

Market slowdown

2428. DR. ABHISHEK MANU SINGHVI: Will the Minister of FINANCE be pleased to state:

- (a) the reasons for the massive slowdown of the market;
- (b) the steps taken by Government to overcome slowdown and accelerate growth; and
- (c) the steps Government has taken to rejuvenate the market through the monetary policy reforms?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANURAG SINGH THAKUR): (a) The deceleration in the growth rate of GDP coincides with a deceleration in growth of global output from 3.6 per cent in 2018 to 3.0 per cent in 2019 as estimated in the World Economic Outlook (WEO), October 2019 published by International Monetary Fund (IMF). Declining investment rate in India arising out of twin balance sheet problem of banks and corporates, which emerged in 2013-14, is mainly responsible for deceleration in GDP growth rates.

(b) Government is committed to boosting the economic growth and welfare of the people. To this end various measures are announced on a continuous basis. Introduction of Insolvency and Bankruptcy Code (IBC) in 2016 is a significant step towards cleaning and strengthening the financial system of the country. Implementation of Goods and Services Tax in 2017 stands out as the most important measure for improving ease of doing business in the country. Make-in-India programme is a major initiative towards increasing the indigenous capacity of the country to produce world class goods and services. Continuous liberalization has resulted in record and unprecedented inflows of foreign direct investment into the country. And all along government has kept inflation low, fiscal spending disciplined and current account deficit manageable to ensure macroeconomic stability so necessary to sustaining a healthy investment climate in the country. More recently, Government has cut corporate tax rate from 30 per cent to 22 per cent to boost investment activity in the country. In particular, the corporate tax rate has been cut to 15 per cent for new domestic manufacturing companies, which is amongst the lowest in the world. This complements a cut in the repo rate by 135 basis points

during 2019 by the Reserve Bank of India and mandating of banks to link their lending rates with external benchmarks for reducing the cost of capital for investors. Government has also extended PM Kisan scheme to include all farmers, which will boost rural consumption.

(c) Monetary policy is under the domain of Reserve Bank of India (RBI). The RBI has cut the repo rate by 135 basis points during 2019 and has mandated the banks to link their lending rates with external benchmarks for reducing the cost of capital for investors.

Infusion of extra funds into PSBs

2429. SHRI AHMED PATEL: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government has infused extra funds into Public Sector Banks;

(b) if so, the details thereof for the last three years, year-wise and bank-wise; and

(c) the reasons behind these capital infusions when NPAs of these banks are on the rise?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANURAG SINGH THAKUR): (a) to (c) As per RBI data on global operations, aggregate gross advances of Public Sector Banks (PSBs) increased from ₹ 18,19,074 crore as on 31.3.2008 to ₹ 52,15,920 crore as on 31.3.2014. As per RBI inputs, the primary reasons for spurt in stressed assets have been observed to be, *inter alia*, aggressive lending practices, wilful default/loan frauds/corruption in some cases, and economic slowdown. Asset Quality Review (AQR) initiated in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of Non-Performing Assets (NPAs). As a result of AQR and subsequent transparent recognition by banks, stressed accounts were reclassified as NPAs and expected losses on stressed loans, not provided for earlier under flexibility given to restructured loans, were provided for. Further, all such schemes for restructuring stressed loans were withdrawn. Primarily as a result of transparent recognition of stressed assets as NPAs, gross NPAs of PSBs, as per RBI data on global operations, rose from ₹ 2,79,016 crore as on 31.3.2015 to ₹ 8,95,601 crore as on 31.3.2018. As part of the 4R's strategy,