

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:900

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NPAS

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Will the Minister of FINANCE be pleased to state:

- (a) the details of the norms adopted for declaring any loan as Non Performing Assets (NPAs);
- (b) whether the NPAs of the Public Sector Banks (PSBs) have increased during the last three years and the current year;
- (c) if so, the details thereof and the reasons therefor during the said period alongwith the percentage of this amount out of said NPAs related to agriculture and industrial sectors, year and sector-wise;
- (d) whether the account holders in banks have also increased with the increase in the NPAs amount;
- (e) if so, the number of accounts where the amount of NPAs increased by March 2009, March 2010 and March 2011; and
- (f) the steps taken / being taken by the Government to recover the NPAs of the banks?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

A Non-Performing Asset (NPA) is a loan or an advance where;

- (i) interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan,
- (ii) the account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC),
- (iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- (iv) a loan granted for short duration crops will be treated as NPA, if the installment of principal or interest thereon remains overdue for two crop seasons,
- (v) a loan granted for long duration crops will be treated as NPA, if the installment of principal or interest thereon remains overdue for one crop season.

Banks should classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

(b) & (c): The NPAs of Public Sector Banks (PSBs) have increased over the last three years. The data on percentage of NPAs related to Agriculture and Industrial Credit to the Gross NPA is as under:

(Amount Rs. in crores)

2009 2010 2011

Gross Advances 21,03,763 25,19,331 30,79,804

Gross NPA 44,042 57,301 71,047

(% of gross advances) 2.09% 2.27% 2.31%

Agricultural Sector 5,708 8,330 14,487

As % of Gross NPAs 12.96% 14.54% 20.39%

Industrial Credit NPAs 12,282 18,374 25,082

As % of Gross NPAs 27.89% 32.07% 35.30%

Source: Latest updated OSMOS Returns (Domestic operations)

(d) & (e): The Information will be collected and placed on the Table of House.

(f) 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, RBI and the banks 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 Institution (DRT) Act, 1993, etc.