

Bad financial conditions of PSBs

1511. SHRI HARNATH SINGH YADAV:

SHRI P. BHATTACHARYA:

Will the Minister of FINANCE be pleased to state:

(a) the action taken by Government to improve the bad financial condition of the Public Sector Banks in the country;

(b) if so, whether Government has tried to find out and address the reasons for the same;

(c) if so, the details thereof; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SHIV PRATAP SHUKLA): (a) to (d): Government has adopted a comprehensive approach for addressing NPAs in the banking system and improving the condition of banks. The gross advances of Scheduled Commercial Banks increased from ₹ 25,03,431 crore as on 31.3.2008 to ₹ 68,75,748 crore as on 31.3.2014, as per the global operations data of the Reserve Bank of India (RBI). Asset Quality Review (AQR) carried out in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of NPAs. PSBs initiated cleaning up and expected losses on stressed loans, not provided for earlier under flexibility given to restructured loans, were reclassified as NPAs and provided for. Such restructuring schemes have been discontinued since. Further, upon, *inter alia*, the net NPA ratio breaching specified monitored threshold, RBI placed eleven PSBs under its Prompt Corrective Action framework, in order to restore their financial health. In parallel, to strengthen PSBs, Government began their recapitalisation under Indradhanush plan announced in August, 2015, which envisaged capital infusion of ₹ 70,000 crore by the Government over the four financial years and, to address the high NPAs revealed subsequently by AQR, has followed this up with the announcement and initiation of recapitalisation to the tune of ₹ 2,11,000 crore. This has been accompanied with a PSB Reforms Agenda for systemic improvements in banks. Under the PSBs Reforms Agenda, PSBs have created Stressed Asset Management verticals for stringent recovery, segregated pre- and post-sanction follow-up roles for clean and effective monitoring, initiated creation of online one-time settlement platforms and committed to monitoring large-value accounts through specialised monitoring agencies.

Further, for creating a clean and effective recovery system, Government has enacted

the Insolvency and Bankruptcy Code, amended the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (SARFAESI Act) to make it more effective, established six new Debts Recovery Tribunals and improved the recovery systems within PSBs. Further, the Banking Regulation Act, 1949 has been amended, to provide for authorisation to RBI to issue directions to banks to initiate the insolvency resolution process under IBC. As per RBI's directions, cases have been filed under IBC before the National Company Law Tribunal (NCLT) in respect of 39 large defaulters, amounting to about ₹ 2.69 lakh crore funded exposure (as of December, 2017).

Thus, by recognising NPAs transparently, up-front provisioning, recapitalisation for bank strengthening, reforms for comprehensive systemic improvements in banks, and cleaning up lending and recovery systems, Government has put in place a clean and robust banking system.

RBIs power over regulating PSBs

1512. SHRI K. R. ARJUNAN: Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that the Reserve Bank of India does not enjoy enough powers in regulating State run lenders;
- (b) if so, the details thereof;
- (c) whether it is also a fact that Government is willing to discuss RBI's power over regulating Public Sector Banks; and
- (d) if so, the steps taken by Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SHIV PRATAP SHUKLA): (a) to (d) The Reserve Bank of India (RBI) regulates and supervises public sector and private sector banks. Under the provisions of the Banking Regulation Act, 1949, it can, *inter alia*:-

- inspect the bank and its books and accounts (section 35(1));
- examine on oath any director or other officer of the bank (section 35(3));
- cause a scrutiny to be made of the affairs of the bank (section 35(1A));
- give directions to secure the proper management of the bank (section 35A);
- call for any information of account details (section 27(2));
- determine the policy in relation to advances by the bank (section 21);
- direct special audit of the bank (section 30(1B)); and