

House panel for review of banks' NPAs

Committee says it was alarmed to note that NPAs of PSBs registered a substantial increase in recent years

A parliamentary panel has questioned the finance ministry's "tall claims" that steps taken by the government and the Reserve Bank of India (RBI) have resulted in year-on-year improvement in recovery of non-performing assets (NPAs) by public sector banks (PSBs).

The committee asked the government and RBI to constitute an NPA Management Cell at the highest level to review write-offs, upgradation of accounts and restructured advances. It wanted the government to give a report on this within three months. Meanwhile, the names of all wilful defaulters - companies and directors - should be published appropriately, the committee said.

In a recent report, Parliament's standing committee on finance said it was alarmed to note that NPAs of PSBs registered a substantial increase in recent years. The panel, headed by Yashwant Sinha, an ex-finance minister, noted gross NPAs ballooned by 24 per cent to Rs 74,664 crore in 2011 from Rs 59,924 crore a year before. This figure further rose 36 per cent to Rs 117,262 crore in 2012.

It cited specific instances. While the net NPA ratio of PSBs went as high as 2.1 in December 2012, that of UCO Bank was 3.31, of Central Bank of India (CBI) at 3.28, Punjab National Bank (PNB) at 2.78 and of the largest lender, State Bank of India (SBI), at 2.65.

It said an equally disturbing fact was that compared to NPAs in the priority sector and agriculture, both corporate NPAs and those in other sectors went up 190 per cent to Rs 83,490 crore and Rs 84,039 crore, respectively, between March 2011 and December 2012. Corporate NPAs in SBI, PNB, UCO Bank, Indian Bank, Bank of Baroda, Andhra Bank and Bank of India rose manifold during the period.

"The rising NPAs eroded the balance sheet of PSBs. For instance, the net profit of SBI declined to Rs 3,398 crore in December 2012 from Rs 3,658 crore in September 2012," the committee said.

Over 2010-2012, it noted, the number of accounts of Gross NPAs above Rs 1 crore of PSBs rose around 80 per cent to 7,295 accounts from 4,095 accounts. The major rise was in SBI, Bank of India, IDBI Bank, Indian Overseas Bank, PNB and Union Bank of India. Another disturbing fact, the committee said, was that the ratio of restructured advances to gross advances rose to 7.4 in December 2012 from 5.7 in March 2012. In many PSBs, this surpassed the average of 7.4.

For example, it was 12.5 in CBI, 11.8 in Oriental Bank of India and PNB, 10.7 in Allahabad Bank, 10.5 in Andhra Bank, 10.6 in Indian Bank and 10 in Indian Overseas Bank. Though total reduction in NPAs improved by a paltry Rs 7,000 crore to Rs 49,999 crore in March 2012 from Rs 42,997 crore on March 2011, the percentage of reduction due to actual recovery remained at 35 per cent only.

Compromise write offs and upgradation of loan accounts together constituted 65 per cent.

SBI was able to improve its actual recovery by no more than Rs 311 crore, as against a Rs 1,452 crore increase in write-offs in this period.

(Business Standard)