

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA  
UNSTARRED QUESTION NO: 672  
TO BE ANSWERED ON THE 20<sup>th</sup> JULY, 2018 / ASHADHA 29, 1940 (SAKA)

QUESTION  
INTEREST RATE AND NPAs

**672: SHRIMATI VASANTHM.:**

Will the Minister of FINANCE be pleased to state:

- a) whether the banks are unable to raise interest rates due to competitive pressures during high Non Performing Assets (NPAs);
- b) if so, the details thereof; and
- c) whether the banks have suffered huge losses in the fourth quarter ended March, 2018 due to high NPAs and provisioning 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): As per bank inputs, the level of NPAs has no direct bearing on interest rate on advances, since the same is decided on the basis of the Marginal Cost of Fund based Lending Rates (MCLR) guidelines issued by the Reserve Bank of India, the calculation methodology under which takes into account cost of funds, operating costs, negative carry on cash reserve ratio, tenor premium and required return on equity. This calculation does not depend on NPA levels.

(c) and (d): Asset Quality Review (AQR) carried out in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of Non-Performing Assets (NPAs). Expected losses on 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. Primarily as a result of AQR and subsequent transparent recognition, the gross NPAs of PSBs increased by Rs. 6,16,586 crore between March 2015 and March 2018 (provisional data), as per RBI data.

As regards profit, as per provisional data reported by banks, PSBs had an aggregate operating profit of Rs. 33,382 crore in the fourth quarter ended March 2018. Due to transparent recognition of NPAs by PSBs and consequent requirement of ageing provision, they have reported aggregate net loss of Rs. 62,121 crore in the fourth quarter.

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