

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5186
ANSWERED ON:26.04.2013
ASSET QUALITY IN BANKS
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Will the Minister of FINANCE be pleased to state:

- (a) whether there has been a steady deterioration in asset quality of banks due to higher interest rates etc.;
- (b) if so, the details thereof and the reasons therefor; and
- (c) 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) & (b): Reserve Bank of India (RBI) has informed that Gross Non-performing Assets (GNPAs) to Gross Advances ratio of Scheduled Commercial Banks, has increased from 2.51% as on 31.03.2010 to 2.94% as on 31.03.2012. Main reasons for increase in NPAs of banks, inter-alia, are switch over to System Based Identification of NPAs, current macro-economic situation in the country, increased interest rates in the recent past, lower economic growth and aggressive lending by banks in the past, especially during good times.

(c) To improve the health of the financial sector, to improve asset quality of banks, and to reduce NPA, 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, inter-alia, 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.

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 (RDDBFI) Act, 1993, etc.

Furthermore, in order to ensure effective and expeditious recovery of defaulted loans of Banks and Financial Institutions through effective enforcement of their security interest, the SARFAESI Act and RDDBFI Act (DRT Act) have been amended. The Enforcement of Security interest and Recovery of Debts Laws (Amendment) Act, 2012` (No.1 of 2013) has been enacted bringing out certain amendments in the SARFAESI, Act, 2002 and RDDBFI Act, 1993.