

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3292

ANSWERED ON:13.08.2010

PROFITABILITY OF BANKS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the scheduled commercial banks including cooperative banks are running in the losses;
- (b) if so, the details thereof for the last three years alongwith the reasons therefor, bank-wise;
- (c) whether the said banks failed to sustain their profitability in the recent past;
- (d) if so, the details thereof alongwith reasons therefor; and
- (e) the steps taken / being taken by the Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRt S.S. PALANIMANICKAM)

(a) to (d): The Reserve Bank of India (RBI) has reported that out of 83 Scheduled Commercial Banks (SCBs), 9 SCBs (1 old private sector bank, 1 new private sector bank & 7 foreign banks) and out of 53 Scheduled Urban Cooperative Banks (UCBs), 8 UCBs had incurred losses during the last three years. Besides, National Bank for Agriculture and Rural Development (NABARD) has reported that out of 16 Scheduled State Co-operative banks, 2 banks suffered losses during the last three years. The details of losses suffered by these banks are as under:

(Rs. in crore)

Year	Private Banks	Foreign Banks	State Banks	Cooperative Banks	Urban Cooperative Banks
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	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
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2006-07	NA	NA	NA	NA	Nil	Nil	6	66.98		
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2007-08	-	-	-	-	1	3.24	1	10.68		
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2008-09	1	88.1	3	124.9	2	54.12	1	175.24		
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2009-10	2	180.6	7	753.9	NA	NA	NA	NA		
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The reasons for incurring losses by these banks, inter-alia, include poor quality of lending, absence of diversification of lending, lack of proper follow up and supervision over loans and advances, high transaction cost of the banks, poor recovery resulting in increase in overdues, increase in provisions for bad debts, etc.

(e): The Government of India, on the recommendations of Vaidyanathan Committee Report, is implementing a Revival Package aimed at reviving and revitalizing the Short Term Rural Cooperative Credit Structure (STCCS) to make it a well managed and vibrant medium to serve the credit needs of rural India, particularly the small and marginal farmers. This is being implemented in 25 States (covering more than 96% of the STCCS in the country). So far, an amount of Rs. 8,74129 crore (Rs. 7,987.60 crore as Government of India share and Rs. 753,69 crore as State Governments share) has been released to 49,779 Primary Agricultural Cooperative Societies (PACS) in 14 States to wipe out their accumulated losses and to provide them funds to have a CRAR of 7%.