

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

UNSTARRED QUESTION NO. †4070  
TO BE ANSWERED ON THE 10TH AUGUST 2018 / SHRAVANA 19, 1940 (SAKA)  
Clean-up the Balance Sheet of PSBs

†4070. DR. KARAN SINGH YADAV:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has directed the Public Sector Banks (PSBs) to clean up their balance sheets in the current financial year;
- (b) if so, the details thereof;
- (c) the details of reported losses of PSBs in their balance sheet in the third quarter;
- (d) whether the PSBs had shown profits in the previous financial year have registered losses in the current financial year and if so, the details thereof; and
- (e) whether the Government proposes to analyze the reasons for such losses incurred by these banks and if so, the details thereof?

ANSWER

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

a) and (b): Reserve Bank of India (RBI) has apprised that no directions in particular have been issued to PSBs to clean up their balance sheets in the current financial year (FY).

(c): Public Sector Banks (PSBs) witnessed a period of aggressive lending from 2008 to 2014 where the gross advances of PSBs increased from 18.2 lakh crore to 52.16 lakh crore as per RBI data. Reasons for spurt in stressed assets have been observed to be, *inter-alia*, due to 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 NPAs. Stressed loans, not provided for earlier under flexibility given to restructured loans, were reclassified as NPAs and provided for. PSBs initiated cleaning up by recognising NPAs and provided for expected losses. As a result, while PSBs have reported aggregate operating profit of Rs. 36,725 crore in the third quarter of FY 2017-18, due to provisioning of Rs. 54,822 crore substantially on account of transparent recognition of NPAs by PSBs and consequent requirement of ageing provision, they have reported a net loss of Rs. 18,098 crore in the said quarter.

(d) and (e): PSBs that had reported a profit in the previous financial year have also reported a profit in the results for the first quarter of the current financial year. The reason for analysis of losses does not arise.

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