

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3668

ANSWERED ON:14.12.2012

NPAS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Non-Performing Assets (NPAs) of Scheduled Commercial Banks (SCBs) have increased during each of the last three years and the current year;
- (b) if so, the details thereof sector-wise and the reasons therefore along with the details of the banks who have expressed their inability to keep a check on NPAs, bank-wise, year-wise;
- (c) the increase in the amount and percentage of NPAs of SCBs for the current year as compared to the previous year; and
- (d) the remedial measures taken/ being taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): The ratio of Gross Non-Performing Assets (GNPAs) to Gross Advances in respect of Scheduled Commercial Banks (SCBs) decreased from 2.51% in March 2010 to 2.36% in March 2011 and thereafter, increased to 2.94% in March 2012 and to 3.57% in September 2012.

(b): Sector-wise details of GNPA ratio in respect of SCBs as on March 2010, March 2011 and March 2012 are as under:

Sector	Mar 10	Mar 11	Mar 12
Agriculture	2.42%	3.30%	4.32%
SSI/SME	4.14%	3.58%	4.13%
Other Priority Sector	3.77%	3.98%	4.26%
Retail loans	3.89%	3.19%	2.95%
Real Estate	1.93%	1.54%	1.63%

Source; RBI

The major reasons in increase in NPAs is current macro-economic situation in the country, lower growth, high interest rates and switch over to system generated NPAs. Credit appraisal and monitoring of end use of funds also needs to improve. However, this increase does not pose any systemic risk.

(c): The GNPA of the SCBs has increased from Rs.94, 121 crore as on March, 2011 to Rs. 1, 37,102 crore as on March, 2012 {GNPA ratio increased by 0.58%} and Rs. 1, 70,738 crore as on September, 2012 (GNPA ratio increased by 0.63%).

(d): To improve the health of financial sector, to reduce the NPAs, to improve asset quality of banks and to prevent slippages, Reserve Bank of India (RBI) has issued instructions, which stipulate that each bank is required to have a loan recovery policy which sets down the manner of recovery of dues, targeted level of recfuction (period-wise), norms for permitted sacrifice /waiver, factors to be taken into account before considering waivers, decision levels, reporting to higher authorities and monitoring of write-off/waiver cases.

The instructions also stipulate that there should be a Board approved policy in place for valuation of properties including collaterals accepted for their exposures and the valuation should be done by professionally qualified independent valuers.

The Government has advised Public Sector Banks (PSBs) to take a number of new initiatives to increase the pace of recovery and manage NPAs, which include appointment of Nodal officers for recovery, to conduct special drives for recovery of loss assets, to put in place early warning system, to replace system of post dated cheques with Electronic Clearance System (ECS).

The Government has recently directed all PSBs to constitute a Board level Committee for monitoring of recovery.