GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-3078
ANSWERED ON- 15/03/2021

NPAs of PSBs

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Will the Minister of FINANCE be pleased to state:-

(a) the total value of Non-Performing Assets (NPAs) in Public Sector Banks (PSBs) in India;

(b) the details of the percentage change in the total value of Non-Performing Assets from 2019-20 to 2020-21, bank-wise; and

(c) the details of the measures taken by the Government to deal with the NPAs?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a) to (c): As per Reserve Bank of India (RBI) data, aggregate gross advances of 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/and economic slowdown. Asset Quality Review (AQR) initiated in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of 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 Further, all such schemes for restructuring stressed loans were withdrawn in the financial year (FY) 2017-18. Primarily as a result of transparent recognition of stressed assets as NPAs, as per RBI data on global operations, gross NPAs of PSBs rose from Rs. 2,79,016 crore as on 31.3.2015, to Rs. 8,95,601 crore as on 31.3.2018, and as a result of Government's strategy of recognition, resolution, recapitalisation and reforms, have since declined to Rs. 6,78,317 crore as on 31.3.2020. As per audited financials of PSBs, it has further declined to Rs. 5,77,137 crore as on 31.12.2020.

As per RBI data on global operations, bank-wise details of percentage change in gross NPAs of PSBs as on 31.12.2020 over that of 31.3.2020, are at Annex.

Government has implemented a comprehensive strategy, consisting of recognition of NPAs transparently, resolution and recovery of value from stressed accounts, recapitalisation of PSBs, and reforms in PSBs and the wider financial ecosystem for a responsible and clean system. Comprehensive measures have been taken to deal with NPAs, including, *inter-alia*, the following:

(1) Change in credit culture has been effected, with the Insolvency and Bankruptcy Code (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. As per the Insolvency and Bankruptcy Board of India data, resolution plans under IBC have been approved in 277 cases till September 2020, with Rs. 1.89 lakh crore realisable amount by financial creditors.

(2) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 has been amended to make it more effective, with provision for three months' imprisonment in case the borrower does not provide asset details, and for the lender to get possession of mortgaged property within 30 days.

(3) As per RBI instructions, wilful defaulters are not sanctioned any additional facilities by banks or financial institutions, and their unit is debarred from floating new ventures for five years.

(4) Wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds, *vide* Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2016.

(5) Pecuniary jurisdiction of Debt Recovery Tribunal (DRTs) was increased from Rs. 10 lakh to Rs. 20 lakh to enable the DRTs to focus on high value cases resulting in higher recovery for the banks and financial institutions. Six new DRTs have also been established to expedite recovery.

(6) Over the last six financial years and the current financial year, Government has infused capital of Rs. 3.24 lakh crore in PSBs, along with PSBs themselves mobilising Rs. 2.77 lakh crore from market in the form of both equity and bonds, and from monetising their non-core assets to extent of Rs. 36,226 crore, enabling PSBs to pursue timely resolution of NPAs.

(7) Key reforms have been instituted in PSBs as part of the Public Sector Banks Reforms Agenda, including the following:

   (i) Stressed Asset Management verticals were set up in banks for focused slippage prevention, recovery arrangement and time-bound action in respect of large-value stressed assets.

   (ii) 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.

   (iii) Use of third-party data sources for comprehensive due diligence across data sources has been instituted, thus mitigating risk on account of misrepresentation and fraud.

   (iv) 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.

   (v) To ensure timely and better realisation in one-time settlements (OTSs), end-to-end OTS platform have been set up.

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Annex

Lok Sabha unstarred question no. 3078, regarding NPAs of PSBs

Details of percentage change in gross NPAs of PSBs in December 2020 over March 2020

Bank	**Percentage change**
Bank of Baroda	-8.94
Bank of India	-10.65
Bank of Maharashtra	-33.57
Canara Bank	-18.55
Central Bank of India	-9.52
Indian Bank	-16.10
Indian Overseas Bank	-15.87
Punjab and Sind Bank	-4.33
Punjab National Bank	-10.16
UCO Bank	-40.67
Union Bank of India	-9.49
State Bank of India	-21.36

Source: Reserve Bank of India

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