GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT
OF FINANCIAL SERVICES
LOK SABHA
UNSTARRED QUESTION NO: **6489**
TO BE ANSWERED ON THE 6th APRIL, 2018/CHAITRA 16, 1940 (SAKA)

QUESTION
WRITTEN OFF LOANS BY PSBs

6489: SHRI Y.V. SUBBA REDDY:

Will the Minister of FINANCE be pleased to state:

(a) whether Public Sector Banks (PSBs) have written off loans of Rs. 55356 crores in the first six months of 2017-18;
(b) if so, the details thereof and the reasons therefor;
(c) whether looking at the current trend, the write off would be to the tune of Rs. 1 lakh crores in 2017-18 fiscal and if so, the details thereof; and
(d) the corrective measures taken by the Government in this regard?

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

(a) to (c): 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, the amount written off during the financial year 2017-18 is 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 Financia
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 aggregate written off amount in the first half of the financial year 2017-18 was Rs. 53,625 crore. 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. The audited figures for the amount for the full financial year are not finalised.

(d): A number of steps have been taken to reduce/contain Non-Performing Assets (NPAs) of banks. The Insolvency and Bankruptcy Code, 2016 has been enacted for time-bound resolution of stressed assets. Further, the Banking Regulation Act, 1949 has been amended to provide for authorisation by the Government to RBI, for issuing directions to banks to initiate the insolvency resolution process under the Code. Under the provisions of this amending legislation, RBI has issued directions to certain banks for referring 12 accounts, with outstanding amounts greater than Rs. 5,000 crore and with 60% or more classified as non-performing as of 31.3.2016, to initiate insolvency process under the Code. In accordance with these directions, banks have filed applications in respect of these accounts before the National Company Law Tribunal. Further, keeping in view the enactment of the Code, RBI has recently issued a revised framework for resolution of stressed assets, which provides for time-bound resolution of high-value stressed accounts. The SARFAESI Act has been amended to make it more effective. Further, six new DRTs have been established to expedite recovery. In addition, under the PSBs Reforms Agenda, PSBs have committed, *inter-alia,* to create Stressed Asset Management verticals for stringent recovery and ensure clean and effective post-sanction follow-up for large credit exposures through specialised monitoring agencies.

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