

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5220
ANSWERED ON:24.04.2015
ASSESSMENT OF NPA
Chandumajra Shri Prem Singh

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has conducted any study/assessment regarding NPAs /bad loans of the Scheduled Commercial Banks (SCBs);
- (b) if so, the details thereof and outcome therefrom;
- (c) whether the banks have permitted to utilise upto 50% of Counter-cyclical provisioning held by them to tackle the financial crisis in banks due to bad loans; and
- (d) if so, the details thereof?

Answer

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

(a) & (b): RBI publishes Financial Stability Report (FSR) on half yearly basis on banking. FSR December, 2014 states that the banking stability indicator suggests that overall risks to the banking sector remained unchanged during the first half of 2014-15. The stress tests suggest that the asset quality of banks may improve in the near future under expected positive developments in the macroeconomic conditions and banks may also be able to meet expected losses with their existing levels of provisions. However, the asset quality of scheduled commercial banks may worsen from the current level if the macroeconomic conditions deteriorate drastically, and banks are likely to fall short in terms of having sufficient provisions to meet expected losses under adverse macroeconomic risk scenarios.

(c) & (d): RBI Circular dated March 30, 2015, permits banks to utilise up to 50 per cent of counter cyclical provisioning buffer/floating provisions held by them as at the end of December 31, 2014, for making specific provisions for non-performing assets, as per the policy approved by their Board of Directors.

Utilisation of counter cyclical provisioning buffer/floating provisions under this measure would be over and above the utilisation of counter cyclical provisioning buffer/floating provisions as permitted in RBI Circular dated February 26, 2014 on 'Framework for Revitalising Distressed Assets in the Economy – Refinancing of Project Loans, Sale of NPA and Other Regulatory Measures'.