

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA
UNSTARRED QUESTION NO: 1181

TO BE ANSWERED ON THE 9TH FEBRUARY 2018/MAGHA 20, 1939
(SAKA)

QUESTION
LOAN DEFAULTERS

**1181: DR. SHRIKANT K. NATH SHINDE:
SHRIVINAYAK BHARAORAUT:**

Will the Minister of FINANCE be pleased to state:

- a) whether the bad loans have weakened the balance sheet of major public sector banks, if so, the details thereof;
- b) whether the Government and RBI are formulating a strategy to deal with the bad loan problem, including a one-time settlement scheme for weak sectors and penal action against siphoning of funds, if so, the details thereof and the plan prepared by the Government in this regard;
- c) whether any comprehensive strategy has been chalked out by the Government to nab the defaulters, if so, the details thereof;
- d) whether the report from banks post completion of forensic audit on big defaulters has been received by the Government, if so, the details thereof and the time by which the action against the defaulters will be initiated; and
- e) the corrective/preventive measures prepared by the Government to check such type of frauds in future?

ANSWER

**To be answered by
THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHIV PRATAP SHUKLA)**

(a) to (c): Asset Quality Review initiated by Reserve Bank of India (RBI) in 2015, and subsequent transparent recognition by banks revealed high Non-Performing Assets (NPAs), which have impacted balance-sheets of several Public Sector Banks (PSBs). The gross NPAs of PSBs, as on 30.9.2017, were Rs. 7,33,974 crore. For strengthening PSB balance-sheets, under Indradhanush plan, Government provided for Rs. 70,000 crore till FY 2018-19, as a result of which despite high NPA and consequential provisioning, banks were successful in complying with

capital adequacy norms. Between 2014-15 and the first quarter of FY 2017-18, provision of Rs. 3,79,080 crore was made to deal with expected losses. Further, with the object of increasing credit off-take and promoting creation of jobs, in October 2017 Government announced, and has since initiated, recapitalisation of Public Sector Banks by Rs. 2,11,000 crore within two financial years to make banks weakened by NPAs strong.

Further, to enable effective action in respect of defaulters, Insolvency and Bankruptcy Code, 2016 was enacted, which provides for time bound resolution of stressed assets. Cases have been instituted under the Code in the National Company Law Tribunal (NCLT) in respect of the 12 largest defaulters, amounting to about 25% of the NPAs of the entire banking system. To safeguard against misuse of the legal process, wilful defaulters and persons associated with NPA accounts have been barred from participating in the process under way in NCLT.

(d) and (e): As per RBI's Master Directions on Frauds, banks undertake forensic audit and take action upon forensic audit reports. These Directions do not envisage submission of such reports to and action thereon by the Government.
