

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:243

ANSWERED ON:30.03.2012

NPAs OF BANKS

Ganpatrao Shri Jadhav Prataprao;Panda Shri Prabodh

Will the Minister of FINANCE be pleased to state:

- (a) whether the Non-Performing Assets (NPAs)/bad loans of scheduled commercial banks and other Financial Institutions (FIs) have increased during each of the last three years and the current year;
- (b) if so, the details thereof, bank/FI-wise and sector-wise and the reasons therefor along with the impact of such NPAs on the profitability of the said banks;
- (c) whether the said banks have written off a part of their NPAs during the said period;
- (d) if so, the details thereof, bank-wise and the reasons therefor alongwith the criterion followed by the said banks for writing off such NPAs; and
- (e) the corrective steps taken/being taken by the Government to keep a check on such NPAs and to simplify the procedure for recovery of such NPAs/bad loans particularly pertaining to the big industrial/corporate houses?

Answer

THE MINISTER 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.243 FOR 30TH MARCH 2012 REGARDING 'NPAs of BANKS' TABLED BY SHRI PRABODH PANDA, M.P. AND SHRI PRATAPRAO GANPATRAO JADHAO, M.P.

(a) & (b): The bank-wise and Financial Institution(FI)-wise details are at Annex-I.

As per data made available by the Reserve Bank of India (RBI), the Gross NPAs of Scheduled Commercial Banks (SCBs) have shown an increasing trend during the last three years i.e. Rs. 68220.22 crore (March, 2009), Rs. 81812.99 crore (March, 2010), Rs. 94084.23 crore (March, 2011) and Rs. 127476.05 crore (December, 2011). At the same time the Profit After Tax of the SCBs has also increased from Rs. 50510.19 crore (March, 2009) to Rs. 52689.07 crore (March, 2010) to Rs. 65224.10 crore (March, 2011) and Rs. 53648.60 crore (December, 2011).

Main reasons for increase in NPAs of banks are due to switch over to System Based Identification of NPAs, increase in interest rates and lower economic growth during 2011 impacting the repayment capacity of borrowers, especially small and medium enterprises.

(c) & (d): The bank-wise details of reduction of NPAs due to Compromise/Write-off are at Annex-II. Banks resort to write off only after exhausting all other possible avenues for recovery or when the asset coverage is not enough.

The banks are required to adhere to the Guidelines issued by RBI on write off of loans. As per RBI's Master Circular DBOD No. BP.BC.12/21.04.048/2011-12 dated 01.07.2011 on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances, among other things, the banks should either make full provision as per the guidelines or write-off such advances and claim such tax benefits as are applicable.

(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, Reserve Bank of India (RBI) and the Government have already taken various steps over the years, which, inter-alia, include 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 and Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI).