GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 3386
TO BE ANSWERED ON THE 9TH DECEMBER 2019/ AGRAHAYANA 18, 1941 (SAKA)
Package to PSBs

3386. DR. PRITAM GOPINATHRAO MUNDE:
SHRI CHANDRA SEKHAR SAHU:

Will the Minister of FINANCE be pleased to state:

(a) whether the Public Sector Banks (PSBs) are facing finance crisis and unable to provide funding to micro, small and medium enterprises, if so, the details thereof and the reasons therefor;

(b) whether PSBs are needed share capital for lending and revive investment which are crucial for job creation in the economy, if so, the details thereof;

(c) whether the Central Government has studied the reasons which are responsible for going PSBs into debt, if so, the details thereof;

(d) whether the Central Government has announced the package to strengthen ailing PSBs, if so, the details thereof; and

(e) the steps taken by the Central Government to ensure that PSBs may not go in the bad debt?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) to (e): As per RBI data, MSME credit outstanding of Public Sector Banks (PSBs) has increased by Rs. 1,25,759 crore from Rs. 8,44,182 crore in September 2017 to Rs. 9,69,941 crore in September 2019.

Capital infusion by the Government in the banks in the current financial year includes Rs. 60,314 crore made against the budget provision of Rs. 70,000 crore announced for infusion of capital by the Government in banks to boost credit for impetus to the economy by having adequately capitalized them. PSBs have not been in debt as their gross loans and advances during each of the last 4 financial years have been in the range of 74-78% of their total deposits.

To strengthen and improve the performance of PSBs, Government, as part of its 4R's strategy of Recognising non-performing assets (NPAs) transparently, Resolution and Recovery, Recapitalisation and Reforms, has taken steps to improve the conditions of PSBs. Stressed assets were recognised transparently as NPAs and expected losses on stressed loans were provided for and, further, schemes for restructuring stressed loans were withdrawn. To improve resolution and recovery, the Insolvency and Bankruptcy Code was enacted and number of recovery related reform measures effected, enabling recovery by PSBs of Rs. 4,05,158 crore over the period from April 2014 to September 2019, including record recovery of Rs. 1,27,987 crore during the last financial year. To recapitalise PSBs, Government infused Rs. 3,13,301 crore in PSBs since April 2014 and, in addition, PSBs have mobilised Rs.76,123 crore from the markets. Reforms were effected for Enhanced Access and Service Excellence (EASE) under a PSB Reforms Agenda, which aimed at improving customer responsiveness, deepening financial inclusion and digitalisation, serving MSMEs better, and enabling credit off-take, besides improved governance, prudential lending, better risk management and technology-driven checks and controls.

By addressing the underlying causes behind the build-up of stress in PSBs through comprehensive reform, the risk of recurrence of excessive stress in PSBs has been minimised and PSBs have emerged stronger. Positive impact on PSBs of Government's 4R's approach is visible and includes, *inter alia*, the following:

(i) Assets quality has improved as reflected in 45% year-on-year reduction in slippage into NPAs in FY 2018-19, and 58% reduction in 31 to 90 days overdue corporate accounts by June 2019 from their peak in June 2017.
(ii) Provision coverage ratio has risen steadily from 49.31% at time of AQR to a healthy level of 75.6% in June 2019.
(iii) With substantial cleaning up accompanied by capitalisation of banks, the domestic credit growth of PSBs has risen to 10.2% in FY 2018-19.

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.

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