



Loan growth of banks and initiatives taken by the Government to improve the asset quality of banks

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The details on Outstanding Gross Loans & Advances as reported by Scheduled Commercial Banks (SCBs) to Reserve Bank of India (RBI) are as under:-

Bank Group	31 Mar-15	31 Mar-16	31 Mar-17 (Prov.)
Public Sector Banks (PSBs)	56,15,793	58,23,907	58,74,849
Private Sector Banks	16,07,329	19,72,608	22,66,721
Foreign Banks	3,36,638	3,76,607	3,43,986
SCBs	75,59,760	81,73,122	84,85,556

RBI has informed that PSBs accounted for approximately 69% of total loans and advances by all SCBs and moderate growth for loan portfolio of PSBs was the main reason behind low credit growth at the system level. Public Sector Banks as a group has witnessed significant impairment in certain key industry sectors (having large exposures for PSBs) such as 'infrastructure', 'steel', 'textiles, etc. In wake of the higher impairment in such industry sectors, PSBs are trying to re-balance their loan portfolio.

The Government and RBI has taken various initiatives to improve the asset quality of banks:-

With the enactment of 'Insolvency and Bankruptcy Code (IBC)', 2016 the recovery environment is expected to improve leading to improvement in asset quality of banks. An ordinance to amend section 35A of the Banking Regulation Act, 1949 was recently promulgated in May-17 enabling RBI for directing banks to resolve specific stressed assets by initiating insolvency resolution process (where required).

RBI has given elaborate regulatory guidelines for management of asset quality in banks. A framework of Prompt Corrective Action (PCA) is also used to monitor bank's position so as to take appropriate supervisory action and the same has been revised during April-17. RBI has issued Income Recognition and Asset Classification (IRAC) norms to classify and recognize non-performing loans. RBI has provided the Indian Banking System with numerous tools to tackle stress in their asset portfolio. These tools include Scheme for Sustainable Structuring of Stressed Assets (S4A), Strategic Debt Restructuring Scheme (SDR), Flexible Structuring for long term project loans to Infrastructure and Core industries (5/25 Scheme), Formation of Joint Lenders' Forum (JLF) for revitalizing stressed assets in the system and Corporate Debt Restructuring (CDR) Scheme.

This was stated by Shri Santosh Kumar Gangwar, Minister of State for Finance in written reply to a question in Lok Sabha today.

