

## NPA relief for Indian banks: Bad loans stabilising; credit, deposit improving

By: [Eram Tafsir](#) | Updated: February 15, 2019 7:06 PM

The growth in gross NPAs slowed down to single digit in fiscal third quarter from high double digit a year ago. This could be because lower incremental NPAs are being generated.



In continuing signs of improvement in asset quality of banks in India, the NPA situation in the sector has been stabilising, with the growth in bank NPAs in fiscal third quarter drastically slowing down than that a year ago, a report said.

There has been an improvement in growth of credit and deposits in the economy, CARE Ratings said in a recent report. However, banks' net profits continue to remain under pressure, said the report. It further noted an improvement in credit to industry as well as services on year-on-year basis for December 2018 compared to December 2017.

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Gross NPAs increased at 8.4% in Q3 FY19, slowing down from double-digit growth of 30.4% Q3 FY18, said the report. This could be due to lower incremental NPAs being generated. However, it is still not clear if all legacy NPAs have been recognised by all banks, the report added.

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Earlier this month, Finance Minister Piyush Goyal praised the Modi government in his budget speech, saying that Rs 3 lakh crore has been recovered via Insolvency and Bankruptcy Code process. "IBC has institutionalized a resolution friendly mechanism which is helping in recovery of NPA loans while preserving the underlying businesses and job," he said.

Goyal also pointed out towards the improvement in financial health of public sector banks, due to recapitalisation of Rs 2.6 lakh crore and amalgamation of banks.

Further, three PSU banks — Bank of Baroda, Bank of Maharashtra and Oriental Bank of Commerce — have been removed from the prompt corrective action (PCA) list of [RBI](#) recently.

Growth in credit to services increased significantly, but it remained marginally lower to agriculture & allied activities during the period. Moreover, personal loans (retail) have registered a double-digit growth showing improved consumption in the country, the report said.

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