



Why Should We Care About Development Finance? ...because it's our money!

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The Magic of Falling NPAs!

A recent investigation by The Indian Express revealed that over 43% of the total non-performing assets (NPA) till March 2019, or Rs. 4.02 lakh crore, was accounted for by just 100 companies. According to [data.gov](#), the NPAs have substantially reduced since then - from 9.07% in 2018-19 to 3.87% in 2022-23. What might have changed?

Did all of a sudden, the corporations who contributed immensely to the NPA started returning their money diligently? Did RBI come with some new policy to curb the menace of NPA? Did the banks changed their lending pattern overnight - from focussing on large loans to a few big corporations to many small loans to a large number of MSMEs and other small enterprises? The answer is No.

Between 2018-19 and 2021-22, for which the data is available, Rs. 8.27 lakh crore was written off by both public and private banks. It's not unusual for somebody to counter with the argument that written-off loans are still recoverable. That's correct. But the data at [data.gov](#) shows that the average recovery of written-off loans during 2018-19 and 2021-22 was 12.5%. Or, Rs. 1.03 lakh crores. To put it simply, banks lost the rest of the Rs. 7.24 lakh crores.

How The National Company Law Tribunal (NCLT) contributed to the additional loss to the bank in the name of haircuts was covered in Finance Matters earlier (see [here](#)).

How do we understand the amount of Rs. 7.24 lakh crore? Let's look at the Union budgetary provisions for some of the key sectors between 2018-19 and 2021-22 (in lakhs crores).

School Education and Literacy - Rs. 2.21, Higher Education - Rs.1.51, North Eastern Region – Rs. 0.12, Environment, Forests and Climate Change – 0.12, Health and Family Welfare – Rs. 2.54, Housing and Urban Affairs - 1.94, Drinking Water and Sanitation – 1.24, Labour and Employment – 0.44, Micro, Small and Medium Enterprises – 0.37, New and Renewable Energy – Rs. 0.22, Rural Development – 4.84, Social Justice and Empowerment - 0.37, Tribal Affairs – Rs. 0.28 and Agriculture – 4.43.

While the banks lost Rs. 7.24 lakh crores due to write-offs alone in 4 years, the government had to bear the [revenue loss](#) of Rs. 1.28 lakh crore in one year (2020-21) due to the corporate tax rate reduction from 30% to 22% in FY 2019-20.

The Production Linked Incentives to corporations is another way corporations are making a kill. Indicted by a US court for corruption, the Adani Infrastructure and Azure Power India received [subsidies](#) of Rs 663 crore and Rs 186.4 crore respectively for their RE projects.

It's raining for the corporate world while the poor get mocked for Revdi culture and the banks are taken for a ride. Will the new RBI Governor take note of this and act promptly?

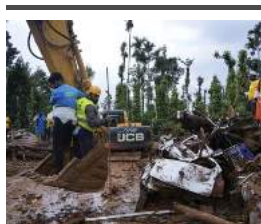
-Team CFA

We refuse to give up trying to demystify finance. We will continue to hold the government and financial institutions accountable for their economic policies and investments. [Support us](#).



Note the hypocrisy

The Financial Action Task Force, a Paris-based global watchdog that sets standards for combating money laundering & terrorist financing, released a report on India recently. The Mutual Evaluation Report concluded that India's measures to prevent money laundering & counter financing of terrorism are achieving good results. While MER praised India for implementing a system that is "effective" in many aspects, it failed to highlight India's adoption of a double standard in its approach to combating money laundering. [Read More](#).



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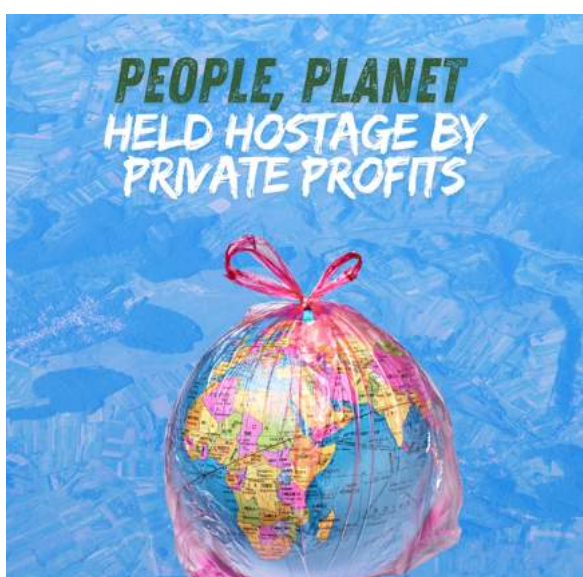
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In 2022, the United Nations Environment Assembly adopted resolution 5/14 to end plastic pollution, including in the marine environment. INC was established to negotiate the instrument, which is to be an international legally binding instrument with a scope spanning the full lifecycle of plastics. [Read More](#).



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