

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO- 2676

ANSWERED ON MONDAY, 9 MARCH, 2026/ PHALGUNA 18, 1947 (SAKA)

Banking and Credit Stability

2676. DR. PRABHA MALLIKARJUN:

Will the Minister of FINANCE be pleased to state:-

- (a) the present status of banking and financial sector stability, including trends in Non-Performing Assets (NPAs) and capital adequacy;
- (b) whether recent credit tightening and market concerns have adversely affected Micro, Small and Medium Enterprises (MSMEs) and retail borrowers; and
- (c) if so, the steps taken to ensure adequate and affordable credit flow without compromising systemic stability?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a): Major banking reforms undertaken by the Government and the Reserve Bank of India (RBI) over the last few years, including, *inter-alia*, the 4Rs' strategy (Recognising NPAs transparently, Resolution and Recovery, Recapitalising Public Sector Banks (PSBs), and Reforms in the financial system), have strengthened credit discipline, improved recognition and resolution of stress, enabled responsible lending, and enhanced governance in banks.

These reforms, along with financial inclusion initiatives, adoption of technology, amalgamation of banks, and measures to improve management and maintain confidence in the banking system, have helped banks turn the corner and significantly improve their financial health and resilience.

Further, under the Enhanced Access and Service Excellence (EASE) reforms agenda, PSBs have undertaken a series of customer-centric initiatives aimed at improving service delivery, digital enablement, transparency, and ease of access to banking services. Implementation of Basel III capital and prudential norms, as prescribed by RBI has also strengthened capital buffers, improved risk management, and enhanced the overall resilience of banks. RBI's macro stress test results, as per the Financial Stability Report of RBI in 2025, have also reaffirmed the resilience of Scheduled Commercial Banks (SCBs) to adverse macroeconomic shocks. As per RBI's provisional data, as on 30.9.2025:

- (a) The asset quality has improved significantly with—
- (i) Gross NPA ratio of SCBs declined to a fresh multi-decadal low of 2.05% (₹4.18 lakh crore) in Sep-25 from 4.28% (₹3.23 lakh crore) in Mar-15, and from a peak of 11.18% (₹10.36 lakh crore) in Mar-18.
 - (ii) Net NPAs of SCBs declined to a record low of ₹0.94 lakh crore (0.47%) in Sep-25 from ₹2.31 lakh crore (3.13%) in Mar-15, and from a peak of ₹5.20 lakh crore (5.94%) in Mar-18.
- (b) Resilience has increased with Provision Coverage Ratio (PCR) of SCBs increasing from 49.31% in Mar-15 to a healthy 93.23% in Sep-25.
- (c) Capital adequacy has improved significantly with Capital to Risk-weighted Assets Ratio (CRAR) of SCBs improving by 430 bps to reach 17.24% in Sep-25 from 12.94% in Mar-15.
- (d) PSBs declared dividend of ₹34,990 crore to shareholders (GoI share ₹22,699 crore) in FY2024-25 against total dividend of ₹27,830 crore to shareholders (GoI share ₹18,013 crore) in FY2023-24.
- (e) Enabled by implementation of comprehensive reforms, the financial health of PSBs has improved significantly, enhancing their ability to raise capital (in the form of both equity and bonds) from the market. PSBs have mobilised capital of ₹5.24 lakh crore from the market from FY 2014-15 to FY 2025-26 (up to 31.12.2025).
- (f) During FY 2024-25, SCBs have recorded highest ever aggregate net profit of ₹4.01 lakh crore. PSBs have also recorded highest ever aggregate net profit of ₹1.78 lakh crore during FY 2024-25. Further, the net profit of PSBs during the first nine months of FY 2025-26 is ₹1.46 lakh crore.

The improved financial health has enabled banks to better serve common customers through enhanced credit availability, improved transmission of policy interest rates, strengthened depositor confidence, and wider access to digital and financial services. Customer-centric reforms under the EASE agenda and technology adoption have also improved service delivery, transparency, and ease of access to banking services, particularly benefiting retail customers, MSMEs, and rural populations.

(b) and (c): With regard to the recent credit tightening and market concerns, MSME credit in SCBs has continued to grow with year-on-year (YoY) growth standing at 20.6% as on 30.9.2025, and asset quality has improved with Gross NPA at 3.5% as on 30.9.2025, indicating no broad-based adverse impact. While in respect of the retail borrowers in SCBs, overall retail credit quality remains stable or improving, indicating no widespread deterioration with Gross NPA standing at 1.1% as on 30.9.2025. Personal loans (Retail loans) grew at 14.0% as on 31.10.2025, higher than 11.7% as on 31.3.2025.
