GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA
UNSTARRED QUESTION NO: **2324**
TO BE ANSWERED ON THE 09th MARCH, 2018/PHALGUNA 18, 1939 (SAKA)

QUESTION
LOANS WRITTEN OFF BY SCBs

2324: SHRI RAJAN VICHARE:

Will the Minister of FINANCE be pleased to state:

(a) whether all the Scheduled Commercial Banks (SCBs) wrote off Rupees 2,25,180 crore of bad loans cumulatively in the five year period ended March 2016 and if so, the details thereof;
(b) whether these write-offs are just technical in nature and an exercise to clean up the balance sheets as these banks can continue to retain the right to recovery from these written off accounts and if so, the details thereof; and
(c) whether the Government is considering to bring in newer mechanisms to deal with these big loans and if so, the details thereof?

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

(a) As per Reserve Bank of India (RBI) guidelines and policy approved by Bank Boards, non-performing loans, 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. As per Reserve Bank of India (RBI) data on global operations, based on annual returns of Scheduled Commercial Banks (SCBs), the total amount of write-off (including compromise), for the five-year period ended March 2016, was Rs. 2,30,287 crore.
(b) Writing-off of non-performing assets is a regular exercise conducted by banks to clean up their balance sheet, and achieving taxation efficiency. Writing off of loans is done, *inter-alia*, for tax benefit and capital optimisation. Borrowers of such written off loans continue to be liable for repayment. Recovery of dues takes place on ongoing basis under legal mechanisms, which include *inter-alia,* the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, Debts Recovery Tribunals and Lok Adalats. Therefore, write-off does not benefit borrowers.
(c) RBI has recently introduced a revised framework for resolution of stressed assets, replacing various restructuring schemes to enable transparent and time-bound resolution of high-value stressed accounts. As per this, Resolution Plan needs to be implemented within 180 days. In case of non-implementation lenders shall file insolvency application. Further, in case of restructuring or change in ownership, independent credit evaluation of residual debt of credit rating agencies is required. In addition, under the Public Sector Banks (PSBs) Reforms Agenda announced by the Government in January 2018, PSBs have committed, *inter-alia,* to ensure for clean lending, strict segregation of roles for appraisal, monitoring and recovery, online processing of loans, clean consortium lending arrangements, Stressed Asset Management verticals for stringent recovery, and clean post-sanction follow-up for loans above Rs. 250 crore.

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