

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA  
UNSTARRED QUESTION NO: 4132  
TO BE ANSWERED ON THE 10<sup>th</sup> AUGUST 2018 / SHRAVANA 19, 1940 (SAKA)

QUESTION  
ASSET QUALITY REVIEW OF BANKS

**4132: SHRI RAM CHARITRANISHAD:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank's Asset Quality Review has led to the recognition of a huge pile of non performing assets hidden on bank books which is worth over 40 per cent of the system wide bad loans;
- (b) if so, the details thereof;
- (c) whether the banking system in the country is now poised for a better future and support the credit needs of the economy; and
- (d) if so, the details thereof?

**ANSWER**

**To be answered by**

**THE MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI SHIV PRATAP SHUKLA)**

(a) and (b): Gross advances of Scheduled Commercial Banks (SCBs) increased from Rs. 25,03,431 crore as on 31.3.2008 to Rs. 68,75,748 crore as on 31.3.2014, as per the global operations data of the Reserve Bank of India (RBI). As per RBI inputs, the primary 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) was carried out in 2015, with reference to the position as on 31.3.2015, for clean and fully provisioned bank balance-sheets. It revealed high incidence of Non-Performing Assets (NPAs). Stressed loans, not provided for earlier under flexibility given to restructured loans, were reclassified as NPAs and provided for. Public Sector Banks (PSBs) initiated cleaning up by recognising NPAs and provided for expected losses. Further, during the financial year (FY) 2017-18, all such schemes for restructuring stressed loans were withdrawn. The aggregate gross NPAs of SCBs increased primarily as a result of this transparent recognition of stressed assets as NPAs, from Rs. 3,23,464 crore, as on 31.3.2015, to Rs. 10,35,528 crore, as on 31.3.2018 (provisional data), as per RBI data on global operations. As per RBI, part of this increase is attributable to AQR.

(c) and (d): Banking system in the country is positioned strongly in terms of their deposit base, diversified credit growth, healthy and improving net interest margin, and substantial capital base. As per RBI data, as on 20.7.2018, SCBs had aggregate deposits of Rs. 114.38 lakh crore, which was 32.8% more than their aggregate credit, reflecting customer confidence and a strong fund base. This is being deployed for diversified credit growth of 12.4% year-on-year (as on 20.7.2018), which will help further improve net interest margin from the existing healthy level of 2.7% (as of March 2018). Further, as per RBI data, SCBs had a capital to risk-weighted asset ratio of 13.8% as of March 2018, as against the regulatory norm of 10.875%.

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