

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
RAJYA SABHA
UNSTARRED QUESTION NO-553
ANSWERED ON- 25/07/2023

NPA OF BANKS

553. SHRI HARBHAJAN SINGH

Will the Minister of FINANCE be pleased to state:-

- (a) whether the Ministry has recently taken any initiative to reduce NPA in the banking system;
- (b) if so, the details thereof; and
- (c) the steps taken during the last three years in the direction of ensuring accountability and transparency in the banking system?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

- (a) to (c): Comprehensive measures/steps have been taken by the Government and Reserve Bank of India (RBI) to reduce non-performing assets (NPAs), enabled by which gross NPAs of SCBs have declined from the peak of Rs. 10,36,187 crore (gross NPA ratio of 11.18%) as on 31.3.2018 to Rs. 5,71,515 crore (gross NPA ratio of 3.87%) as on 31.3.2023 (RBI provisional data). These measures include, *inter alia*, the following:
- (1) Change in credit culture has been effected, with 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) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 has been amended to make it more effective.
 - (3) Pecuniary jurisdiction of Debt Recovery Tribunal (DRTs) was increased from Rs. 10 lakh to Rs. 20 lakh to enable the DRTs to focus on high value cases resulting in higher recovery for the banks and financial institutions.
 - (4) National Asset Reconstruction Company Limited has been set up as an asset reconstruction company with an aim to resolve stressed assets above Rs. 500 crore each. Government has also approved extending a guarantee of up to Rs. 30,600 crore to back Security Receipts issued by NARCL to Lending Institutions for acquiring stressed loan assets.
 - (5) Public Sector Banks (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.

- (6) 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
- (7) 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.
- (8) Wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds.
- (9) 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.

With regard to accountability and transparency in banking system, various steps have been taken, including, *inter alia* the following:

- (i) In order to address the operative issues in banking system, RBI, *vide* its circular on Corporate Governance in Banks — Appointment of Directors and Constitution of Committees of the Board, dated 26.4.2021, issued instructions regarding the Chair and meetings of the board, composition of certain committees of the board, appointment of the whole-time directors (WTDs), *etc.*
- (ii) As per RBI's instructions, banks are required to have in place a Board-approved customer relations policy, covering aspects of customer protection, including the mechanism of creating customer awareness on the risks and responsibilities involved in electronic banking transactions and customer liability in case of unauthorised electronic banking transactions. The policy must be transparent, non-discriminatory and should stipulate the mechanism of compensating the customers for the unauthorised electronic banking transactions and also prescribe the timelines for effecting such compensation. The policy is required to be displayed on the bank's website along with the details of grievance handling/escalation procedure.
- (iii) As per RBI's Master Circular on Customer Service in Banks, RBI has advised banks to display updated information relating to interest rates and service charges on their websites to enable the customer to obtain the desired information at a quick glance. Further, in order to enhance transparency in pricing of credit, banks have been advised to display on their websites, the interest rate range of contracted loans, and fees and charges for various types of advances granted to individual borrowers.
- (iv) To ensure greater transparency and promote better discipline among banks, with respect to compliance of Income Recognition, Asset Classification and Provisioning norms issued by the RBI, circular on Disclosure of Divergence in Asset Classification and Provisioning', certain specified thresholds are revised for commercial banks on 11.10.2022.
- (v) Governance in public sector banks has been strengthened through arm's length selection of top management through Financial Services Institutions Bureau.
- (vi) As per banks' Board-approved staff accountability policy, staff accountability exercise is conducted and action is taken against the erring officials, who 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.
