GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**

**UNSTARRED QUESTION NO. 956**

**TO BE ANSWERED ON THE 8TH FEBRUARY 2019/ MAGHA 19, 1940 (SAKA)**

**Strengthening of Banking Sector**

**956. SHRI MALYADRI SRIRAM:**

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken cognizance that banking is the life blood of Indian economy and at the time of downfall different types of business help them to invest more and more and earn profits and to change the laws of banking sector to help them in recession from the downfall of every sector;

(b) if so, the details thereof along with the steps being taken to strengthen the banking sector;

(c) whether the Government has made any effort to improve banking services in education sector; and

(d) if so, the details thereof along with the steps taken by the Government in this regard?

**ANSWER**

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

(a) and (b): RBI had observed in its guidelines on Corporate Debt Restructuring (CDR) Mechanism that inspite of their best efforts and intentions, sometimes corporates find themselves in financial difficulty because of factors beyond their control and also due to certain internal reasons, and for their revival as well as the safety of the money lent, timely support through restructuring in genuine cases is called for. Against this background, based on the experience in other countries of institutional mechanism for corporate debt restructuring and need for a similar mechanism in India, a CDR System was issued by RBI in 2001 for implementation by banks, which allowed a standard asset not to be classified in the sub-standard category with rescheduling of instalments of the principal debt, provided the loan/credit facility was fully secured. RBI withdrew the said asset classification benefits on restructuring with effect from 1.4.2015. Subsequently, RBI introduced other restructuring frameworks, such as Strategic Debt Restructuring and Scheme for Sustainable Structuring of Stressed Assets, which were also aimed at resolution of stressed assets. RBI has informed that these frameworks mimicked the desirable attributes of bankruptcy law with built-in-incentives for lenders to encourage resolution.

RBI has further informed that following the enactment of the Insolvency and Bankruptcy Code, 2016 (IBC), it issued Revised Framework for Resolution of Stressed Assets in February 2018, which used the IBC as lynchpin, withdrew various restructuring schemes issued earlier by RBI, and gave banks the flexibility to formulate their own ground rules in devising resolution plans without forbearance in asset classification.

To strengthen banks, Government has followed a comprehensive 4 R's approach of recognition, resolution, recapitalisation and reforms:

(i) Recognition of restructured standard assets as NPAs, initiated with Asset Qualit Review in 2015, have declined from the peak of 6.5% in March 2015 to 0.49% as of September 2018.
(ii) Resolution process has been strengthened by changing the creditor-debto relationship through the Insolvency and Bankruptcy Code and debarment of wilfu defaulters and connected persons, which has resulted in record recovery.
(iii) Recapitalisation amounting to Rs. 2,11,000 crore has been initiated in October 2017 to strengthen balance-sheets of PSBs.
(iv) Reforms have accompanied recapitalisation through a comprehensive PSB Reform Agenda adopted by PSBs.

The steps taken by the Government have resulted in positives for PSBs, including, *inter alia*, the following:
(i) Gross NPAs peaked in March 2018 at Rs. 8,95,601 crore, and have declined by Rs. 31,168 crore in the first three quarters of the current financial year to Rs. 8,64,433 crore (provisional data).
(ii) Record recovery of Rs. 97,151 crore (provisional data), in the first three quarters of the current financial year has been effected, being more than double the amoun recovered during the same period of last year.
(iii) Non-NPA accounts overdue by 31 to 90 days have declined for five successive quarters, reducing from Rs. 2.25 lakh crore as of June 2017 to Rs. 0.87 lakh crore as of September 2018, reducing credit at risk.
(iv) Provision Coverage Ratio of banks has risen steadily from 46.1% at the time of AQR to a healthy level of 68.9% as of December 2018 (provisional data).

(c) and (d): Banks provide education loans under the Model Education Loan Scheme prepared by the Indian Banks' Association to deserving/meritorious students for pursuin higher education in India and abroad. The scheme provides, *inter-alia,* provides for security free loan up to Rs. 4 lakh, (ii) repayment period up to 15 years, (iii) one-year moratorium for repayment after completion of studies in all cases, (iv) moratorium taking into account spells of unemployment/under-employment, say two or three times during the life cycle of the loan, (v) moratorium for the incubation period if the student wants to take up a start-up venture after graduation, (vi) collateral-free loans up to Rs.7.5 lakh under the Credi Guarantee Fund Scheme for Education Loans, (vii) provision of online application on Vidy Lakshmi web-based portal, where students can view, apply and track education loan applications online, etc. The Ministry of Human Resource Development provides interes subsidy for the period of moratorium on loans taken by students from economically weake sections.

***