GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA
STARRED QUESTION NO. *231

ANSWERED ON TUESDAY 17th DECEMBER, 2024 / AGRAHAYANA 26, 1946 (SAKA)

RECOVERY OF WRITTEN OFF LOANS

***231. SHRI RAGHAV CHADHA:**

Will the Minister of FINANCE be pleased to state:

(a) whether Government is aware that banks have failed to recover 81.30 per cent of loans written off in the last five years, causing substantial public losses;
(b) the details pertaining to the total amount of loans written off in the last three years, including those of major public sector banks and the percentage of recovery achieved;
(c) the measures Government is taking to strengthen the loan recovery process and fixing responsibility of those accountable for high levels of non-performing assets (NPAs);
(d) whether Government has examined the impact of frequent write-offs; and
(e) the policies being considered to prevent future loan write-offs?

ANSWER

FINANCE MINISTER
(SMT. NIRMALA SITHARAMAN)

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

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Statement referred to in reply to parts (a) to (e) in respect of Rajya Sabha Starred Question No. *231 for reply on 17.12.2024 regarding Recovery of written off loans asked by Shri Raghav Chadha.

(a) to (e): Banks write-off non-performing assets (NPAs), including, *inter-alia*, those in respect of which full provisioning has been made on completion of four years, as per the Reserve Bank of India (RBI) guidelines and policy approved by banks' Boards. Such write-off does not result in waiver of liabilities of borrowers and therefore, it does not benefit the borrower. The borrowers continue to be liable for repayment and banks continue to pursue recovery actions initiated in these accounts. 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.

Recovery made by scheduled commercial banks (SCBs) in written-off loans during the last five financial years was 20.5% of the loans written-off by SCBs during the same period. Further, SCBs, including public sector banks have written-off NPAs amounting to Rs. 5,53,265 crore during the last three financial years and the recovery in written-off loans during the financial year as a percentage of written-off loans during the financial year (FY) was 19.2% in FY 2021-22, which improved to 21.9% in FY 2022-23, and to 27% in FY 2023-24. Besides, recovery in NPAs, including written-off loans is an ongoing process and banks continue their efforts under the various recovery mechanism available to them, 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, filing of cases in the National Company Law Tribunal under the Insolvency and Bankruptcy Code, through negotiated settlement/compromise, and through sale of NPAs.

Comprehensive measures have been taken to strengthen recovery process and to reduce NPAs, which 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) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and the Recovery of Debt and Bankruptcy Act have 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) Public Sector Banks have set-up specialized stressed assets management verticals and branches for effective monitoring and focused follow-up of NPA accounts, which facilitates quicker and improved resolution/recoveries. Deployment of Business correspondents and adoption of Feet-on-street model have also boosted the recovery trajectory of NPAs in banks.

(5) Prudential Framework for resolution of stressed assets was issued by RBI 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.

Enabled by the aforesaid measures, gross NPAs of SCBs have declined to 2.75% in March 2024 from a peak of 11.18% in March 2018.

RBI, in June 2023, have issued a comprehensive regulatory framework governing, *inter alia,* technical write-offs for all RBI-regulated entities (REs). The framework mandates REs to put in place a Board-approved policy comprehensively laying down the process to be followed for all technical write-offs, with specific guidance on the necessary conditions precedent, such as minimum ageing, deteriorating in collateral value, *etc*. REs are also required to put in place a graded framework for examination of staff accountability in such cases with reasonable thresholds and timelines.

Further, 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.

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