

Reforms Undertaken in Banking Sector Yielding Results, Says FM

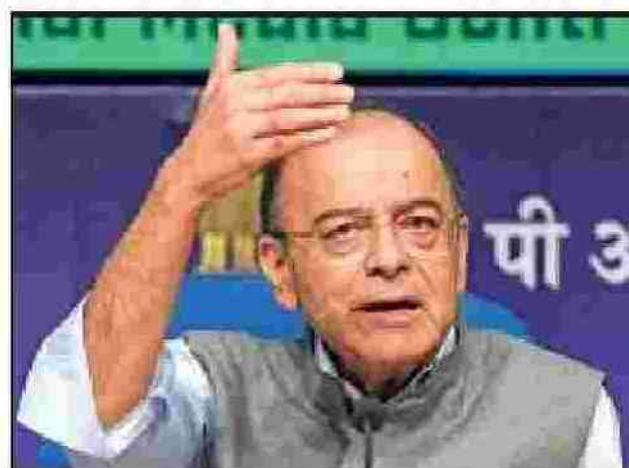
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New Delhi: Finance minister Arun Jaitley said the reforms undertaken by the government in the banking sector have started to yield results and recoveries increased on bad loans that had ballooned because of disproportionate lending during the Congress-led UPA rule.

“There was adventurous lending during 2008-14 which took its toll on the economy,” he said, pointing to an increase in total lending to ₹55 lakh crore from ₹18 lakh crore during that period.

Jaitley said the bad loans were swept under the carpet and that the real picture did not come out. “It was only after RBI’s asset quality review in 2015 it surfaced that bad loans were in tune of ₹8.5 lakh crore and not ₹2.5 lakh crore as projected,” he added.

After this, the government star-



FM Arun Jaitley during a press conference in New Delhi on Monday

ted to take concrete steps along with the RBI, said Jaitley. The first step was to recognise the reality of bad loans.

The situation is now improving because of various steps taken, including the introduction of the Bankruptcy Code, the finance minister said. “The curve itself has started moving. Hopefully we should look for each quarter as better

than the previous one,” he added.

A presentation made by financial services secretary Rajiv Kumar showed the cash recovery by banks at ₹36,551 crore in the first quarter of this fiscal year. This was the highest for any quarter and equal to 49% of the total cash recovery in FY 17-18.

Jaitley said the government has taken a series of steps towards clean banking and that the banks were in a fragile condition due to excessive lending and ballooning of bad loans.

In his presentation, Kumar noted that 2.96 lakh shell companies had been struck off. “Banks are already checking for fraud in all bad loans of over ₹50 crore. Passport details (of borrowers) have been sought,” he added.

Earlier this year, the government had unveiled a reforms agenda for state-run lenders termed EASE — Enhanced Access and Service Excellence.

PHOTO: PTI