

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**  
**UNSTARRED QUESTION NO: 2972**  
**TO BE ANSWERED ON THE 28<sup>th</sup> DECEMBER, 2018/PAUSHA 7, 1940 (SAKA)**

**QUESTION**  
**NPAs of PSBs**

**2972: SHRI GAURAV GOGOI:**  
**SHRI JYOTIRADITYA M. SCINDIA:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Public Sector Banks (PSBs) continue to pose huge losses with provisions rising and income falling in the wake of restrictions on lending and stressed assets recognition;
- (b) if so, the details thereof and the present status of all the PSBs having liabilities;
- (c) whether the Government's efforts of reducing Non-Performing Assets (NPAs) and PSBs have not shown any positive results and the losses of PSBs are increasing; and
- (d) if so, the reasons therefor and the further strategies of the Government in this regard?

**ANSWER**

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

(a) and (b): Asset Quality Review (AQR) initiated in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of non-performing assets (NPAs). As a result of AQR and subsequent transparent recognition by PSBs, stressed accounts were reclassified as NPAs and expected losses on stressed loans, not provided for earlier under flexibility given to restructured loans, were provided for. 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during the fourth quarter of the financial year (FY) 2017-18, all such schemes for restructuring stressed loans were withdrawn.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 posted aggregate operating profit of Rs. 75,024 crore, during the first half of the current financial year, many had net 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 with drawing schemes for restructuring stressed loan 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.

The liabilities for PSBs are mainly comprised of deposits mobilised and their capital base. The strong deposit base of PSBs, with aggregate deposits of Rs. 101.03 lakh crore as on 30.9.2018 (provisional data) and a continuous upward trend reflects the underlying faith and confidence of depositors in PSBs.

(c) and (d): Government has made comprehensive efforts over the last four and a half financial years for reducing NPAs, including, *inter alia*, the following:

- (1) The Insolvency and Bankruptcy Code, 2016 (IBC) has been enacted to create a unified framework for resolving insolvency and bankruptcy matters. Under this, by adopting a creditor-in-saddle approach, with the interim resolution professional taking over management of affairs of corporate debtor at the outset, the incentive to resort to abuse of the legal system has been taken away. This, coupled with debarment of wilful defaulters and persons associated with NPA accounts from the resolution process, has effected a fundamental change in the creditor-debtor relationship. The Banking Regulation Act, 1949 has been amended, to provide for authorisation to RBI to issue directions to banks to initiate the insolvency resolution process under IBC. As per RBI's directions, cases have been filed under IBC before the National Company Law Tribunal (NCLT) in respect of 41 borrowers, 12 of which had cumulative outstanding amount of Rs. 1,97,769 crore as on 31.3.2017 and the remaining 29 had outstanding amount of Rs. 1,35,846 crore as on 30.6.2017.
- (2) SARFAESI Act has been amended to make it more effective with provision for three months imprisonment in case the borrower does not provide asset details and for the lender to get possession of mortgaged property within 30 days. Also, six new Debts Recovery Tribunal have been established to expedite recovery.
- (3) In addition, under the PSBs Reforms Agenda, PSBs have created Stressed Asset Management verticals for stringent recovery, segregated pre- and post-sanction follow-up roles for clean and effective monitoring, initiated creation of online one-time settlement platforms and committed to monitoring large-value accounts through specialised monitoring agencies.

The above efforts have shown positive results, as reflected in reduction of NPAs of PSBs by Rs. 2,21,984 crore due to recoveries during the last three and a half financial years, as per RBI data on global operations, and 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.

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