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# NPAS DOWN, CREDIT GROWTH PICKING UP: RBI

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Gross non-performing assets in the banking system have declined for the second consecutive half year, while credit growth is picking up, the Reserve Bank of India (RBI) said in the half yearly Financial Stability report.

"With the bulk of the legacy non-performing assets (NPAs) already recognised in the banking books, the NPA cycle seems to have turned around," the report said. Gross NPA ratio declined to 9.3% as on March 2019. It was 10.8% in September 2018 and 11.5% in March 2018.

**Further decline**

Gross NPAs could further decline to 9% by March 2020, the macro stress tests indicated.

Following capital infusion by the government in public sector banks, the overall capital adequacy ratio of commercial banks improved from 13.7% in September 2018 to 14.3% in March 2019, with state-run banks' CAR improving from 11.3% to 12.2% during the period. However, there was a marginal decline in the CAR of private sector banks.

In his foreword, RBI Governor Shaktikanta Das said state-run lenders showed a noticeable improvement with recapitalisation, with both provision coverage as well as capital adequacy improving, though a significant rise in provisioning had impacted the bottomline.

Highlighting the need for governance reforms, Mr. Das said that the proof of the pudding lay in the public sector banks' ability to attract private capital through market discipline, rather than being overly dependent on the government for capital.

With the number of banks having more than 20% gross NPAs coming down in March 2019, RBI said this implied a broader improvement in asset quality. Credit growth of public sector banks were at 9.6% while private lendsers continue to robust growth of 21%. Overall credit growth marginally improved to 13.2% in March 2019 from 13.1% in September 2018.

"Credit growth of scheduled commercial banks (SCBs) picked up, with public sector banks (PSBs) registering near double-digit growth," RBI said.

The picture is not so rosy on the macroeconomic front, as private consumption turned weak and a widening current account deficit have exerted pressure on the fiscal front. "This has implications for the government's market borrowing programme and market interest Rates," RBI said, observing that reviving private investment demand remained a key challenge going forward. Mr. Das said a dip in consumption and private investment exerted pressure on the fiscal situation, but with current inflation outlook remaining moderate, growth could help alleviate fiscal constraints to some extent.



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