

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-1051
ANSWERED ON- 08/02/2021

FSR OF RBI

1051. SHRI SUBBARAYAN K.

Will the Minister of FINANCE be pleased to state:-

- (a) whether it is a fact that the Financial Stability Report (FSR) of the Reserve Bank of India (RBI) has stated that banks' gross Non-Performing Assets (NPAs) may rise sharply to 13.5 per cent by September, 2021;
- (b) if so, the details thereof; and
- (c) the details of the preemptive strategies being planned for dealing with potential NPAs and aggressive recapitalization of the public sector banks?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a) to (c): The Financial Stability Report (FSR) released by Reserve Bank of India (RBI) in January 2021 states that the gross non-performing asset (GNPA) ratio of Scheduled Commercial Banks (SCBs), under the baseline scenario, may increase from 7.5 per cent in September 2020 to 13.5 percent by September 2021.

As per RBI inputs, the said GNPA ratio has been arrived at without factoring in the impact of the policy actions under way, *viz.*, RBI's resolution framework for COVID-19-related stress and one-time restructuring of loans to micro, small and medium enterprises (MSMEs), which aim to facilitate revival of real sector activities and mitigate the pandemic's impact on borrowers. Under the said framework/scheme, resolution/restructuring of eligible loan accounts is permitted without asset classification downgrade. Therefore, the actual movement of GNPA ratio of SCBs will depend on the extent to which the benefit of the said framework/scheme is availed of by the eligible borrowers and facilitates revival and mitigates the pandemic's impact on borrowers.

Loan accounts become non-performing due to a variety of factors, which may be economy-wide or specific to a sector or a firm. Appropriate monetary policy, fiscal policy and regulatory measures are taken from time to time to address economy-wide and sector-specific issues with a view to achieve macroeconomic goals and secure financial stability. In the context of economic slowdown, the impact of the pandemic and the need

to support post-pandemic recovery, strategies were formulated and accordingly comprehensive measures have been taken under Government's Aatma Nirbhar Bharat Abhiyaan economic package and RBI's regulatory package, revival framework and monetary policy steps to mitigate debt servicing burden and pandemic's impact on borrowers, to ensure business continuity and to facilitate revival of real sector activities while ensuring the profitability of the banks and bringing down the bad loans.

These include, *inter alia*, the following:

- (a) RBI has provided a framework for lenders to implement resolution plans in respect of eligible loans to corporates and micro, small and medium enterprises (MSMEs), to enable lending institutions to offer customised relief to borrowers in the form of restructuring, without downgrading the loan as an NPA. Such restructuring may entail the grant of various concessions to the borrower in terms of altering the total amount to be repaid, instalment amounts and the rate of interest, extending moratorium and/or the residual periods of repayment, waiving penal interest and charges, converting the accumulated interest into a fresh loan with a deferred payment schedule, and sanction of additional loan.
- (b) For the 26 sectors which the Kamath Committee identified as having visible impact of the pandemic, RBI has prescribed certain financial parameter ranges for the aforesaid resolution plans. These ranges are typically more liberal than the benchmark ranges generally adopted by leading banks such as State Bank of India and have enabled higher sector-specific relief for deep/comprehensive restructuring.
- (c) The debt servicing burden for borrowers have been substantially reduced as a result of reduction in the benchmark policy rate and liquidity enhancing measures taken by RBI, with reduction of 1.14% in the monthly weighted average lending rate on fresh Rupee loans of SCBs from March to December 2020 and reduction of 0.73% on their outstanding Rupee loans over the same period.
- (d) Government had issued an advisory for extension of registration and completion dates of real estate projects under Real Estate Regulatory Authorities by treating COVID-19 as an event of *force majeure*, and for loans to the commercial real estate sector, additional time of one year has been given for extension of the date for commencement for commercial operations.
- (e) In addition, following measures have been taken for MSMEs:
 - (i) A liberal restructuring scheme for MSMEs with loan exposure of up to Rs. 25 crore has been introduced by RBI offering sector-specific relief to the entire MSME sector.
 - (ii) Further, a scheme for emergency credit line of up to Rs. 3 lakh crore, backed by 100% Government guarantee, has been launched for additional funding of up to 20% of the fund-based outstanding as on 29.2.2020, subject to a maximum of Rs. 10 crore for MSMEs and other enterprises with turnover of up to Rs. 250 crore, and with a higher maximum of Rs. 100 crore for 27 specified sectors which include the metals, mining, construction, gems and jewellery and automobile sectors. Till 25.1.2021, Rs. 2.39 lakh crore have been sanctioned under this scheme.

Banks require capital on an ongoing basis both for credit growth and for meeting regulatory norms for capital adequacy against existing loans, for which they source capital through internal capital generation and from markets. Government infuses capital in public sector banks (PSBs) from time to time to supplement their efforts to meet their capital requirements. During the current financial year, till 31.1.2021, PSBs have raised capital of Rs. 50,982 crore in the form of equity and bonds. To supplement this, Government has infused capital of Rs. 5,500 crore in PSBs out of budget provision of Rs. 20,000 crore made for this purpose in the current financial year. Further, for the financial year 2021-22, provision of Rs. 20,000 crore for recapitalisation of PSBs has been included in the budget proposals tabled in Parliament.
