

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA

UNSTARRED QUESTION NO. 4766.

TO BE ANSWERED ON JULY 22, 2019 {ASHADHA 31, 1941 (Saka)}

**RBI Financial Stability Report**

QUESTION

4766. SHRI BIDYUT BARAN MAHATO, SHRI GAJANAN KIRTIKAR and SHRI SUDHEER GUPTA.

Will the Minister of FINANCE be pleased to state:

a) whether the Reserve Bank of India (RBI) has released Financial Stability Report recently, if so, the details thereof and the issue raised by the RBI in this report;

b) whether as per the aforesaid report the percentage of Non-Performing Assets (NPA) is expected to fall from 9.3 percent to 9 percent by March 2020, if so, the details thereof and the response of the Government thereto;

c) whether a recent crisis report also showed a significant reduction in system-wide NPA to 8 percent by March 2020 and if so, the details thereof; and

d) the further steps being taken by the Government to reduce the NPA in the system?

ANSWER

Minister of State in the Ministry of Finance  
(SHRI ANURAG SINGH THAKUR)

a): The 19<sup>th</sup> issue of the Financial Stability Report was released by the RBI on June 27, 2019. The Report is available at RBI's website.

The issues covered by the RBI in this report include Macro-Financial Risks, Soundness and Resilience of Financial Institutions, Regulations and Developments in the Financial Sector, and Assessment of Systemic Risk.

b): As per FSR of June 2019, growth of gross non-performing assets (NPAs) has decelerated across all bank groups, including Public Sector Banks (PSBs). Due to the increased pace of recognition of NPAs, gross NPAs in the banking system peaked in March 2018 and have since declined to 9.3% in March 2019, signalling a turnaround in the NPA cycle. In addition, under the baseline scenario, that assumes continuation of the current economic situation in future, FSR has projected further decrease in the gross NPA ratio of all Scheduled Commercial Banks (SCBs) to 9.0% by March 2020, driven by a decline in the gross NPA ratios of PSBs from 12.6% to 12% over the same period.

c): A recent CRISIL report has projected decrease in NPAs of SCBs to 8% by March 2020 assuming credit growth at 14% YoY, slippages to GNPA to be 3.2% and reduction of GNPA on account of resolutions/liquidations of the banks' exposure in ongoing NCLT cases, in FY 2019-20.

d): Comprehensive efforts have been made to expedite and enable resolution of NPAs of banks, including, inter-alia, the following:

(i) 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.

(ii) 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.

(iii) Suits for recovery of dues are also filed by banks before DRTs. Six new DRTs have been established to expedite recovery.

(iv) Under the PSB Reforms Agenda, PSBs have created Stressed Asset Management Verticals to focus attention on recovery, segregated monitoring from sanctioning roles in high-value loans, and entrusted monitoring of loan accounts of above Rs. 250 crore to specialised monitoring agencies for clean and effective monitoring, and created online end-to-end One-Time Settlement platforms for timely and better realisation.

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