

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

**UN-STARRED QUESTION NO. 4087**  
TO BE ANSWERED ON 28<sup>th</sup> MARCH, 2022 / 7 CHAITRA, 1944 (SAKA)

**'NPAs under PMEGP'**

4087: SHRIMATI RAJASHREE MALLICK:

Will the Minister of FINANCE be pleased to state:

- (a) whether banks are raising high incidence of Non-Performing Assets (NPAs) under Prime Minister Employment Generation Programme (PMEGP) in various forums, one of the reasons for such high NPA may be scaling down the project cost and not making full disbursement and if so, the reasons of such high incidence;
- (b) whether the Government proposes to amend the giving more leverage to SFCs with diversification of activities commensurating the present competitive business scenario and if so, the details thereof;
- (c) whether the Government is providing budgetary support to commercial banks against their NPAs and if so, the details thereof;
- d) whether the Government proposes to give any budgetary grant to SFCs against their NPAs; and
- (e) if so, the details thereof?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a): The Reserve Bank of India (RBI) has issued the Lead Bank Scheme for coordinating the activities of banks and other developmental agencies through forums such as the Block Level Bankers' Committee, District Consultative Committee and State Level Bankers' Committee, in order to achieve the objective of enhancing the flow of bank finance to the priority sector and other sectors and to promote banks' role in the overall development of the rural sector. As part of mandate of the said forums to review credit disbursement by banks, the forums are also mandated to discuss lending towards government sponsored schemes and the position of NPAs in respect of schematic lending and pursuant to this, banks also discuss in these forums the position of NPAs in lending towards various such schemes, including PMEGP.

The incidence of NPAs in lending by banks, including towards government sponsored schemes such as PMEGP, is attributable to several factors, which may include prevailing macroeconomic conditions, sectoral issues, global business environment, delayed recognition of stress by the banks, improper risk pricing and poor credit underwriting, governance issues in the borrowing entities, and requirement of funds turning out to be at variance from the scale of finance assessed due to reasons like lack of specialised skills for project appraisals, time and cost overruns in project implementation, etc.

(b): No proposal is currently under consideration of the Government to make amendments in the State Financial Corporations Act, 1951 for giving more leverage to State Finance Corporations with diversification of activities.

(c): Government as the promoter of public sector banks infuses capital in these banks as consideration for shares issued by the banks to the Government. Banks are required to make provision for NPAs in accordance with the norms laid down by RBI in this regard, and they accordingly make such provision out of their operating profits.

(d): No such proposal is under consideration of the Government.

(e): Question does not arise.

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