

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES  
LOK SABHA

UNSTARRED QUESTION NO. 982

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

Debt Burden of PSBs

982. SHRI KESINENI NANI:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Public Sector Banks (PSBs) have recorded close to Rs. 1.7 trillion in losses between December 2015 and June 2018, if so, the details thereof and the steps taken by the Government to improve the debt burden of the PSBs;
- (b) the percentage of Non-Performing Assets (NPAs) of PSBs out of the total Gross NPA (GNPA) along with the number of loans from PSB, that have turned into NPAs during the last five years;
- (c) the steps taken by the Government for the recovery of loans;
- (d) whether the Government is planning to set up specialized monitoring agencies for loans above Rs. 250 crore and a separate vertical for NPAs, if so, the details thereof; and
- (e) whether the Government is thinking of privatizing PSBs which are under huge debt, if so, the details thereof?

ANSWER

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

(a) to (e): As per RBI inputs, the primary reasons for spurt in stressed assets have been observed to be, *inter-alia*, aggressive lending practices, wilful default / loan frauds / corruption in some cases, and economic slowdown. 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. During the fourth quarter of financial year (FY) 2017-18, all such schemes for restructuring stressed loans were withdrawn. Primarily as a result of transparent recognition of stressed assets as NPAs, gross NPAs of Public Sector Banks, as per RBI data on global operations, increased from Rs. 2,27,264 crore as on 31.3.2014, to Rs. 2,79,016 crore as on 31.3.2015, Rs. 5,39,968 crore as on 31.3.2016, Rs. 6,84,732 crore as on 31.3.2017, Rs. 8,95,601 crore as on 31.3.2018, and as a result of Government's 4R's strategy of recognition, resolution, recapitalisation and reforms declined to Rs. 8,75,619 as on 30.6.2018 and further to Rs. 8,64,433 crore as on 30.12.2018 (as per provisional data). While PSBs have consistently posted operating profits of Rs. 3,90,717 between December 2015 and June 2018, 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 RBI's circular discontinuing restructuring schemes in the fourth quarter of FY 2017-18. PSBs have made aggregate provision for NPAs and other contingencies of Rs. 5,27,233 crore between December 2015 and June 2018. Year-wise details of profitability as per RBI data on global operations and data reported by PSBs, are at Annex.

Government has taken a number of steps for recovery of loans, including, *inter alia*, the following:

- (1) The Insolvency and Bankruptcy Code, 2016 (IBC) has been enacted, which has provided for the taking over management of the affairs of the corporate debtor at the outset of the corporate insolvency resolution process. Coupled with debarment of wilful defaulters and persons associated with NPA accounts from the resolution process, this has effected a fundamental change in the creditor-debtor relationship. Further, 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 under the aforesaid amended provision in the Banking Regulation Act, 1949, 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) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest 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 Tribunals have been established to expedite recovery.
- (3) Under the PSB Reforms Agenda announced by the Government last year, PSBs have created Stressed Asset Management Verticals for focussed recovery in high-value accounts, committed to engagement of specialised agencies for monitoring large credit exposure of, say, above Rs. 250 crore, segregated pre- and post-sanction follow-up roles for clean and effective monitoring and initiated creation of online one-time settlement platforms.

Enabled by the above steps, as per RBI data on global operations, since the initiation of transparent recognition in FY 2015-16 till December 2018 (as per provisional data), PSBs successfully recovered an amount of Rs. 3,33,491 crore.

No proposal for privatisation of PSBs is presently under Government's consideration.

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**Annex****Lok Sabha Unstarred Question no.982, for 8.2.2019 regarding "Debt Burden of PSBs"**

Amount in Crore Rs.

Period	Operating Profit (1)	Provisions made during the period (2)	Net Profit (1)-(2)
Q4-FY'2015-16 (Jan-Mar 16 quarter)	37,911	61,616	(23,705)
FY'2016-17	1,58,994	1,70,383	(11,389)
FY'2017-18	1,55,542	2,40,352	(84,810)
FY'2018-19 (Jun-18 quarter)	38,270	54,882	(16,612)

Source: RBI, Banks.

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