GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO-1676

ANSWERED ON MONDAY, MARCH 10, 2025/PHALGUNA 19, 1946 (SAKA)

MEASURES TO REDUCE THE NPAs IN INDIAN BANKING SYSTEM

1676. SHRI P V MIDHUN REDDY

Will the Minister of FINANCE be pleased to state:-

(a) the measures taken by the Government to reduce the pending Non-Performing Assets (NPAs) in the Indian Banking System;

(b) the progress made so far under the same and the benefits realised so far; and

(c) the details of progress made with respect to implementation of Mission Indradhanush for PSBs?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) and (b): Comprehensive measures have been taken by the Government and the Reserve Bank of India (RBI) to recover and to reduce NPAs, enabled by which, gross non-performing assets (NPAs) of scheduled commercial banks have declined to Rs. 4,55,278 crore (gross NPA ratio of 2.42%) in December 2024 (RBI provisional data) from a peak of Rs. 10,36,187 crore (gross NPA ratio of 11.18%) in March 2018. These measures include, *inter alia*, 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.
(2) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and the Recovery of Debt and Bankruptcy Act have been amended to make it more effective.
(3) 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.
(4) Public Sector Banks have set-up specialized stressed assets management verticals and branches for effective monitoring and focused follow-up of NPA accounts, which facilitates quicker and improved resolution/ recoveries. Deployment of Business correspondents and adoption of Feet-on-street model have also boosted the recovery trajectory of NPAs in banks.
(5) Prudential Framework for resolution of stressed assets was issued by RBI to provide a framework for early recognition, reporting and time bound resolution of stressed assets, with a build-in incentive to lenders for early adoption of a resolution plan.

(c): Government launched “Indradhanush” scheme in August 2015 for comprehensive framework to revamp and improve Public Sector Banks (PSBs), and had implemented structural and policy changes, which include *inter alia*, the following:

(1) Financial Services Institutions Bureau (erstwhile Bank Board Bureau established in 2016) has been constituted for arm’s length selection of top management in PSBs.
(2) The post of Chairman and Managing Director has been separated into posts of MD & CEO and non-executive chairman to ensure appropriate checks and balances.
(3) Capital infusion has been done in banks to supplement the achievement of regulatory capital norms by PSBs through their own efforts and, in addition, based on performance and potential, augmenting their growth capital.
(4) The Government has issued a circular for non- interference from Government and banks to take their decision independently keeping the commercial interest of the organisation in mind.
(5) Revised framework of Key Performance Indicators (KPIs) for whole time directors has been introduced, and
(6) Banking reforms, including EASE reforms, have been initiated to address various issue, which include, *inter alia* credit discipline, strengthening of risk management practices, responsible lending, improved governance, adoption of technology, enabling customer centricity and supporting financial inclusion.

As a result of Indradhanush Scheme and other reforms implemented by the government, performance of PSBs has significantly improved with —

(i) gross NPAs of PSBs declining to Rs. 3.02 lakh crore (gross NPA ratio of 2.85%) in December 2024 (provisional data) from a peak of Rs. 8.96 lakh crore (gross NPA ratio of 14.58%) in March 2018;
(ii) slippage ratio declining to 0.95% from 8.35% during the said period;
(iii) Capital adequacy ratio improving to 14.84% in December 2024 (provisional data) from 11.66% in March 2018;
(iv) Provision coverage ratio improving to 93.01% in December 2024 (provisional data) from 62.71% in March 2018; and
(v) PSBs recording highest ever aggregate net profit of Rs. 1.41 lakh crore in FY 2023-24 and Rs. 1.30 lakh crore up to December 2024 (provisional data) of the current financial year.

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