

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

UNSTARRED QUESTION NO. 3194

TO BE ANSWERED ON THE 5TH JANUARY 2018/ PAUSHA 15, 1939 (SAKA)

Growth of Bank Credit

3194. SHRI RAJESH KUMAR DIWAKER:

SHRI M.B. RAJESH:

Will the Minister of FINANCE be pleased to state:

- (a) whether there has been a multi decadal decline in the growth of bank credit in the current financial year, if so, the details thereof and the reasons therefor;
- (b) whether the bank credit growth has hit a low on the back of bad loans in previous years of 2015 and 2017 and turning into Non-Performing Assets, if so, the details thereof;
- (c) whether there is no statistics or standard base on which the situation has improved or deteriorated, if so, the details thereof and the reasons therefor;
- (d) whether this decline has impacted the private investment in the economy, if so, the details thereof; and
- (e) the steps taken by the Government to step up bank credit growth apart from the recapitalisation bonds along with the action taken against the bank officials with regard to NPAs?

ANSWER

The Minister of State in the Ministry of Finance
(SHRI SHIV PRATAP SHUKLA)

(a) to (d): As per the Financial Stability Report, published by the Reserve Bank of India (RBI) in December 2017, credit growth of Scheduled Commercial Banks increased from 4.4 per cent to 6.2 per cent between March 2017 and September 2017 on year-on-year basis, and credit growth of Public Sector Banks (PSBs) increased from 0.7 per cent to 2.2 per cent during the same period reversing the declining trend observed during the past two years.

(e): RBI and Government have taken various steps to address the stress situation in banks and enable higher banks credit growth. These include:

- i. Elaborate regulatory guidelines for management of asset quality in banks;
- ii. A framework of Prompt Corrective Action (PCA) to monitor bank's position so as to take appropriate supervisory action;
- iii. Guidelines on bank frauds, with Early Warning Signals and Red Flagged Accounts, to strengthen the fraud identification and monitoring framework;
- iv. Enactment of the Insolvency and Bankruptcy Code, 2016 to improve the recovery environment;
- v. Amendment to the Banking Regulation Act, 1949 for authorizing RBI to direct banks to resolve specific stressed assets by initiating the insolvency resolution process, and empowering RBI to issue other directions for resolution of stressed accounts.

In case of accounts categorised as NPAs, PSBs carry out a staff accountability exercise, as prescribed in the Central Vigilance Commission Manual, and action is taken as per applicable regulations or provisions.
