GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-3202
ANSWERED ON- 20/03/2023

NPAs of PSBs

3202. SHRI T.R. BAALU

Will the Minister of FINANCE be pleased to state:-

(a) whether it is a fact that the long shadow of India's Non-Performing Assets (NPAs) crisis has left Public Sector Banks (PSBs) with shrinking market share, deeply institutionalized risk aversion (particularly to industrial and infrastructure lending) and little confidence in public markets (highly depressed stock prices); and

(b) if so, the steps taken/proposed to be taken by the Government keeping in view the fact that PSBs are no longer sought after by big borrowers, and also that they are unable to adopt new ways to access small businesses?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) and (b): Asset Quality Review (AQR) initiated by the Reserve Bank of India (RBI) in 2015 revealed high incidence of non-performing assets (NPAs) in banks. Following the AQR results, banks initiated transparent recognition, reclassifying standard restructured advances as NPAs and providing for expected losses on such advances. Thus, primarily as a result of transparent recognition of advances with stress as NPAs, gross NPA ratio of public sector banks (PSBs) rose from 5.0% in March 2015 to 14.6% in March 2018. The proportion of standard restructured advances reduced progressively from 7.0% to 0.8% during the same period. Increase in NPAs led to additional provisioning, which affected the profitability of banks, and number of PSBs were brought under the prompt corrective action (PCA) framework of RBI. This had an adverse impact on business growth of PSBs.

Government implemented a comprehensive 4R's strategy of Recognising NPAs transparently, Resolution and recovery, Recapitalising PSBs, and Reforms in the financial ecosystem. Major banking reforms undertaken by the Government over the last eight years addressed credit discipline, responsible lending and improved governance, besides adoption of technology, amalgamation of banks, and maintaining general confidence of bankers.

As a result of implementation of Reforms, performance of PSBs has significantly improved, as reflected in the following:

(a) Asset quality has improved significantly with Gross NPA ratio of PSBs declining from the peak of 14.6% in March 2018 to 5.53% December 2022.

(b) Resilience has increased with provision coverage ratio of PSBs rising from 46.0% to 89.9% in December 2022.

(c) Capital adequacy ratio of PSBs has improved significantly from 11.5% in March 2015 to 14.5% in December 2022.

(d) All PSBs are in profit with aggregate profit being Rs. 66,543 crore in the financial year (FY) 2021-22, and profit continued with PSBs earning aggregate profit of Rs. 70,167 crore in first nine month of FY 2022-23.

(e) Banks, earlier placed under Prompt Corrective Action (PCA) framework by RBI, have made significant improvement resulting in removal of each one of them from the PCA restrictions.

(f) Total market cap of PSBs (excluding IDBI Bank, which was categorised as private sector bank in January 2019) has increased from Rs. 4.52 lakh crore in March 2018 to Rs. 10.63 lakh crore in December 2022.

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