GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 1191
TO BE ANSWERED ON THE 6TH DECEMBER 2021/ AGRAHAYANA 15, 1943 (SAKA)
Ranking of Indian Banks

1191. SHRI LAVU SRI KRISHNA DEVARAYALU:

Will the Minister of FINANCE be pleased to state:

(a) the details of the number of Indian banks that rank in the top list of 100 banks worldwide in terms of total assets, especially in comparison to major economies such as USA, China and Japan;

(b) the manner in which the Government proposes to finance various projects such as Gati Shakti Master Plan which are capital intensive considering the total assets of our banks still remain small as compared to the world average;

(c) whether the Non-Performing Assets (NPAs) accumulated by the public and private sector banks are higher than those of banks in the aforesaid most major economies, if so, the details thereof; and

(d) whether the Government has taken any measures excluding the setting up of the bad bank to reduce the gross NPAs across the public and private sector banks and if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a): As per S&P Global Market Intelligence Report, April 2020, published by a division of Standard and Poor's Global Inc. that publishes financial research and analysis and is considered the largest of the Big Three credit-rating agencies globally, State Bank of India, ranked at 55, is the only Indian bank in the list of top-100 banks worldwide in terms of total assets. USA, China and Japan have 11, 19 and 8 banks respectively in that list.

(b): Measures taken by the Government and the Reserve Bank of India to facilitate financing of capital intensive or infrastructure project include, *inter alia*, the following:

(i) To enable fresh infrastructure lending, besides leveraging existing channels of finance from lending institutions and financial markets, the new professionally managed Development Financial Institution, National Bank for Financing Infrastructure and Development, having both developmental and financial objectives has been set up to anchor efforts to act as a provider, enabler and catalyst for infrastructure financing in the country;
(ii) Government, has set up a National Investment and Infrastructure Fund, India's first infrastructure specific investment fund or a sovereign wealth fund, in February 2015 that maximises economic impact mainly through infrastructure investment in commercially viable projects. It manages over USD 4.5 billion assets under management through its three funds, including NIIF Master Fund, the largest India-focussed infrastructure fund, investing in high quality businesses / assets across different core infrastructure sectors.

(iii) Banks have been permitted to invest in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) within the overall ceiling permitted for direct investments in shares, convertible bonds/ debentures, etc. and have also been allowed to lend to InvITs subject to certain conditions;

(iv) Facilitating access to external commercial borrowings through expansion of eligibility to include all entities eligible to receive FDI and reduction in the minimum average maturity requirement of the borrowing to three years;

(v) Banks have been permitted to extend finance for funding promoters' equity in cases where the proposal involves acquisition of shares in an existing company engaged in implementing or operating an infrastructure project in India;

(vi) Banks can raise funds from the market by way of infrastructure bonds, and the assets financed by such funds are exempted from the Priority sector lending requirements and the funds raised are exempted from reserve requirements.

(vii) Considering the importance of an efficient bond market for raising funds for the infrastructure sector besides de-risking the banks' balance sheets, banks have been allowed to provide credit enhancement for bond issuances, subject to certain conditions.

(viii) Allowed setting up of Infrastructure Development Funds, both as NBFCs and Mutual Funds, to take over the post-construction assets from banks and facilitate take-out financing.

(ix) Allowed for debts due to the lenders in case of PPP projects to be considered as secured to the extent assured by the project authority in terms of the Concession Agreement.

(x) Public Sector Banks (PSBs) are back to the position of strength to support credit growth in the economy, including credit for capital intensive sectors, with strengthened capital adequacy position of each PSB, clean balance sheets supported by a healthy provision coverage, along with return to profitability.

(c): 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 rose from Rs. 3,23,464 crore as on 31.3.2015, to Rs. 10,36,187 crore on 31.3.2018, and although 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. 8,35,051 crore, as on 31.3.2021, these are higher than those of banks in major economies like USA, China and Japan.

(d): Government has taken comprehensive measures to reduce gross NPAs which include, *inter alia*, the following:

(i) 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.

(ii) 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.

(iii) 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 and from accessing capital markets to raise funds, *vide* Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2016.

(iv) Pecuniary 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.

(v) With Government infusion supplementing the raising of capital by PSBs from market, PSBs have achieved a high provisioning coverage ratio of 84.9% as on 30.9.2021, equipping them to take decision on resolution of NPAs without being constrained on account of such decision impacting their profitability.

(vi) Key reforms have been instituted in PSBs as part of the PSBs Reforms Agenda, including, *inter alia*, the following:

   (1) 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.

   (2) 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.

   (3) Institution of comprehensive, automated Early Warning Systems (EWS) in banks, with ~80 EWS triggers, use of third-party data and workflow for time-bound remedial actions, to proactively detect stress, reducing slippage into NPAs, and thus mitigating risk on account of misrepresentation and fraud.

   (4) 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.

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