

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-1083
ANSWERED ON- 26/07/2021

NPAs OF PSBs

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Will the Minister of FINANCE be pleased to state:-

- (a) whether the Non-Performing Assets (NPAs) incurred by all Public Sector Banks (PSBs) have increased during the last six years;
- (b) if so, the reasons therefor;
- (c) if not, the details of Gross and Net NPAs of all PSBs, year-wise since 2014;
- (d) whether the Government has any plan to control the increasing NPAs and also to recover it from lenders; and
- (e) if so, the details thereof including the losses of PSBs during the last six years?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (e): As per Reserve Bank of India (RBI) data, aggregate gross advances of public sector banks (PSBs) increased from Rs. 18,19,074 crore as on 31.3.2008 to Rs. 52,15,920 crore as on 31.3.2014. As per RBI inputs, aggressive lending practices during this period along with wilful default / loan frauds / corruption in some cases, economic slowdown etc. were observed to be primary reasons for the spurt in the stressed assets. Asset Quality Review (AQR) initiated in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of NPAs. As a result of AQR and subsequent transparent recognition by banks, stressed accounts were reclassified as NPAs and expected losses on stressed loans, not provided for earlier under flexibility given to restructured loans, were provided for. Further, all such schemes for restructuring stressed loans were withdrawn in the financial year (FY) 2017-18. Primarily as a result of transparent recognition of stressed assets as NPAs, as per RBI data on global operations, gross NPAs of PSBs rose from Rs. 2,16,739 crore on 31.3.2014 and Rs. 2,79,016 crore on 31.3.2015, to Rs. 5,39,968 crore on 31.3.2016, Rs. 6,84,732 crore on 31.3.2017, and peaked at Rs. 8,95,601 crore on 31.3.2018, and as a result of Government's strategy of recognition, resolution, recapitalisation and reforms, have since declined to Rs. 7,39,541 crore on 31.3.2019, Rs. 6,78,317 crore on 31.3.2020 and further to Rs. 6,16,616 crore as on 31.3.2021 (provisional data). The net NPAs have displayed a similar trend, increasing initially from Rs. 1,24,095 crore on 31.3.2014 to Rs. 2,14,549 crore on 31.3.2015, Rs. 3,24,372 crore on 31.3.2016, Rs. 3,82,087 crore on 31.3.2017 and peaking at Rs. 4,54,221 on 31.3.2018, and declining thereafter to Rs. 2,84,689 crore on 31.3.2019, Rs. 2,31,551 crore on 31.3.2020 and further to Rs. 1,97,360 crore as on 31.3.2021 (provisional data).

Throughout this period, PSBs continued to post aggregate operating profits of Rs. 1,37,151 crore, Rs. 1,58,994 crore, Rs. 1,55,603 crore, Rs. 1,49,819 crore, Rs. 1,74,640 crore in the financial year 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 respectively. However, primarily due to continuing ageing provision for NPAs, they made aggregate provision for NPAs and other contingencies of Rs. 1,55,226 crore, Rs. 1,70,371 crore, Rs. 2,40,956 crore, Rs. 2,17,481 crore and Rs. 2,00,404 crore respectively in the said years, resulting in aggregate net losses of Rs. 17,993 crore, Rs. 11,389 crore, Rs. 85,370 crore, Rs. 66,636 crore and Rs. 25,941 crore respectively and returning to profitability thereafter with aggregate net profit of Rs. 31,820 crore in FY2020-21.

At the same time comprehensive steps were taken to control and to effect recovery in NPAs, which enabled PSBs to recover Rs. 5,01,479 crore over the last six financial years. The steps taken include the following:

- (1) Change in credit culture has been effected, with the 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. To make the process more stringent, personal guarantor to corporate debtor has also been brought under the ambit of IBC. Under IBC, resolution plans have been approved in 394 cases up to June 2021, with Rs. 2.45 lakh crore amount realisable by financial creditors.
- (2) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 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.
- (3) As per RBI instructions, wilful defaulters are not sanctioned any additional facilities by banks or financial institutions, and their unit is debarred from floating new ventures for five years.
- (4) Wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds, *vide* Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2016.
- (5) Jurisdiction of Debt Recovery Tribunal (DRTs) was increased from Rs. 10 lakh to Rs. 20 lakh to enable the DRTs to focus on high value cases resulting in higher recovery for the banks and financial institutions. Six new DRTs have also been established to expedite recovery.
- (6) With Government infusion supplementing the raising of capital by PSBs from market, PSBs have achieved a high provisioning coverage ratio of 83.7% as on 31.3.2021, equipping them to take decision on resolution of NPAs without being constrained on account of such decision impacting their profitability.
- (7) Key reforms have been instituted in PSBs as part of the Public Sector Banks Reforms Agenda, including, *inter alia*, the following:
 - (i) Stressed Asset Management Verticals were set up in banks for focused slippage prevention, recovery arrangement and time-bound action in respect of large-value stressed assets.
 - (ii) 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.
 - (iii) 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.
 - (iv) 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.
 - (v) To ensure timely and better realisation in one-time settlements (OTSs), end-to-end OTS platforms have been set up in PSBs.
