

Banks' balance sheet grows in double digits

Gross NPA slips to 5%; regulator flags slippages from recast accounts

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Mumbai, 27 December

The health of Indian banks continued to improve in 2021-22 with their balance sheet growing at double digits after a gap of seven years and their asset quality and capital position bettering, the Reserve Bank of India (RBI) said in its annual report on trend and progress of banking in India.

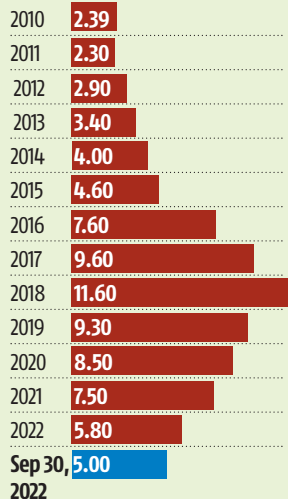
At the same time, the banking regulator flagged the issue of slippages from restructured accounts. "Going forward, it is imperative that banks ensure due diligence and robust credit appraisal to limit credit risk," the report said.

"If downside risks materialise, asset quality could be affected. Hence, slippages in restructured assets need to be monitored closely," it said, adding that timely resolution of stressed assets was essential to prevent asset value depletion.

Turn to Page 3 ▶

IMPROVING ASSET QUALITY (%)

Trend in gross NPA of scheduled commercial banks



Note: As of March-end for the respective year Source: RBI

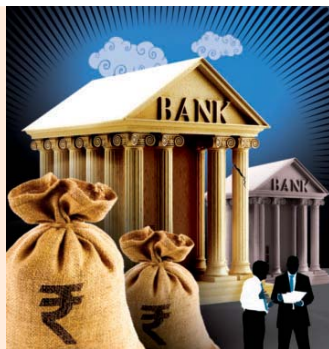


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BANKING HEALTH CHECK

- PSBs have 62% share in total deposits, 58% in loans
- Credit growth of banks at 10-year high (of 17.5%)
- RoE, RoA improved to levels last observed in 2014-15
- Capital adequacy ratio at 16%
- Contingent liabilities' growth of all SCBs crossed 23%, highest in 11 years
- New bank branches increased after 2 years

Rohinton Sidhwa, a partner at Deloitte India.

Online gaming companies have been under tax scanner for the past few months following the detection of instances of tax evasion. Based on the revenue department's estimates, there could have been a possible tax evasion of about ₹30,000 crore in the past few years.

Banks' balance sheet...

Liquidity has even slipped into

deficit on more than one occasion. However, the RBI has assured liquidity support to the productive sectors.

The robust growth in banks' balance sheet, particularly for public sector banks (PSBs), ensured that the latter still have the lion's share in the deposit and advances market. According to the report, PSBs account for 62 per cent of the deposits of scheduled commercial banks, while on loans, they corner 58 per cent market share. Credit growth of banks was at a 10-year high at the end

September 2022, the report said. Commenting on the profitability of commercial banks, the report said their return on equity (RoE) and return on assets (RoA) improved to levels last observed in 2014-15.

The asset quality of Indian banks continued to improve with gross non-performing assets (GNPAs) as a percentage of gross advances further falling in September 2022, to 5 per cent, as compared to 5.8 per cent in March 2022. "This decrease was led by lower slippages as well as reduction in

outstanding GNPAs through recoveries, upgradations and write-offs," the report said.

In 2021-22, the reduction in NPAs was mainly contributed by written-off loans in the case of PSBs, while upgradation of loans was the primary driver for asset quality improvement for private banks. The report observed that the capital adequacy ratio (CAR) has been increasing for the banking sector in the last few years. At end-September 2022, the CAR of scheduled commercial banks stood at 16 per cent.