

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4036
ANSWERED ON:20.03.2015
FINANCIAL STATUS OF BANKS
Reddy Shri Mekapati Rajamohan

Will the Minister of FINANCE be pleased to state:

- (a) whether the Public Sector Banks (PSBs) have witnessed a systematic destruction of their balance sheets with an increase in NPA and unchallenged debt restructuring in the recent past;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the steps taken/being taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a)& (b): Sir, the data on asset quality of Public Sector Banks (PSBs) is as under: (Amount in Rs. Crore)

Value Name	March-13	March-14	December-14
Gross NPAs	1,55,890	2,16,739	2,61,265
Gross NPAs to Gross Advances (%)	3.84	4.72	5.63
Restructured Standard Advances	2,91,345	3,29,215	3,50,140
Restructured StdAdv to Gross Advances (%)	7.18	7.17	7.54

(Source: RBI-Off-site returns, domestic operations)

Main reasons for increase in NPAs of banks, inter-alia, are stalled projects, sluggishness in the domestic growth in the last few years and slowdown in recovery in the global economy.

(c): Reserve Bank of India (RBI)/Government has taken following measures for recovery of NPAs:

To have a Board approved loan recovery policy;

To put in place an effective mechanism for information sharing for sanction of loans;

Required to have a robust mechanism for early detection of signs of distress including prompt restructuring in the case of all viable accounts;

Taking recourse to legal mechanisms like SARFAESI Act, 2002, DRTs and LokAdalats;

To review slippages in asset classification in the borrowal accounts with outstanding Rs.5 crore and above by the Board of Directors of the bank and review NPA accounts which have registered recoveries of Rs.1 crore and above;

Management Committee of the Board to review top 100 borrowal accounts of below Rs.5 crore in each category of NPA i.e., Sub-standard/Doubtful/Loss;

RBI has released guidelines dated 30 January, 2014 for "Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalizing Distressed Assets in the Economy" suggesting various steps for quicker recognition and resolution of stressed assets:

Creation of a Central Repository of Information on Large Credits (CRILC) by RBI to collect, store, and disseminate credit data to banks on credit exposures of Rs.5 crore and above,

Formation of Joint Lenders Forum (JLF), Corrective Action Plan (CAP), and sale of assets. 254 JLFs have been formed so far for reviewing projects.

Six new DRTs at Bengaluru, Chandigarh, Dehradun, Ernakulam, Hyderabad, and Siliguri have been sanctioned by the Government, in addition to existing 33 DRTs for faster disposal of recovery cases.

Government has announced in the Budget Bankruptcy law reform and a task force for creating Financial Redressal Agency to address grievance against all financial service providers.