

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
LOK SABHA  
UNSTARRED QUESTION NO-1287  
ANSWERED ON- 06/12/2021

ESTABLISHMENT OF BAD BANK

1287. SHRI MANICKAM TAGORE B.

Will the Minister of FINANCE be pleased to state:-

- (a) whether the Government has decided to set up a bad bank to clear the Non-Performing Assets (NPAs) of the banks;
- (b) if so, whether the said bad bank shall take over and resolve NPAs amounting to Rs.2 lakh crore and if so, the details thereof;
- (c) whether the Government cleared a Rs.30,600 crore guarantee programme for the said purpose and if so, the details thereof;
- (d) whether the banks' gross NPAs will exceed Rs.10 lakh crore by March, 2022; and
- (e) if so, the details thereof?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (c): Finance Minister in her budget speech for 2021-22 has made the announcement regarding setting up of a new structure for stressed asset resolution. In this regard, a new structure involving Asset Reconstruction Company (ARC) and Asset Management Company (AMC) was firmed up in consultation with Reserve Bank of India (RBI) and Indian Banks' Association (IBA), and National Asset Reconstruction Company Limited (NARCL) was incorporated on 7.7.2021. NARCL was granted Certificate of Registration by RBI on 4.10.2021 for commencement of business of securitisation of asset reconstruction operations. NARCL is intended to resolve stressed assets above Rs.500 crore each, amounting to about Rs.2 lakh crore in phases. Government has approved extending a guarantee of up to Rs. 30,600 crore to back Security Receipts issued by NARCL for acquiring stressed loan assets. The guarantee will be valid for five years from the date of issuance of SRs or till the date of final settlement of loan accounts, whichever is earlier.

(d) and (e): As per the Financial Stability Report (FSR) released by Reserve Bank of India (RBI) in July 2021, macro-stress tests indicate that the gross non-performing asset (GNPA) ratio of Scheduled Commercial Banks (SCBs), under the baseline scenario, may increase from 7.48 per cent in March 2021 to 9.80 percent by March 2022.

As per RBI inputs, the said GNPA ratio has been arrived at without factoring in the impact of the policy actions under way. Therefore, the actual movement of GNPA of SCBs will depend on the extent to which the benefit of such policy interventions from the Central Government and RBI is availed of by the eligible borrowers which, in turn, facilitates revival of accounts under stress.

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