Research Unit
Press Information Bureau
Government of India

Public Sector Banks: A Resurgent Force

PSBs Achieve ₹1.41 lakh crore net profit; GNPA drops to 3.12%

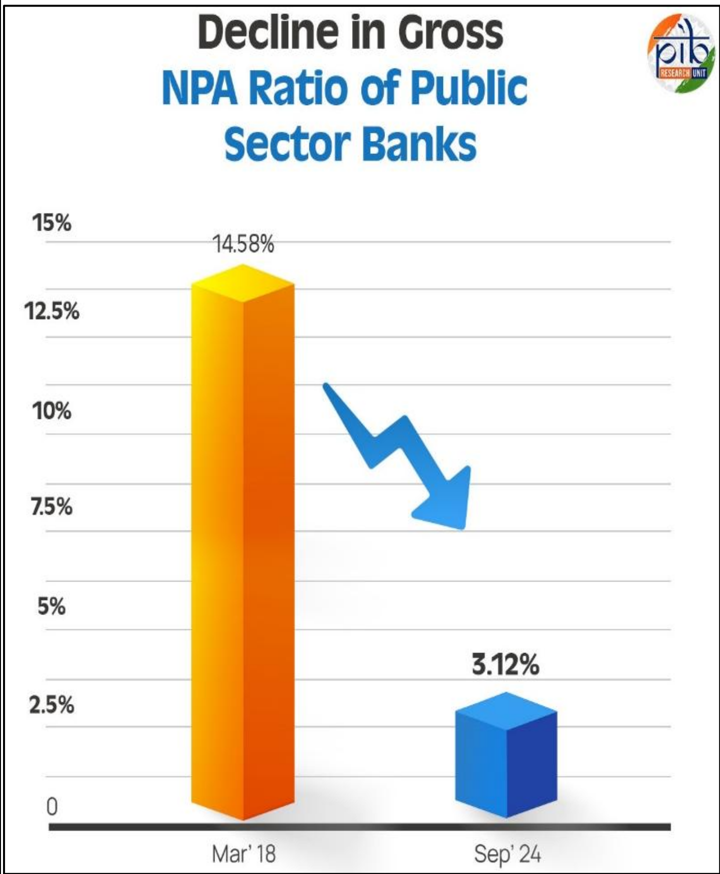
(Ministry of Finance)

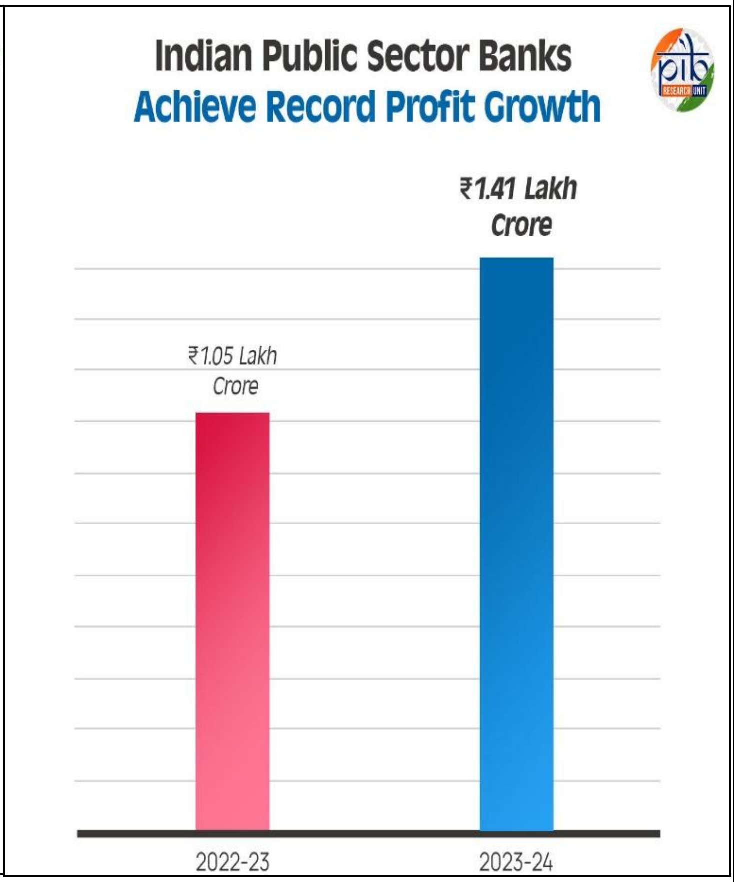
December 15, 2024

Introduction

Public Sector Banks (PSBs) in India have achieved a remarkable milestone by recording their highest-ever aggregate net profit of ₹1.41 lakh crore in the financial year 2023-24. This landmark achievement reflects the sector's robust turnaround, underpinned by a significant improvement in asset quality. The Gross Non-Performing Assets (GNPA) ratio steeply declined, dropping to 3.12% in September 2024. Demonstrating continued momentum, they registered a net profit of ₹ 85,520 crore in the first half of 2024-25. In addition to their stellar performance, PSBs have contributed significantly to shareholder returns, paying a total dividend of ₹61,964 crore over the past three years. This remarkable financial growth underscores the sector's operational efficiency, improved asset quality, and stronger capital base.

Beyond their financial achievements, these banks have played a key role in promoting financial inclusion. They have implemented crucial government schemes like the Atal Pension Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana, to name a few. These efforts have ensured that vital benefits reach underserved sections of society. The government of India has actively supported the sector with reforms, welfare measures, and strong policies. This has strengthened the banking system, fostering greater transparency, stability, and inclusivity.





Decline in GNPA: Strengthening PSB Resilience

The Gross NPA ratio of Public Sector Banks (PSBs) has witnessed a remarkable improvement, declining to 3.12% in September 2024 from a peak of 14.58% in March 2018. This significant reduction reflects the success of targeted interventions aimed at addressing stress within the banking system.

A turning point came in 2015 when the Reserve Bank of India (RBI) initiated the Asset Quality Review (AQR). This exercise aimed to identify and address hidden stress in banks by mandating the transparent recognition of NPAs. It also reclassified previously restructured loans as NPAs, resulting in a sharp increase in reported NPAs. The heightened provisioning requirements during this period impacted the financial parameters of banks, restricting their ability to lend and support productive sectors of the economy.

To address these challenges, the Government introduced a comprehensive 4R's strategy:

- **Recognising** NPAs transparently to ensure accurate identification of stressed assets.
- **Resolution and Recovery** of NPAs through targeted measures and legal frameworks.
- **Recapitalising** PSBs to strengthen their financial position and lending capacity.
- **Reforms** in governance and operational practices to enhance efficiency and resilience.

Another indicator of the improved resilience of Public Sector Banks (PSBs) is their Capital to Risk (Weighted) Assets Ratio (CRAR), which rose by 39 basis points to 15.43% in September 2024, up from 11.45% in March 2015. This substantial improvement not only highlights the renewed stability and robustness of India's banking sector but also positions PSBs to better support economic growth. Notably, this CRAR far exceeds the Reserve Bank of India's (RBI) minimum requirement of 11.5%, underscoring the strengthened financial health of these institutions.

Expanding Financial Inclusion

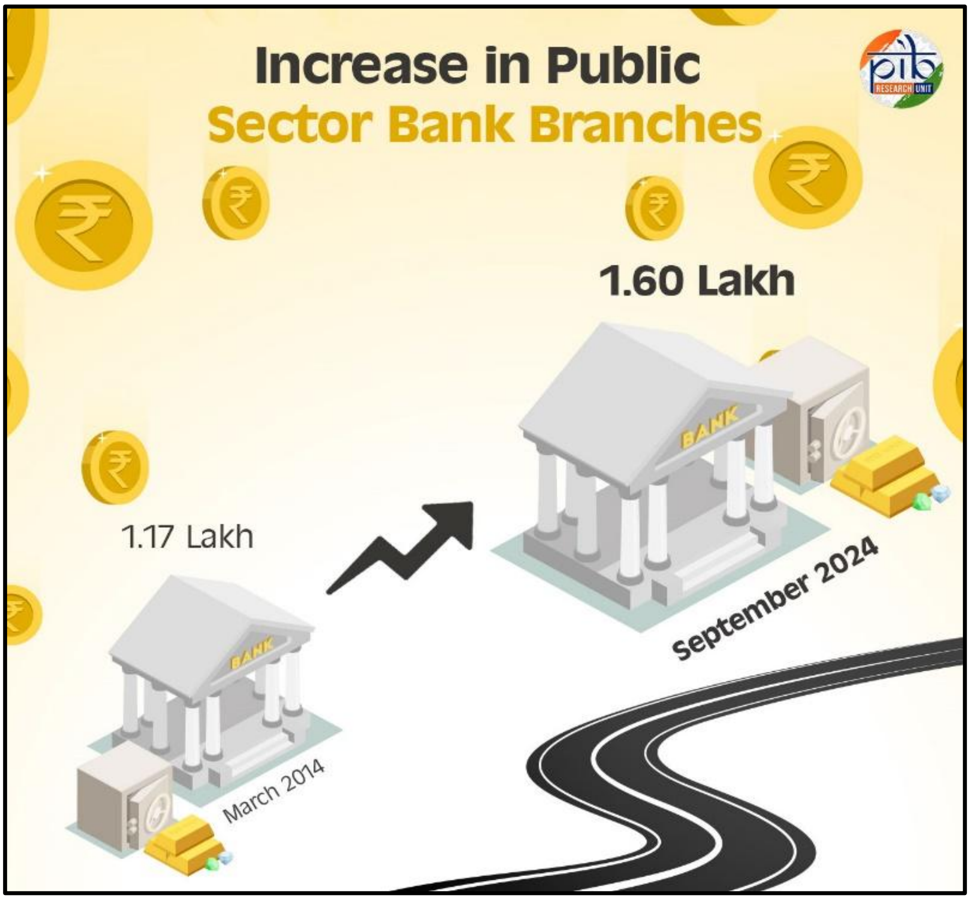
PSBs continue to expand their reach across the nation, deepening financial inclusion. Their strengthened capital base and improved asset quality have enabled them to access markets independently, reducing reliance on government recapitalisation.

Here's how **SCBs** are deepening financial inclusion:

- 54 crore Jan Dhan accounts and more than 52 crore collateral-free loans have been sanctioned under various flagship financial inclusion schemes (PM Mudra, Stand-Up India, PM-SVANidhi, PM Vishwakarma).

- The number of bank branches has increased from 1,17,990 in March 2014 to 1,60,501 in September 2024; out of which 1,00,686 branches are in Rural and Semi-Urban (RUSU) areas.

- The Kisan Credit Card (KCC) Scheme aims to provide short-term crop loans to farmers. Total operative KCC accounts as of September 2024 stood at 7.71 crore with a total outstanding of Rs. 9.88 lakh crore.



- The Government of India (GoI) has consistently supported the MSME sector with a flow of credit at affordable rates through various initiatives. MSME advances registered a CAGR of 15% over the last 3 years, with total advances as on March 31, 2024, standing at Rs. 28.04 lakh crore, posting an annual growth of 17.2%.

- The gross advances of Scheduled Commercial Banks grew from Rs. 8.5 lakh crore to 61 lakh crore during 2004-2014, which has significantly increased to Rs. 175 lakh crore in March 2024.

Strengthening PSBs through EASE Framework

The Government has implemented a series of measures to enhance the financial condition of Public Sector Banks (PSBs) through the Enhanced Access & Service Excellence (EASE) framework. This framework institutionalises an objective process of incremental reforms aligned with the evolving banking ecosystem, focusing on governance, prudent lending, risk management, technology- and data-driven banking, and outcome-centric human resources.

Key highlights of the steps taken under EASE to strengthen the financial condition of PSBs include:

Prudential Lending:

PSBs are now systematically monitoring adherence to risk-based pricing and have established data-driven risk-scoring mechanisms for the appraisal of high-value loans, factoring in group entities.

IT-based Early Warning Systems:

These systems leverage third-party data to enable timely, proactive action in stressed accounts.

Stressed Assets Management Verticals:

Dedicated units have been set up for focused slippage prevention and recovery in large-value stressed loans, resulting in a sharp decline in such loans.

Tech-Enabled Smart Banking:

The adoption of retail and MSME loan management systems has reduced loan turnaround times. Additionally, platforms like OTS (One-Time Settlement) and the e-Bkray stressed assets auction platform have enhanced recovery processes.

Conclusion

Public Sector Banks in India have made remarkable strides in recent years, achieving unprecedented financial milestones and contributing significantly to the nation's economic stability and growth. The decline in Gross Non-Performing Assets (GNPA) and improved Capital to Risk (Weighted) Assets Ratio (CRAR) reflect the sector's resilience and sound risk management practices. The EASE framework has been crucial in institutionalising reforms, promoting prudent lending, and leveraging technology for better banking services. The focus on financial inclusion has expanded access to banking, empowering millions with affordable credit and insurance. With a stronger financial base and improved asset quality, PSBs are well-positioned to support India's development agenda and drive inclusive economic growth.

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