

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
RAJYA SABHA
UNSTARRED QUESTION NO-572
ANSWERED ON- 07/02/2023

LOANS WRITTEN OFF BY SCHEDULED COMMERCIAL BANKS (SCBs)

572. SHRI PARIMAL NATHWANI

Will the Minister of FINANCE be pleased to state:-

(a) the measures that the Government, along with RBI, is taking and new measures being planned to stop huge write-offs every year by banks, especially PSU banks when as per data from RBI, Scheduled Commercial Banks (SCBs) wrote off a total of ₹ 11,17,883 crore over last six fiscal years, while SCBs recovered only ₹ 1,32,036 crore in last five Financial Years; and

(b) the measures Government and RBI have taken to ensure NPAs of PSU banks do not shoot up again, over coming years, as has been happening in the past when gross NPAs of PSU banks have come down now, due to huge write-offs over the past several years?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) and (b): As per Reserve Bank of India (RBI) guidelines and policy approved by banks' Boards, non-performing assets (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 evaluate/consider the impact of write-offs 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. The borrowers of written-off loans continue to be liable for repayment and banks continue to pursue recovery actions initiated in written-off accounts through various recovery mechanisms available to them, therefore, write offs does not benefit the borrowers. Further, recovery in NPA accounts, including written-off loans, is an ongoing process.

Comprehensive measures have been taken by the Government and RBI to prevent NPAs in public sector banks (PSBs), on account of which, fresh slippages to NPAs as percentage of opening gross loans and advances in public sector banks, as per RBI data, has come down to 2.1% in the financial year 2021-22, from 7.4% in the financial year 2017-18. These measures include, *inter alia*, the following:

- (1) Change in credit culture has been effected, with the Insolvency and Bankruptcy Code (IBC) fundamentally changing the creditor-borrower relationship, taking away control of the defaulting company from promoters/owners, and debarring wilful defaulters from the resolution process. To make the process more stringent, personal guarantor to corporate debtor has also been brought under the ambit of IBC.

- (2) Further, a pre-packaged insolvency resolution process (PPIRP) was operationalised under IBC to provide an efficient alternative insolvency resolution process for corporate persons classified as micro, small and medium enterprises (MSME), ensuring quicker, cost-effective and value maximising outcomes for all the stakeholders, in a manner which is least disruptive to the continuity of their businesses and also preserving employment.
- (3) Prudential Framework for Resolution of Stressed Assets was issued by RBI in 2019 to provide a framework for early recognition, reporting and time bound resolution of stressed assets, with a build-in incentive to lenders for early adoption of a resolution plan.
- (4) Central Repository of Information on Large Credits (CRILC) collects, stores and disseminates credit data to lenders, and banks are required to submit report on weekly basis to CRILC, in case of any default by borrowing entities with exposure of Rs. 5 crore and above.
- (5) Under the PSB Reforms Agenda, comprehensive and automated Early Warning Systems (EWS) were instituted in PSBs, with ~80 EWS triggers and use of third-party data for time-bound remedial actions in the borrowing accounts.
- (6) PSBs have also created Stressed Asset Management Verticals for stringent recovery, segregated pre- and post-sanction follow-up roles for clean and effective monitoring, and engaging specialised monitoring agencies for monitoring of large-value accounts.
- (7) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 has been amended to make it more effective.
- (8) Wilful defaulters are not sanctioned any additional facilities by banks or financial institutions, and their unit is debarred from floating new ventures for five years.
- (9) Wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds.
