

GNPA for PSBs in agriculture sector crosses ₹1-trillion mark

Instances and scale of farm loan waivers have seen an unprecedented increase since 2014-15... this surge is driven by state govt, finds RBI study

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Gross non-performing assets (GNPA) for public sector banks (PSBs) in the agriculture sector has exceeded ₹1 trillion.

According to Reserve Bank of India (RBI) data, the GNPA from agriculture and allied activities in these banks was ₹1.04 trillion at end-July, against total credit of ₹942,869 crore (about ₹9.4 trillion). Thus, the ratio of GNPA to total credit is over 11 per cent.

The NPA rise over the past one year was a little less than 20 per cent. At the end of June 2018, sectoral GNPA was

₹86,032 crore, about 9.6 per cent of the total credit for agriculture and allied activities. In the past two years, the rise has been almost 30 per cent.

Bankers agree that much of the deterioration in the credit culture over the past year was on account of the general election in the country and expectations on a debt waiver.

According to a recent report of the internal working group to review agricultural credit, from RBI, "the instances and scale of farm loan waivers have seen an unprecedented increase since 2014-15. This surge in loan waivers is driven by state gov-



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ernments. Ten states have announced loan waivers aggregating ₹2.4 trillion (1.4 per cent of 2016-17 gross domestic product at current prices) since 2014-15. This is significantly higher than the two-nationwide loan waiver programmes — ₹100 billion

programme in 1990 (₹506 bn at 2016-17 prices, using the GDP deflator) and a ₹525 billion programme in 2007-08 (₹812 bn at 2016-17 prices, using the gross domestic product deflator)."

In mid-2017, Uttar Pradesh gave farm loan relief amount-

HEADING UPWARDS

As on June 30

	Gross advances to agriculture and allied sectors (₹ cr)	GNPA in agriculture and allied sectors (₹ cr)	GNPA ratio as percentage of credit to agriculture and allied sectors (%)
2017	797,825	60,393	7.57
2018	899,566	86,032	9.56
2019	942,869	104,264	11.06

ing to ₹36,400 crore. In May 2017, Maharashtra announced one of ₹30,500 crore. In June 2017, Karnataka announced one for ₹8,200 crore. In October 2017, Punjab's waiver was about ₹10,000 crore. Other states that have announced a farm loan waiver

or relaxation include Tamil Nadu, Andhra Pradesh and Telangana.

"The Reserve Bank) data shows NPA levels increased for all states that announced a farm loan waiver programme in 2017-18 and 2018-19. On the other hand, almost all other

states (with the exception of Bihar, Odisha and Haryana) have shown either no material change in their NPA level or actually registered a decline between 2016-17 and 2017-18. Taken together, this could be indicative of the presence of moral hazard, with borrowers defaulting strategically in anticipation of loan waiver," says RBI.

In this background, PSBs have also been realigning their strategies on agricultural loans. Instead of short-term credit, they are now preferring long-term agri infrastructure credit, where chances of default are low.

For example, in the first

quarter of this financial year, Allahabad Bank recorded new slippage amounting to ₹2,986 crore. Agricultural NPA accounted for a major chunk, of ₹1,135 crore or 38 per cent of the total. In response, the bank is giving more emphasis on investment credit. It recently rolled out a Kisan Pragati Kendra (KPK), through which loan proposals above ₹5 lakh under the agriculture investment credit portfolio will be considered.

"Such high levels of NPA in the sector, with GNPA touching double digits, is unsustainable in the long run," said a high ranking official of a public sector bank.