

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-2090
ANSWERED ON- 08/03/2021

BANK NPAs

2090. SHRI PRAJWAL REVANNA
SHRI BALASHOWRY VALLABHANENI

Will the Minister of FINANCE be pleased to state:

- (a) the details of the loans extended to corporate and capitalists, Non-performing assets (NPAs) and recovery of loans during each of the last five years;
- (b) the details of special drive that the Reserve Bank of India and the Government proposes to take up to bring down NPAs and contain fresh NPAs of commercial banks;
- (c) whether there is any plan before the Ministry to revisit loan policy and efforts being made to strengthen credit appraisal skills, place credit-risk management policies in place, reduce loan concentrations, etc. and if so, the details thereof; and
- (d) whether the Government has set any target to keep NPAs within that limit in the coming 2-3 years and if so, the details thereof?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a): As per inputs received from the Reserve Bank of India (RBI), details of advances outstanding, gross NPA and recovery of loans under Industry category for the last five financial years are annexed.

(b) to (d): Loan accounts become non-performing due to a variety of factors, which may be economy-wide or specific to a sector or a firm. While appropriate policy and regulatory measures are taken from time to time to contain such factors, no targets have been set by the Government for NPA levels. Keeping NPAs in check and pursuing a prudent credit policy is a constant endeavor of the banks.

Each bank has a Board-approved loan policy within RBI's prudential guidelines and the same is reviewed periodically by Boards of the banks. A number of steps have been taken by the Government and RBI to strengthen credit appraisal skills, place credit-risk management policies in place, reduce loan concentrations etc., enabling improvement in underwriting, monitoring and recovery to reduce the NPAs, which include, *inter alia*, the following:

(i) *Underwriting:*

- (1) Institution of technology- and data-driven risk scoring and scrutiny systems in banks that comprehensively factor in third-party data and non-financial risk factors and provide for higher scrutiny of high-risk cases;
- (2) Institution of risk appetite frameworks in banks and improved adherence to risk-based pricing; and
- (3) Board-approved loan policies of Public sector banks (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.
- (4) To address concentration risk in books of banks, RBI has prescribed single/group borrower limits under its Large Exposure Framework besides the sectoral and country limits being part of loan policies of banks.

(ii) *Monitoring of loans:*

- (1) Institution of comprehensive, automated Early Warning Systems (EWS) in banks, with 8 PSBs having more than 80 EWS triggers, use of third-party data and workflow for time-bound remedial actions, to proactively detect stress and reducing slippage into NPAs;
- (2) Significant extension of the erstwhile stressed asset resolution framework and building in incentives for early adoption of a resolution plan through RBI's revised prudential framework on stressed assets, issued on 7.6.2019;
- (3) Specialised monitoring agencies combining financial and domain knowledge have been deployed for effective monitoring of loans above Rs 250 crore; and
- (4) Setting up of stressed assets management verticals for focussed slippage prevention, recovery arrangements and time-bound action in respect of large-value stress accounts.

(iii) *Resolution and recovery:*

- (1) Change in credit culture has been effected, with—
 - (A) the Insolvency and Bankruptcy Code, 2016 fundamentally changing the creditor-borrower relationship, taking away control of the defaulting company from promoters/owners and debarring wilful defaulters from the resolution process and debarring them from raising funds from the market;
 - (B) the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 being amended in 2016 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; and
- (2) To ensure timely and better realisation in one-time settlements (OTS) end-to-end OTS platform and portal have been put in place along with eBक्रय platform for online auction of stressed assets. All PSBs have also introduced objective metrics and checkbox-approach based OTS.

In the context of economic slowdown, the impact of the pandemic and the need to support post-pandemic recovery, comprehensive measures have been taken under

Government's Aatma Nirbhar Bharat Abhiyaan economic package and RBI's regulatory package, revival framework and monetary policy steps to mitigate debt servicing burden and pandemic's impact on borrowers, to ensure business continuity and to facilitate revival of real sector activities and ensuring that the slippages are restricted. These include, *inter alia*, the following:

1. RBI has provided a framework for lenders to implement resolution plans in respect of eligible loans to corporates and micro, small and medium enterprises (MSMEs), to enable lending institutions to offer customised relief to borrowers in the form of restructuring, without downgrading the loan as an NPA. Such restructuring may entail the grant of various concessions to the borrower in terms of altering the total amount to be repaid, instalment amounts and the rate of interest, extending moratorium and/or the residual periods of repayment, waiving penal interest and charges, converting the accumulated interest into a fresh loan with a deferred payment schedule, and sanction of additional loan.
2. For the 26 sectors which the Kamath Committee identified as having visible impact of the pandemic, RBI has prescribed certain financial parameter ranges for the aforesaid resolution plans. These ranges are typically more liberal than the benchmark ranges generally adopted by leading banks such as State Bank of India and have enabled higher sector-specific relief for deep/comprehensive restructuring.
3. The debt servicing burden for borrowers have been substantially reduced as a result of reduction in the benchmark policy rate and liquidity enhancing measures taken by RBI, with reduction of 1.14% in the monthly weighted average lending rate on fresh Rupee loans of SCBs from March to December 2020 and reduction of 0.73% on their outstanding Rupee loans over the same period.
4. Government had issued an advisory for extension of registration and completion dates of real estate projects under Real Estate Regulatory Authorities by treating COVID-19 as an event of *force majeure*, and for loans to the commercial real estate sector, additional time of one year has been given for extension of the date for commencement for commercial operations.
5. In addition, following measures have been taken for MSMEs:
 - (A) A liberal restructuring scheme for MSMEs with loan exposure of up to Rs. 25 crore has been introduced by RBI offering sector-specific relief to the entire MSME sector.
 - (B) Emergency Credit Line Guarantee Scheme with sanction of collateral free credit line up to Rs. 3 lakh crore, backed by 100% Government guarantee, has been launched for additional funding of up to 20% of the fund-based outstanding as on 29.2.2020.
 - (C) To enable promoters of stressed MSME units including those in textile sector, including those whose accounts have become non-performing assets (NPAs), to access credit for infusing the same as equity/quasi equity/sub-debt in the unit, Government has launched the Credit Guarantee Scheme for Subordinate Debt.

Lok Sabha Unstarred Question no. 2090 for answer on 8.3.2021, regarding “Bank NPAs”

Advances outstanding, Gross NPAs and Reduction in NPAs (due to actual recoveries) of Industries with Scheduled Commercial Banks

Amount in crore Rs.

	As on 31.3.2016	As on 31.3.2017	As on 31.3.2018	As on 31.3.2019	As on 31.3.2020	As on 31.12.2020
Industry – Advances Outstanding	29,98,424	29,45,792	31,29,512	32,93,638	32,52,801	31,65,649
Industry – Gross NPAs	3,86,377	5,25,898	6,61,515	5,48,788	4,42,323	3,41,634
Industry – Recoveries (in FY)	22,833	34,644	37,963	73,313	62,102	25,917*

Source: Offsite Returns, Domestic Operations

*Data for 9 months ending 31.12.2020
