GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
STARRED QUESTION NO. *128
ANSWERED ON 1st AUGUST, 2023 / SRAVANA 10, 1945 (SAKA)

Wilful defaulters

***128. Shri Raghav Chadha:**

Will the Minister of FINANCE be pleased to state:

(a) whether Government has details of banks blacklisting and punishing wilful defaulters and if so, the details thereof;
(b) the details on the gross amount of NPAs in the last three years;
(c) whether Government has plans to bring specific policies and reforms to prevent instances of financial mismanagement in the banking sector and if so, the details thereof; and
(d) whether Government has strategies in place to mitigate potential risks associated with acquiring and managing distressed assets and if so, the detail thereof?

ANSWER

<u>FINANCE MINISTER</u>
<u>(SMT. NIRMALA SITHARAMAN)</u>

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

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Statement referred to in reply to parts (a) to (d) in respect of Rajya Sabha Starred Question No. *128 for reply on 01.08.2023 regarding Wilful defaulters asked by Shri Raghav Chadha.

(a) to (d): As per RBI's Master Circular on Wilful Defaulters, banks and financial institutions are required to submit the list of wilful defaulters of Rs.25 lakh and above to credit information companies (CICs), and CICs have also been advised to disseminate the information pertaining to suit filed accounts of wilful defaulters on their respective websites. Accordingly, lists of suit-filed wilful defaulters of Rs. 25 lakh and above are available in public domain on the websites of Credit Information Companies (CICs). Further, as per RBI's instructions, wilful defaulters are not sanctioned any additional facilities by banks or financial institutions, and their unit is debarred from institutional finance for floating new ventures for five years. Also, vide Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2016, wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds. In addition, the Insolvency and Bankruptcy Code, 2016 has debarred wilful defaulters from participating in the insolvency resolution process.

The gross non-performing assets (NPAs) of scheduled commercial banks (SCBs) have declined in the last three financial years from Rs. 8,35,051 crore (gross NPA ratio of 7.33%) as on 31.3.2021 to Rs. 7,42,397 crore (gross NPA ratio of 5.82%) as on 31.3.2022, and further to Rs. 5,71,515 crore (gross NPA ratio of 3.87%) as on 31.3.2023 (RBI provisional data).

Banks are Board governed companies and the general superintendence, direction and management of the affairs and business of banks vests in its Board. All decisions related to policy and reforms are taken by them as per their Board-approved policies. The Board constitutes various committees of directors to take informed decisions in the best interests of the bank. These committees monitor the activities falling within their respective terms of reference, including financial management of banks. To improve the supervisory oversight of senior management, some of these important committees, *viz.* Audit Committee of the Board (ACB), Risk management Committee of the Board (RMCB) and Nomination and Remuneration Committee (NRC) are chaired by independent directors, and are constituted either only with or majority of non-executive directors. Further, in addition to periodical statutory audits, banks also conduct internal audits and concurrent audits. Banks are also subjected to a continuous monitoring by RBI through the Risk Based Supervision model, wherein both off-site and on-site inspections are conducted. Senior Supervisory Managers (SSMs) of RBI carry out the on-site inspections of banks on an on-going basis. It also conducts need-based portfolio-based studies.

RBI has issued Master Direction dated 24.9.2021 on Transfer of Loan Exposures, which, *inter alai,* provides for a comprehensive framework for transfer of stressed assets, including board-approved policies of every lender on transfer and/or acquisition of stressed loans. Further, Asset reconstruction companies (ARCs), which acquire and manage stressed assets, are registered with and regulated by RBI. As per RBI's Master Circular on Assets Reconstruction Companies dated 10.2.2022, ARCs are required to put in place a Board-approved Financial Asset Acquisition Policy. ARCs are required to maintain a capital adequacy ratio of minimum fifteen percent, report to RBI information, *inter alia* regarding, assets acquired, securitised and reconstructed, security receipts issued and outstanding, assets pending for resolution, at quarterly interval, and are required to put in place an effective internal control system providing for periodical checks and review of the asset acquisition procedures and asset reconstruction measures.

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