

NPAs may rise to 6.9% under severe stress scenario: FinMin

PTI



1 [Small Business Ideas](#)

2 [Life Insurance for Seniors](#)

3 [Best Investments for Retirement](#)

New Delhi, May 14:

Attributing mounting bad loans to economic sluggishness, Finance Ministry's annual report has said gross non-performing assets (GNPAs) of banks could soar to 6.9 per cent by March 2017 in a "severe stress scenario".

The gross NPA of the scheduled commercial banks, which was 5.14 per cent at the end of September 2015, may rise to 5.4 per cent by September 2016, it said quoting a RBI report.

"If the macro economic conditions deteriorate, the GNPA ratio may increase further, and it could rise to around 6.9 per cent by March 2017 under a severe stress scenario," said the Finance Ministry's 2015-16 Annual Report.

The Capital to Risk Asset Ratio (CRAR), an indicator of bank's capital adequacy, could decline to 10.4 per cent by March 2017 from 12.7 per cent as of September 2015, it said.

According to the report, the main reasons for increase in NPAs of banks include sluggishness in domestic growth during the recent past, slowdown in recovery in the global economy and continuing uncertainty in the global markets leading to lower exports of various products like textile, engineering goods, leather and gems.

Besides external factors, it said, ban in mining projects, delay in clearance of projects in power and steel sector, volatility in prices of raw material and shortage of power have impacted operations in infrastructure sectors, which were aggressively funded by the banks in the past.

The infrastructure sector lending had a major bearing on the PSU banks, the report said, adding the loan requirements are such that "only big public sector banks could assume exposure under the consortium arrangements".

In order to address the NPA situation, the report said government has taken sector specific measures in identified areas like road, steel, power and textiles. It is also setting up six new Debt Recovery Tribunals to facilitate recovery of bad loans.

The gross NPAs of banks had steadily declined from 12.04 per cent in 2000-01 to 2.45 per cent in 2008-09. However, the upward trend was noticed since 2012-13.

According to the report, gross NPAs rose from 3.42 per cent at the end of March 2013, to 4.11 per cent in March 2014, further to 5.14 per cent in September 2015.

(This article was published on May 14, 2016)

01. SMALL BUSINESS IDEAS

02. LIFE INSURANCE FOR SENIORS

03. BEST INVESTMENTS FOR RETIREMENT

04. BEST REWARDS CREDIT CARDS

05. MONEY SAVING TIPS

06. FEDERAL EDUCATION LOANS

07. TOP 10 COLLEGE MAJORS

08. BEST FREE CHECKING ACCOUNT

09. BEST TRADE SCHOOLS

10. LATEST PRESIDENTIAL POLLS

11. FINANCE INVESTMENTS

12. FREE CREDIT REPORT



Small Business Ideas