential norms for provisioning and classification of non-performing assets, guidelines for prevention of slippages, Corporate Debt Restructuring and other restructuring schemes, One Time Settlement schemes, enactment of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, the Credit Information Companies (Regulation) Act, 2005 and the Recovery of Debts due to Banks and Financial Institutions (DRT) Act, 1993 etc.