GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA
UNSTARRED QUESTION NO: **6468**
TO BE ANSWERED ON THE 6th APRIL, 2018/CHAITRA 16, 1940 (SAKA)

QUESTION
BAD LOANS

6468: SHRI A. ARUNMOZHITHEVAN:

Will the Minister of FINANCE be pleased to state:

a) whether Public Sector Banks wrote off a record Rs. 81,683 crore worth of bad loans in the financial year ended March, 2017, if so, the details thereof; and
b) whether the banks have wrote off a total of Rs. 2.46 lakh crore worth of loans in the last five years, if so, the details thereof?

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

(a) and (b): The Reserve Bank of India (RBI) initiated Asset Quality Review, under which restructured loans with performance issues and potentially weak loans were identified for progressively enhanced provisioning up to March 2017. As per data reported by Public Sector Banks (PSBs), due to the Asset Quality Review and transparent recognition of restructured loans as NPAs, gross NPAs of PSBs increased by over Rs. 4,54,000 crore between March 2015 and June 2017. PSBs accordingly made up-front provision for expected loss on such stressed loans, of a total amount of Rs. 3,79,080 crore between March 2014 and June 2017, which was nearly twice the provision of Rs. 1,96,937 crore made in the preceding 10 years. As per 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. Thus, amounts written off in the financial year ending in March 2017 and the preceding few years are substantially on account of such stressed accounts of earlier years, which have been fully provisioned following the Asset Quality Review.
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 (SARFAESI Act), and Debts Recovery Tribunals (DRTs). Therefore, write-off does not benefit borrowers.
As per RBI data on global operations for PSBs, the details of the aggregate written off amounts for the financial years 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 are Rs. 27,231 crore, Rs. 34,409 crore, Rs. 49,018 crore, Rs. 57,585 crore and Rs. 81,683 crore

respectively. As per RBI data, the loans written off as percentage of gross NPAs (domestic operations) was 25.03% as of March 2011, which has since declined to 12.74% as of March 2017.

***