GOVERNMENT OF INDIA
MINISTRY OF FINANCE

RAJYA SABHA
STARRED QUESTION NO. *71
ANSWERED ON 13.12.2022

NPAs and write-off by banks

***71. Shri Jawhar Sircar:**

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that NPAs have risen by 365 per cent under the present Government, from ₹ 5 lakh crore between 2008 to 2014, to over ₹ 18 lakh crore from 2014 to 2020;
(b) whether it is also a fact that ₹ 10 lakh crore has been written off in the last five years to reduce NPAs by half, but banks could recover only ₹ 1.32 lakh crore from the write-offs; and
(c) if so, what action has been taken to punish those, whose collusion or indulgence has caused such losses in the savings of common depositors?

ANSWER

FINANCE MINISTER
(SMT. NIRMALA SITHARAMAN)

(a) to (c): A statement is laid on the Table of the House.

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Statement referred to in reply to parts (a) to (c) in respect of Rajya Sabha Starred Question No. *71 for reply on 13.12.2022 regarding NPAs and write-off by banks asked by Shri Jawhar Sircar.

(a) to (c): As per Reserve Bank of India (RBI) data on domestic operations, aggregate gross advances of Scheduled Commercial Banks (SCBs) increased from Rs. 23,33,823 crore as on 31.3.2008 to Rs. 61,00,848 crore as on 31.3.2014. Aggressive lending practices during this period along with wilful default / loan frauds, economic slowdown, *etc.* were observed to be primary reasons for the spurt in the stressed assets. As on 31.3.2014, stressed assets of SCBs were 9.8% of their loan book, while the restructured standard loans were 5.7%. Asset Quality Review (AQR) initiated in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of non-performing assets (NPAs). As a result of AQR and subsequent transparent recognition by banks, stressed accounts were reclassified as NPAs and expected losses on stressed loans, not provided for earlier under flexibility given to restructured loans, were provided for.

Primarily as a result of transparent recognition of stressed assets as NPAs, as per RBI data on domestic operations, gross NPAs of SCBs rose from Rs. 2,51,054 crore (gross NPA ratio of 4.1%) as on 31.3.2014 and peaked to Rs. 9,62,621 crore (gross NPA ratio of 11.46%) as on 31.3.2018, and as a result of Government's strategy of recognition, resolution, recapitalisation and reforms, have since declined to Rs. 6,97,589 crore (gross NPA ratio of 5.9%) as on 31.3.2022. Further, as per RBI data on domestic operations, stressed assets, including restructured standard assets, as percentage of gross advances in SCBs has declined from 9.8% as on 31.3.2014 to 7.8% as on 31.3.2022.

The NPAs, including, *inter-alia*, those in respect of which full provisioning has been made on completion of four years, are removed from the balance-sheet of the bank concerned by way of write-off. Banks write-off NPAs as part of their regular exercise to clean up their balance-sheet, avail tax benefit and optimise capital, in accordance with RBI guidelines and policy approved by their Boards. As per inputs received from RBI, SCBs wrote-off an amount of Rs. 10,09,511 crore during the last five financial years. As borrowers of written-off loans continue to be liable for repayment and the process of recovery of dues from the borrower in written-off loan accounts continues, write-off does not benefit the borrower. Banks continue to pursue recovery actions initiated in written-off accounts through various recovery mechanisms available, such as filing of a suit in civil courts or in Debts Recovery Tribunals, action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, filing of cases in the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016, through negotiated settlement/compromise, and through sale of non-performing assets. SCBs have recovered an aggregate amount of Rs. 6,59,596 crore, including recovery of Rs. 1,32,036 crore from written-off loan accounts during the last five financial years.

In cases, where it is *prima facie* found that officials are responsible for the lapses of non-compliance with the laid down systems and procedures or misconduct or non-adherence to the due-diligence norms, action is initiated against the erring officials under the Board-approved staff accountability policy. As per inputs received from public sector banks, staff accountability in respect of NPA cases has been fixed against 3,312 bank officials (of AGM and above rank) during the last five financial years, and suitable punitive actions have been taken commensurate to their lapses.

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