

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

UNSTARRED QUESTION NO. †199

TO BE ANSWERED ON THE 24TH JUNE 2019/ASHADHA3, 1941(SAKA)

Public Sector Banks

†199. SHRI RODMALNAGAR:
SHRI P.P. CHAUDHARY:
SHRI DEVJI M. PATEL:

Will the Minister of FINANCE be pleased to state:

- (a) whether any new steps are being taken by the Government to improve the condition of the public sector banks;
- (b) if so, the number of banks to which funds have been provided by the Government for undertaking urgent corrective action along with the bank-wise details of the total amount of the said funds provided during the last five years; and
- (c) the details of the positive impact of the said funds on the balance sheet and non-performing assets of the said banks?

ANSWER

The Finance Minister
(SHRIMATI NIRMALASITHARAMAN)

(a) to (c): To strengthen the Public Sector Banks (PSBs), over the last four financial years, Government has taken comprehensive steps under its 4R's strategy of recognising NPAs transparently, resolving and recovering value from stressed accounts through clean and effective laws and processes, recapitalising banks, and reforming banks through the PSB Reforms Agenda.

Over the last five Financial Years (FYs), PSBs have been recapitalised to the extent of Rs. 3.19 lakh crore, with infusion of Rs. 2.5 lakh crore by the Government and mobilisation of over Rs. 66,000 crore by PSBs themselves. Details of capital infused in PSBs by the Government are at Annex.

Other steps taken by the Government to improve the condition of banks, include, *inter alia*, the following:

- (i) Change in credit culture with institution of Insolvency and Bankruptcy Code (IBC) fundamentally changing the creditor-borrower relationship, taking away control of the defaulting company from promoters/owners and debarring wilful defaulters from the resolution process and debarring them from raising funds from the market.
- (ii) Fugitive Economic Offenders Act has been enacted enabling confiscation of fugitive economic offenders' property.
- (iii) PSBs heads have been empowered to request for issuance of look-out circulars.
- (iv) National Financial Reporting Authority has been established as an independent Regulator for enforcing auditing standards and ensuring audit quality.
- (v) Key reforms have been instituted in PSBs, including the following:

- (a) Board-approved Loan Policies of PSBs now mandate tying up necessary clearances/approvals and linkages before disbursement, scrutiny of group balance-sheet and ring-fencing of cash flows, non-fund and tail risk appraisal in project financing.
- (b) Use of third-party data sources for comprehensive due diligence across data sources has been instituted, thus mitigating risk on account of misrepresentation and fraud.
- (c) Monitoring has been strictly segregated from sanctioning roles in high-value loans, and specialised monitoring agencies combining financial and domain knowledge have been deployed for effective monitoring of loans above Rs. 250 crore.
- (d) To ensure timely and better realisation in one-time settlements (OTSs), online end-to-end OTS platforms have been set up.
- (e) For faster processing of loan proposals, Loan Management Systems (LMS) have been put in place for personal segment and MSME loans.
- (vi) To strengthen governance at the Board level, the position of Chairman and Managing Director has been bifurcated into a non-executive Chairman and an MD & CEO.
- (vii) A professional Banks Board Bureau has been created for arm's length selection of non-executive Chairmen and whole-time directors (WTDs).

Positive impact on PSBs of Government's 4R's approach is now visible and includes, *inter-alia*, the following:

- (i) Robust recovery of Rs. 3.59 lakh crores over the last four years, including record recovery of Rs 1.23 lakh crores in FY 2018-19, has been effected.
- (ii) Assets quality has improved as reflected in 45% year-on-year reduction in slippage into NPAs in FY 2018-19, and 63% reduction in 31 to 90 days overdue (SMA-1 & 2) corporate accounts by March 2019 from their peak in June 2017.
- (iii) With stress recognition largely completed, significant headway in recovery and resolution under IBC, and reduced slippages as a result of improved underwriting and monitoring, gross NPAs of PSBs have started declining, after peaking in March 2018, registering a decline of Rs. 89,189 crore, from Rs. 8.96 lakh crore in March 2018 to Rs 8.06 lakh crore in March 2019.
- (iv) With substantial cleaning up accompanied by capitalisation of banks, the overall credit growth of PSBs has picked up substantially from 0.78 % in FY 2016-17 to 7.51% in FY 2018-19.

By addressing the underlying causes behind the build-up of stress in PSBs through comprehensive reform to change credit culture and tight discipline for every stakeholder in the financial system, institutionalising robust underwriting and monitoring, governance reforms, and leveraging the transformation potential of technology, the risk of recurrence of excessive stress in PSBs has been minimised and PSBs have emerged stronger.

Note: In the reply, the figures for PSBs include those for IDBI Bank Limited, which has been recategorised by RBI as a private sector bank with effect from 21.1.2019.

Lok Sabha Unstarred Question no. †199 for answer on 24.6.2019, regarding
“Public Sector Banks”

Capital infused in Public Sector Banks (PSBs) by Government
Amounts in crore Rupees

S. No	Bank	Total
1	Allahabad Bank	14,984
2	Andhra Bank	8,763
3	Bank of Baroda	13,463
4	Bank of India	30,399
5	Bank of Maharashtra	8,570
6	Canara Bank	7,127
7	Central Bank of India	13,682
8	Corporation Bank	15,193
9	Dena Bank	4,638
10	Indian bank	280
11	Indian Overseas Bank	15,317
12	Oriental Bank of Commerce	10,557
13	Punjab National Bank	24,342
14	Punjab & Sind Bank	785
15	Syndicate Bank	8,778
16	UCO Bank	15,773
17	Union Bank of India	10,257
18	United Bank of India	9,138
19	Vijaya Bank	1,497
20	IDBI Bank	16,600
21	State Bank of India	□ 22,844
22	State Bank of Bikaner & Jaipur	-
23	State Bank of Patiala	□-
24	State Bank of Hyderabad	□-
25	State Bank of Mysore	□-
26	State Bank of Travancore	□-
27	Bhartiya Mahila Bank	□-

Note: 1. Associates Banks of SBI and Bhartiya Mahila Bank merged with SBI with effect from 1.4.2017.

2. IDBI Bank Limited has been recategorised by RBI as a private sector bank with effect from 21.1.2019.
