

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:4

ANSWERED ON:22.02.2013

NPAS QUESTION

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Will the Minister of FINANCE be pleased to state:

- (a) whether the amount outstanding on account of Non Performing Assets (NPAs) in the banks has increased over the years;
- (b) if so, the details thereof including the percentage of NPAs held by the corporate sector, individuals, small and medium farmers during the last three years and the current year, category-wise;
- (c) the steps taken by the Government to reduce NPAs and improve the health of the financial sector and the success achieved as a result thereof; and
- (d) the further corrective steps being taken by the Government to address the issue?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (d): A Statement is laid on the Table of the House.

STATEMENT AS REFERRED TO IN REPLY TO PARAS (a) TO (d) OF LOK SABHA STARRED QUESTION NO. 4 FOR 22.02.2013 REGARDING NPAs.

(a) & (b): The Gross Non-Performing Assets (GNPAs) of the Scheduled Commercial Banks (SCBs) has increased from Rs.94,121 crore as on March, 2011 (GNPA ratio 2.36%) to Rs. 1,37,102 crore as on March, 2012 (GNPA ratio 2.94%) and Rs. 1,84,193 crore as on December, 2012 (GNPA ratio 3.69%). Category-wise GNPA and GNPA ratio for agriculture, retail loans and corporate available details as provided by RBI are as under:

(Amount in Rs. Crore)

| Value Name | Mar-10 | Mar-11 | Mar-12 | Dec-12 |
|-----------------------------------|--------|--------|--------|--------|
| Gross NPAs | 81808 | 94121 | 137102 | 184193 |
| GNPAs Agriculture | 10354 | 16661 | 24827 | 30800 |
| GNPAs Retail Loans | 24617 | 23781 | 24528 | 26224 |
| GNPAs in Corporate lending | 33862 | 37645 | 68221 | 98884 |
| GNPAs Ratio in Agriculture (as %) | 2.42 | 3.30 | 4.321 | 5.20 |

GNPAs Ratio in 3.89 3.25 2.85 2.73
Retail Loans (as %)

GNPAs Ratio in 1.79 1.63 2.48 3.41
Corporate
lending (as %)

Source: Latest updated RBI (OSMOS) database.

(c) to d): To improve the health of the 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 robust mechanism for early detection of signs of distress including prompt restructuring in the case of all viable accounts; to have a loan recovery policy which sets down the manner of recovery of dues, targeted level of reduction (period-wise), norms for permitted sacrifice/waiver, factors to be taken into account before considering waivers, decision levels, and reporting to higher authorities; monitoring of write-off/waiver cases; valuation of properties including collaterals accepted for their exposures; and taking recourse to legal mechanisms like SARFAESI Act, 2002, DRTs and Lok Adalats.

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) and to constitute a Board level Committee for monitoring of recovery.

Parliament has recently enacted 'The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012' for removing certain bottlenecks in the recovery of bad debts. The Amendment Act has come into force from 15.01.2013.

The steps taken by the Government and RBI have resulted in improvement in recovery of NPAs. The recovery of NPA by Public Sector Banks has increased from Rs. 9,726 crore (March 2010) to Rs. 13,940 crore (March 2011), Rs. 17,043 crore (March 2012) and Rs. 10,815 crore (September 2012).