GOVERNMENT OF INDIA
MINISTRY OF FINANCE
RAJYA SABHA
UNSTARRED QUESTION NO-62
ANSWERED ON- 02/02/2021

GROSS BAD LOAN RATIO OF BANKS

62. SHRI JYOTIRADITYA M. SCINDIA

Will the Minister of FINANCE be pleased to state:-

(a) whether Government is aware that the gross bad loan ratio of banks which stood 7.5% as of September 30, 2020 may almost double to 14.8% under a severe stress scenario;

(b) if so, the details thereof;

(c) whether Government has since taken any concrete step to challenge the current stress in the banking system; and

(d) if so, the details thereof?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a) to (d): As per Financial Stability Report (FSR) released by Reserve Bank of India (RBI) in January 2021, the severe stress scenario for stress testing, on the basis of regression modelling, indicates that the gross non-performing asset (GNPA) ratio of Scheduled Commercial Banks (SCBs), may increase from 7.5 per cent in September 2020 to 14.8 per cent by September 2021. It has been informed by RBI that the GNPA ratio has been arrived at without factoring in impact of policy action under way, *viz.* RBI's resolution framework for COVID-19-related stress and one-time restructuring of loans to Micro, Small and Medium Enterprises (MSMEs). Under RBI's resolution framework, resolution plans were invocable by lending institutions up to 31.12.2020 and the same is to be implemented by 31.3.2021 in case of personal loans and by 30.6.2021 in case of corporate exposures. The scheme for restructuring of MSME loan accounts has also been extended up to 31.3.2021. The movement of GNPA of SCBs will be dependent on the extent to which the benefit of the aforementioned scheme/framework is availed of.

A number of measure were taken to address the current stress in the banking system, which include, *inter alia*, the following:

(i) grant of a moratorium of six months on payment of all term loan instalments falling due between 1.3.2020 and 31.8.2020, and deferment of recovery of interest on working capital for the same period, without asset classification downgrade;

(ii) facilitating revival of real sector activities and mitigating the impact on ultimate borrowers by providing a window under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures and personal loans, while classifying them as standard;

(iii) to support the viable MSME entities on account of the fallout of the COVID-19, scheme for one-time restructuring of loans to MSMEs was extended up to 31.3.2021;

(iv) under Emergency Credit Line Guarantee Scheme (having 100% guarantee coverage by the Government), loans worth Rs. 2.34 lakh crore have been sanctioned to 90.71 lakh accounts of eligible borrowers up to 25.1.2021;

(v) under Partial Credit Guarantee Scheme 2.0, public sector banks have approved purchase of portfolio of Rs. 23,342 crore up to 31.12.2020, to address temporary liquidity/ cash flow mismatches of otherwise solvent NBFCs/HFCs/MFIs;

(vi) increasing the maximum permissible period of pre- and post-shipment export credit sanctioned to 15 months, for disbursements made till 31.7.2020;

(vii) reduction in cash reserve ratio by 100 basis points (bps) releasing primary liquidity of around Rs. 1.37 lakh crore, uniformly across the banking sector; and

(viii) reduction in liquidity coverage ratio from 100% to 80% easing the liquidity position.

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