GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-1130
ANSWERED ON-26/07/2021

BAD LOANS

1130. SHRI RAHUL RAMESH SHEWALE
DR. PRITAM GOPINATHRAO MUNDE
SHRI GIRISH BHALCHANDRA BAPAT

Will the Minister of FINANCE be pleased to state:-

(a) whether RBI has a very poor track record of forecasting bad loans and if so, the reasons therefor;

(b) whether India's banks are already reeling under one of the worst percentages of bad loans among the major economies and if so, the details thereof;

(c) whether the Union Government has provided a moratorium on loans repayment in March, 2020 to provide relief to businesses amid pandemic and if so, the details thereof; and

(d) whether NPA clock is still on the pause and if so, the details thereof and the percentage of bad loan increase since March, 2020?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a): The Reserve Bank of India (RBI) has apprised that it conducts macro stress tests under various scenarios to assess the resilience of the banking sector and based on the same, it publishes results in Financial Stability Reports biannually. Further, such stress tests do not forecast banks' future performance under stress; rather, they aim to identify the impact on banks of a specific stress scenario, based on a number of given assumptions, *viz*.,growth in gross domestic product (GDP), gross fiscal deficit to GDP ratio, consumer price index inflation rate, weighted average lending rate, exports to GDP ratio, etc.

(b) to (d): As per RBI data, aggregate gross advances of Scheduled Commercial Banks (SCBs) in their global operations increased from Rs. 25,03,431 crore as on 31.3.2008 to Rs. 68,75,748 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 Further, all such schemes for restructuring stressed loans were withdrawn in the financial year (FY) 2017-18.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, gross NPAs of SCBs, as per RBI data on global operations, rose from Rs. 3,23,464 crore as on 31.3.2015, to Rs. 10,36,187 crore on 31.3.2018, and as a result of Government's strategy of recognition, resolution, recapitalisation and reforms, have since declined to Rs. 9,33,779 crore on 31.3.2019, Rs. 8,96,082 crore as on 31.3.2020, and further to Rs. 8,34,902 crore (provisional data) as on 31.3.2021.

RBI, *vide* circulars dated 27.3.2020 and 23.5.2020 on the COVID-19 Regulatory Package, permitted lending institutions to grant a moratorium of six months on payment of all instalments falling due between 1.3.2020 and 31.8.2020, in respect of all term loans and to defer the recovery of interest for the same period in respect of working capital facilities.

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