

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO. 1006
ANSWERED ON – 26/7/2022
GROWTH IN PRE-PROVISION EARNINGS

1006. **SHRI B. LINGAIAH YADAV:**

Will the Minister of FINANCE be pleased to state:

- (a) whether growth in pre-provision earnings and decline in bad loans will improve the profitability of banks in the current fiscal, if so, the details thereof;
- (b) whether better profitability will offset increase in capital consumption due to an acceleration in loan growth, helping banks across the system maintain capital at current levels as capital ratios at Public Sector Banks (PSBs) have improved in the past year, aided by capital infusions by Government, and also, PSBs and their private sector peers have proactively sought to raise capital from the market; and
- (c) if so, the details thereof and present status thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a): As net profit of a bank is arrived by subtracting provisions from pre-provision earnings, both the factors *i.e.*, growth in pre-provisioning earnings and decline in bad loans, positively impact profitability of the banks which may be seen in the performance of PSBs during FY2021-22 compared with that of FY2020-21, as under:

(Amount in crore Rs.)

Parameters	FY2020-21	FY2021-22
Pre-provision earnings	1,97,376	2,00,696
Gross NPAs	6,16,616	5,41,750
Provisions for NPAs	4,11,733	3,79,738
Net Profit	31,820	66,519
Return on Assets (%)	0.28	0.54

The exact impact of growth in pre-provision earnings and decline in bad loans, on banks' profitability for the current fiscal can be measured after declaration of the

annual financial results.

(b) and (c): Profit earned and retained by banks adds to their capital and enables them to support further loan growth while maintaining required capital adequacy ratios. In addition, banks raise capital from the market to strengthen their capital base. Capital raised by the PSBs from the market in the form of both equity and bonds during last three years, is as under:

(Amount in crore Rs.)

Financial year	PSBs
2019-20	32,293
2020-21	58,697
2021-22	50,719
