

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:35

ANSWERED ON:03.07.2009

NPAs OF BANKS QUESTION

Gaikwad Shri Eknath Mahadeo; Satpathy Shri Tathagata

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Non-Performing Assets (NPAs) of Public Sector Banks are on the rise in the recent past;
- (b) if so, the details thereof, bank-wise and the reasons therefor;
- (c) whether a report published recently by Crisil has stated that NPAs of Indian banks are likely to triple over the next two years;
- (d) if so, the reaction of the Government thereon; and
- (e) the steps taken / being taken by the Government to monitor the position and bring down the level of NPAs to reasonable limits?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PRANAB MUKHERJEE)

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

STATEMENT FOR LOK SABHA STARRED QUESTION NO.35 FOR 3RD JULY, 2009 REGARDING NPAs OF BANKS TABLED BY SHRI TATHAGATA SATPATHY AND SHRI EKNATH M. GAIKWAD

(a) & (b): Bank-wise details of non-performing assets (NPAs) of Public Sector Banks (PSBs) as on 31st March, 2007, 2008 and 2009 are given in Annex. The increase in the absolute amount of NPAs may be attributed, inter-alia, to the consolidated impact of business cyclicity, delay in implementation of projects and credit growth across the banking industry during the last five years. However, the Gross NPAs to Gross Advances ratio and Net NPAs to Net Advances ratio of these banks have declined from 2.3% to 2.08% and 1.08% to 0.99%, respectively, between March, 2008 and March, 2009.

(c): In its recent study on NPAs of Indian banking industry titled 'Opinion on Risk', CRISIL has stated that the asset quality of Indian banks is expected to deteriorate over the medium term on account of slowdown in the economy and the seasoning of loan portfolio after a period of rapid credit growth between 2002-03 and 2007-08. The CRISIL has estimated that GNPA's of Indian banking system may increase from 2.3% as on March 2008 to around 5% in March 2011. The study further states that despite this, the asset quality will remain within manageable levels.

(d): The projection of NPAs in the CRISIL study are on the higher side as:

(i) It has not accounted for any upgradation of existing NPAs;

(ii) It has treated even a single day's delay in the re-payment as default whereas the RBI definition requires an account to be classified as NPA only after a default of 90 days.

(iii) Between 2009-10 and 2010-11, it has assumed a low average credit growth of 15 to 18 percent as against a growth of more than 25% between 2003-04 and 2007-08.

(e) 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 Government have 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.