

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA
UNSTARRED QUESTION NO: 1347

TO BE ANSWERED ON THE 9TH FEBRUARY 2018/MAGHA 20, 1939 (SAKA)

QUESTION

BAD LOAN OF INDIA

1347:

SHRI DHARMENDRAYADAV: SHRI ADHALRAOPATIL SHIVAJIRAO:
DR. PRITAM GOPINATH MUNDE: SHRI SHRIRANG APPABARNE:
SHRI ANANDRAO ADSUL:

Will the Minister of FINANCE be pleased to state:

- a) whether the Non-Performing Assets (NPAs) accumulated by Indian lenders are higher than those of banks in most major economies including the US, UK, China and Japan and if so, the details thereof and the rank of India among the major world economies plagued by such bad loans;
- b) whether gross NPAs increased to 10.2 percent in September, 2017 compared to 9.6 percent in March, which has cautioned against further deterioration as gross NPAs could inch up to 10.8 percent by March, 2018 and if so, the facts thereof;
- c) whether the Government and the Reserve Bank of India (RBI) are readying a strategy to deal with the bad loan problem and if so, the details thereof along with the plan prepared by the Government in this regard;
- d) whether any comprehensive strategy has been chalked out by the Government to nab the defaulters and if so, the details thereof; and
- e) whether the report from banks post completion of forensic audit on big defaulters has been received by the Government and if so, the details thereof and the time by which the action against the defaulters will be initiated?

ANSWER

To be answered by
THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHIV PRATAP SHUKLA)

(a) Reserve Bank of India (RBI) has informed that from country-wise data on ratio of non-performing loans to total gross loans available on the International Monetary Fund database, it is observed that the ratio for India compares adversely with those of USA, UK, China and Japan.

(b) As per Financial Stability Report (FSR) released by Reserve Bank of India (RBI) in December 2017, the gross NPAs (GNPAs) of Scheduled Commercial Banks increased to 10.2 percent in September 2017 compared to 9.6 percent in March 2017. Further, as per FSR,

macro stress test for credit risk indicates that under the baseline scenario, the GNPA ratio of the banking sector may increase to 10.8 percent by March 2018.

(c) and (d): The problem of NPAs of banks has been addressed holistically through transparent and realistic recognition of NPAs, provision for expected losses and unprecedented recapitalisation and putting in place a clean recovery system.

Asset Quality Review initiated by Reserve Bank of India (RBI) in 2015, and subsequent transparent recognition by banks revealed high Non-Performing Assets (NPAs), which have impacted balance-sheets of several Public Sector Banks (PSBs).

For strengthening PSB balance-sheets, under Indradhanush plan, Government provided for Rs. 70,000 crore till FY 2018-19, as a result of which despite high NPA and consequent provisioning, banks were successful in complying with capital adequacy norms. Further, with the object of increasing credit off-take and promoting creation of jobs, in October 2017 Government announced, and has since initiated, recapitalisation of Public Sector Banks by Rs. 2,11,000 crore within two financial years to make banks weakened by NPAs strong.

Further, to enable effective action in respect of defaulters, Insolvency and Bankruptcy Code, 2016 was enacted, which provides for time bound resolution of stressed assets. Cases have been instituted under the Code in the National Company Law Tribunal (NCLT) in respect of the 12 largest defaulters, amounting to about 25% of the NPAs of the entire banking system. To safeguard against misuse of the legal process, wilful defaulters and persons associated with NPA accounts have been barred from participating in the process under way in NCLT.

(e): As per RBI's Master Directions on Frauds, banks undertake forensic audit and take action upon forensic audit reports. These Directions do not envisage submission of such reports to and action thereon by the Government.
