

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES  
LOK SABHA

STARRED QUESTION NO. †\*401

TO BE ANSWERED ON THE 22<sup>ND</sup> JULY 2019/ ASHADHA 31, 1941 (SAKA)

**Losses of PSBs**

†\*401. SHRI ASHOK KUMAR RAO:

Will the Minister of FINANCE be pleased to state:

- (a) whether the losses incurred by the Public Sector Banks (PSBs) have increased upto more than Rupees 15000 crore;
- (b) if so, the reasons therefor;
- (c) if not, the losses of PSBs at present; and
- (d) the steps being taken by the Government to reduce such losses?

**ANSWER**

**The Finance Minister  
(SMT. NIRMALASITHARAMAN)**

(a) to (d): A statement is laid on the Table of the House.

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**STATEMENT FOR LOK SABHA STARRED QUESTION NO. †\*401  
FOR 22<sup>ND</sup> JULY 2019 REGARDING “LOSS OF PSBS” BY SHRI ASHOK  
KUMARAWAT, MEMBER OF PARLIAMENT**

(a) to (d): As per RBI data on global operations, aggregate gross advances of Public Sector Banks (PSBs) increased from Rs. 18,19,074 crore as on 31.3.2008 to Rs. 52,15,920 crore as on 31.3.2014. As per RBI inputs, the primary reasons for spurt in stressed assets have been observed to be, *inter alia*, aggressive lending practices, wilful default/loan frauds/corruption in some cases, and economic slowdown. Asset Quality Review (AQR) initiated in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of Non-Performing Assets (NPAs). As a result of AQR and subsequent transparent recognition by banks, stressed accounts were reclassified as NPAs and expected losses on stressed loans, not provided for earlier under flexibility given to restructured loans, were provided for. Further, during 2018, all such schemes for restructuring stressed loans were withdrawn. As a result, PSBs posted aggregate operating profits during FY2017-18 and FY2018-19 of Rs. 1,55,586 crore and Rs. 1,53,891 crore respectively. However, primarily due to continuing ageing provision for NPAs, they made aggregate provision for NPAs and other contingencies of Rs. 2,40,956 crore and Rs. 2,36,649 crore respectively, resulting in aggregate net losses of Rs. 85,370 crore and Rs. 80,084 crore respectively. Thus, aggregate losses of PSBs reduced by Rs. 5,286 crore in FY2018-19 vis-à-vis aggregate losses in FY2017-18. Further, as a result of Government's 4R's strategy of recognition, resolution, recapitalisation and reforms, their gross NPAs have since declined from Rs. 8,95,601 crore as on 31.3.2018 to Rs. 7,89,569 crore as on 31.3.2019 (RBI data on global operations; provisional data for 31.3.2019).

Steps taken under the aforementioned 4R's strategy include, *inter-alia*, the following:

- (i) Change in credit culture was effected, with the IBC fundamentally changing the creditor-borrower relationship, taking away control of the defaulting company from promoters/owners and debarring wilful defaulters from the resolution process and debarring them from raising funds from the market.
- (ii) Over the last four financial years, PSBs were recapitalised to the extent of Rs. 3.12 lakh crore, with infusion of Rs. 2.46 lakh crore by the Government and mobilisation of over Rs. 0.66 lakh crore by PSBs themselves.
- (iii) Key reforms were instituted in PSBs as part of PSBs Reforms Agenda, which include, *inter-alia*, the following:
  - (a) Board-approved Loan Policies of PSBs now mandate tying up necessary clearances/approvals and linkages before disbursement, scrutiny of

- group balance-sheet and ring-fencing of cash flows, non-fund and tail risk appraisal in project financing.
- (b) Use of third-party data sources for comprehensive due diligence across data sources has been instituted.
  - (c) Monitoring has been strictly segregated from sanctioning roles in high-value loans, and specialised monitoring agencies combining financial and domain knowledge have been deployed for effective monitoring of loans above Rs. 250 crore.
  - (d) To ensure timely and better realisation in one-time settlements (OTSs), online end-to-end OTS platforms have been set up.

Gains to PSBs are amply visible in their growing financial strength. As per RBI data on global operations (including provisional data for March 2019, as reported on 2.7.2019), gross NPAs of PSBs have reduced over the last financial year by Rs. 1,06,032 crore, record recovery of Rs. 3,16,479 crore has been effected over the last four financial years and domestic credit growth has risen to 10.20% during FY2018-19. Growing strength of PSBs is also evident from the fact that all PSBs meet minimum regulatory capital requirement, six PSBs are now out of lending restrictions on account of placement under Reserve Bank of India's Prompt Corrective Action framework, balance-sheets of PSBs have been substantially cleaned up through transparent recognition of NPAs and their provision coverage ratio is at its highest level in seven years.

*Note: Figures cited above for PSBs include those for IDBI Bank Limited, which was re-categorised as a private sector bank by RBI with effect from 21.1.2019.*

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