

NPA mess: Govt asks banks to reveal asset quality review impact

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Railway Minister Piyush Goyal PTI

New Delhi, December 14:

The government has signalled that it will leave no stone unturned in cleaning up the banking system. It has now asked banks to disclose the variations between the non-performing asset levels in their balance sheet and the levels arrived at following the asset quality review.

Railway Minister Piyush Goyal, stepping in for Finance Minister Arun Jaitley, who was busy at another event, said, “We are asking banks to show the deviation between their balance-sheet, the audited balance-sheet and the AQR numbers, which has put pressure on the banks to show the correct picture and not indulge in ever-greening.”

Goyal said this at a hurriedly convened press meet to counter Congress allegation that Prime Minister Narendra Modi had used an industry function on Wednesday to attack the Opposition on the eve of elections.

Goyal said the identification of NPAs and clean-up of the banking system have been going on since the Modi government came to power. Goyal said, “NPAs are a legacy issue that are being recognised only recently as per Reserve Bank of India Governor Urjit Patel.”

Pointing to the discrepancies during loan disbursement, Goyal said, “In March 2008, total lending of banks was Rs. 18.16 lakh crore; this grew to Rs. 52.15 lakh crore in March 2014. This reflects indiscriminate corporate lending during the Congress-led UPA regime.”

“It was unfortunate that earlier NPA accounts were not shown, ever-greening was done and NPAs were hidden by restructuring mechanisms such as corporate debt restructuring,” he added.

“In March 2014, 36 per cent of stressed assets were identified as NPAs; in June 2017, this jumped to 82 per cent,” he said.

Goyal said the government is working to ensure transparent proceedings against defaulters. “In June 2017, the RBI had identified 12 of the biggest loan defaulters. Their collective borrowings amounted to Rs.1.75 lakh crore, or one-fourth of total NPAs. Legal processes have been initiated and the cases have been referred to the National Company Law Tribunal,” he added.

Asked about concerns relating to the use of deposits to “bail in” lenders, Goyal reiterated that “depositors’ money will be safe within the banking system. No public sector bank has failed...but if there are any loopholes in the Financial Resolution and Deposit Insurance Bill, 2017, it can be plugged.”