

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
UNSTARRED QUESTION NO 2143

TO BE ANSWERED ON THE 1st JANUARY, 2019 / PAUSHA 11, 1940 (SAKA)

Financial health of PSBs after recent fraud

2143. Shri G.C. Chandrashekhar:

Will the Minister of FINANCE be pleased to state:

- (a) whether the cases of financial frauds committed in nationalised banks including Punjab National Bank (PNB) are being inquired into by Government, if so, the details thereof;
- (b) the financial health of PSBs including after recent financial frauds, state-wise; and
- (c) the measures taken by Government to get Nirav Modi and Mehul Choksi?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SHIV PRATAP SHUKLA)

(a) CBI has registered 676 bank frauds cases pertaining to nationalized banks including Punjab National Bank during the last 3 years viz. 2015, 2016, 2017 and 2018 (upto 30.11.2018). Out of these 676 cases, 91 cases pertain to Punjab National Bank (PNB).

(b) With regard to the financial health of Public Sector Banks (PSBs), it may be noted that Asset Quality Review (AQR) carried out in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of NPAs. Expected losses on stressed loans, not provided for earlier under flexibility given to restructured loans, were reclassified as NPAs and provided for. PSBs initiated cleaning up by recognising NPAs and provided for expected losses. Further, during the fourth quarter of the financial year (FY) 2017-18, all such schemes for restructuring stressed loans were withdrawn. As a result, while PSBs have posted aggregate operating profits during first half of current FY of Rs 75,030 crores, some of the banks have posted losses primarily on account of continuing ageing provision for NPAs recognised as a result of AQR initiated in 2015 and subsequent transparent recognition by banks, including under RBI's circular discontinuing restructuring schemes in the fourth quarter of FY 2017-18, with aggregate net losses of PSBs in the first half of the current FY being Rs.31,330 crore. PSBs made aggregate provision for NPAs and other contingencies of Rs. 85,791 crore during the first half of the current FY. Additionally, because of hardening of bond yields, these banks had aggregate mark-to-market losses on their investment portfolios of Rs. 20,384 crore during the same period. With regard to state-wise information on banks' financial health, it may be noted that financial statements of

banks are prepared as a single entity and not state-wise.

Over the last four and half FYs, to reduce NPAs and strengthen the financial position of PSBs, Government has taken comprehensive steps under its 4R's strategy of recognising NPAs transparently, resolving and recovering value from stressed accounts through clean and effective laws and processes, recapitalising banks, and reforming banks through the PSB Reforms Agenda to make them responsible and responsive. The results of 4R's approach are now visible:

- (1) Gross NPAs of PSBs have started declining, after peaking in March 2018, registering a decline of Rs. 23,860 crore, from Rs. 8,95,601 crore in March 2018 to Rs 8,68,812 crore in September 2018.
- (2) Non-NPA accounts overdue by 31 to 90 days (Special Mention Accounts 1 and 2) of PSBs have declined by 61% over five successive quarters, from Rs. 2.25 lakh crore as of June 2017 to Rs. 0.87 lakh crore as of September 2018, indicating significant improvement in asset quality.
- (3) The Provision Coverage Ratio (PCR) of PSBs has risen steeply from 46.04% as of March 2015 to 66.85% as of September 2018, giving banks cushion to absorb losses.
- (4) Record recovery of Rs. 60,726 crore has been effected by PSBs in the first half of the current financial year, which is more than double the amount recovered over the corresponding period of the last financial year.
- (5) Credit Risk-weighted Assets to Gross Advances ratio has decreased steadily over the past four quarters, from 80.26% in September 2017 to 71.2% in September 2018.

(c) CBI has informed that on their request, Red Corner Notice (RCN) has been issued by Interpol, France against accused Nirav Modi and against accused Mehul Choksi. Request for extradition of accused Nirav Modi from United Kingdom has been sent on 17.08.2018 and request for extradition of accused Mehul Choksi from Republic of Antigua and Barbuda has been sent to the said country on 27.7.2018.
