

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3105

ANSWERED ON:07.08.2015

Financial Stability Report

Hegde Shri Anant Kumar Dattatreya;Mohan Shri P. C.

Will the Minister of FINANCE be pleased to state:

(a) whether the Financial Stability Report (FSR) released by the Reserve Bank of India (RBI) recently reveals that the banking sector in India is under extreme financial stress and warn about Indian bank's high levels of bad loans that have worsened their ability to repay debt;

(b) if so, the details thereof and the reaction of the Government thereto; and

(c) the corrective measures taken/ proposed to be taken by the Government in this regard?

Answer

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

(a) to (c): In its Financial Stability Report (FSR), June 2015, Reserve Bank of India informed that under the baselines scenario, the Gross Non Performing Assets (GNPAs) ratio of all Scheduled Commercial Banks (SCBs) may increase to 4.8% by September, 2015 from 4.6% as of March, 2015 which could subsequently improve to 4.7% by March, 2016. However, if macroeconomic conditions deteriorate, the GNPAs ratio may increase further and it could rise to around 5.9% by March, 2016 under a severe stress scenario.

A number of steps have been taken by the Government and Reserve Bank of India. Government has decided to establish six (6) new Debt Recovery Tribunals (DRTs), to speed up the recovery of bad loans of the banking sector. In addition, the Government has advised Public Sector Banks (PSBs) to constitute a Board level Committee for monitoring of recovery and to increase the pace of recovery and manage NPAs. To remove bottlenecks in the recovery of bad debts The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012 has been passed by Parliament and has come into force from 15.01.2013. RBI has also taken a number of steps to resolve the NPA issues. In January, 2014 it came out with "Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders : Framework for Revitalizing Distressed Assets in the Economy," in which the banks have to start acting as soon as a sign of stress is noticed in a borrower's action and not wait for it to become a NPA.
