GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
**LOK SABHA**
**UNSTARRED QUESTION NO. 2869**
**TO BE ANSWERED ON THE 28TH DECEMBER 2018/ PAUSHA 7, 1940 (SAKA)**
**Financial Strength of Banks**

**2869. SHRI GUTHA SUKENDER REDDY:**

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has made review of financial strength of the banks recently;

(b) if so, the details thereof;

(c) the details of the status of Non Performing Assets (NPAs) at present; and

(d) the steps being taken by the Government and action plan chalked out to reduce the NPAs and strengthen the financial position of the banks?

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

(a) to (d): Government monitors financial strength of banks on a continuous basis. Asset Quality Review (AQR) carried out in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of NPAs. Expected losses on 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during the fourth quarter of the financial year (FY) 2017-18, all such schemes for restructuring stressed loans were withdrawn. As a result while PSBs have posted aggregate operating profits during first half of current financial year of Rs 75,030 crores, they have posted losses primarily on account of continuing ageing provision for NPAs recognised as a result of AQR initiated in 2015 and subsequent transparent recognition by banks, including under RBI's circular discontinuing restructuring schemes in the fourth quarter of FY 2017-18. PSBs made aggregate provision for NPAs and other contingencies of Rs. 85,791 crore during the first half of the current financial year. Additionally, because of hardening of bond yields, these banks had aggregate mark-to-market losses on their investment portfolios of Rs. 20,384 crore during the same period.
Over the last four and half financial years, Government has taken comprehensive steps in a planned manner to reduce NPAs and strengthen the financial position of PSBs, under its 4R's strategy:
(i) **Recognising** NPAs transparently;

(ii) **Resolving and recovering** value from stressed accounts through clean and effective laws and processes;

(iii) **Recapitalising** banks; and

(iv) **Reforming** banks through the PSB Reforms Agenda to make them responsible and responsive.

The results of Government's comprehensive 4R's approach are visible:

(1) Gross NPAs of PSBs have started declining, after peaking in March 2018, registering a decline of Rs. 26,789 crore, from Rs. 8,95,601 crore in March 2018 to Rs 8,68,812 crore in September 2018.

(2) Non-NPA accounts overdue by 31 to 90 days (Special Mention Accounts 1 and 2) of PSBs have declined by 61% over five successive quarters, from Rs. 2.25 lakh crore as of June 2017 to Rs. 0.87 lakh crore as of September 2018, indicating significant improvement in asset quality.

(3) The Provision Coverage Ratio (PCR) of PSBs has risen steeply from 46.04% as of March 2015 to 66.85% as of September 2018, giving banks cushion to absorb losses.

(4) Record recovery of Rs. 60,726 crore has been effected by PSBs in the first half of the current financial year, which is more than double the amount recovered over the corresponding period of the last financial year.

(5) Credit Risk-weighted Assets to Gross Advances ratio has decreased steadily over the past four quarters, from 80.26% in September 2017 to 71.2% in September 2018.

(6) India's global rank on "getting credit" under World Bank's Ease of Doing Business Index has improved from 44 in 2016 to 22 in 2018.

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