GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:357
ANSWERED ON:01.08.2014
CAPITAL ADEQUACY RATIO
Dhotre Shri Sanjay Shamrao;Mahtab Shri Bhartruhari

Will the Minister of FINANCE be pleased to state:

(a) Whether the Scheduled Commercial Banks(SCBs) have maintained the required Capital Adequacy Ratio (CAR) despite negative effects of economic slowdown during the current year;

(b) If so, the details thereof including the CAR to be maintained as prescribed by RBI for Banks;

(c) Whether the Reserve Bank of India has projected that gross Non Performing Assets (NPAs) of the SCBs will rise to 4.4 percent if the macro economic situation does not improve;

(d) If so, the details thereof along with the reaction of the Government thereto;

(e) Whether the credit rating of Indian Banking Sector has been downgraded by some credit rating agencies; and

(f) If so, the details thereof and the reasons therefor including the reaction of the Government thereon and the corrective steps taken/ being taken by the Government in this regard?

Answer

THE MINISTER OF FINANCE (SHRI ARUN JAITLEY)

(a) to (f): A Statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO. 357 FOR 1st AUGUST, 2014 REGARDING CAPITAL ADEQUACY RATIO TABLED BY SHRI BHARTRUHARI MAHTAB AND SHRI SANJAY DHOTRE , MEMBERS OF PARLIAMENT

(a) and (b): All Scheduled Commercial Banks, except Dhanlaxmi Bank Ltd (a Private Sector Bank) have maintained the required Capital Adequacy Ratio against the minimum regulatory prescription of 9% as on 31.3.2014. The bank-wise details are at Annexure.

(c) to (f): Macro-stress tests are conducted by the Financial Stability Unit of Reserve Bank of India to ascertain the resilience of banks against macroeconomic shocks. The results of this analysis, presented in the Financial Stability Report-June2014, suggest that under the baseline scenario, the GNPA ratio is expected to be around 4.1 per cent of total advances during the financial year 2014-15. However, if the macroeconomic conditions deteriorate, the GNPA ratio may increase to around 4.5 per cent under medium stress scenario by March 2015.

Credit rating agencies publish reports/ comments/opinion on different segments of economy including banking sector on an ongoing basis. Out of various Indian rating agencies, only India Ratings and Research Ltd. provides a summary and outlook on India Banking Sector. It has maintained outlook as "Stable" in their latest report published in January, 2014. Moody's an International rating agency, has maintained their outlook for Indian Banking Sector as "Negative", ever since November, 2011.

RBI conducts Annual Financial Inspection of the Banks, on the basis of which Monitorable Action Points are prescribed for the banks. Regular follow-up with the banks is done through the off-site and on-site inspection and analysis of the quarterly and annual results of the banks. RBI on 30.01.2014 has prescribed guidelines of early recognition of financial distress, prompt steps for resolution and fair recovery for lenders, framework for revitalising distressed assets in the economy, formation of Joint Lending Forum, corrective action plan. RBI has advised banks to have system generated segment wise information on non-performing assets and restructured assets including data on the opening balances, additions, reductions, closing balances, provisions held, technical write-offs etc. Banks have been advised to take adequate steps to strengthen their risk management systems, credit appraisal and sanction process, post sanction monitoring and follow-up and have a robust Management Information System (MIS) mechanism. RBI has also issued instructions to banks on June 26, 2014 on Prudential Norms on Income Recognition and Asset Classification and Provisioning Pertaining to Advances- Projects under implementation.

The Government of India has advised 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 the Parliament and has come into force from 15.01.2013. Government of India on 26.6.2014 suggested the PSBs to have more focussed monitoring of NPAs, to assign responsibility at the

Executive Director level, hiring best lawyers and monitoring their performance in defending banks' interest in DRTs and High Courts.