

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO: 4058
TO BE ANSWERED ON THE 10th AUGUST 2018/SHRAVANA 19, 1940 (SAKA)

QUESTION
RECOVERY PLAN OF CORPORATE LOANS

4058: SHRIMATI V. SATHYABAMA:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has initiated any action plan to recover the huge amount of outstanding loans from corporate, particularly after the Punjab National Bank fraud issue came to lime light;
- (b) if so, the details thereof;
- (c) the quantum of money/loan that have been recovered from the defaulters in various Public Sector Banks;
- (d) whether the process of recovery is still going on; and
- (e) if so, the details thereof and if not, the reasons therefor?

ANSWER

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

(a) to (e): Government has acted in a systematic and planned manner to enable recovery of outstanding loans from corporate and other borrowers.

A number of initiatives have been taken to comprehensively address NPAs in banks and to strengthen the mechanism for resolution of stressed assets and making it timebound, while empowering RBI to direct banks to initiate the process for timebound resolution. The Insolvency and Bankruptcy Code, 2016 (IBC) has been enacted to create a unified framework for resolving insolvency and bankruptcy matters. The Banking Regulation Act, 1949 has been amended, to provide for authorisation to RBI to issue directions to banks to initiate the insolvency resolution process under IBC. Under this, by adopting a creditor-in-saddle approach, with the interim resolution professional taking over management of affairs of corporate debtor at the outset, the incentive to resort to abuse of the legal system has been taken away. This, coupled with debarment of wilful defaulters and persons associated with NPA accounts from the resolution process, has affected a fundamental change in the creditor-debtor relationship. Further, as per RBI's directions, cases have been filed under IBC in the National Company Law Tribunal (NCLT) in respect of 39 large defaulters, amounting to about Rs. 2.69 lakh crore funded exposure, as on 31.12.2017. The rate of recovery is dependent, *inter-alia*, on the quality of the asset in each case, the potential for the sector concerned, and market conditions. Prior to enactment of the IBC, options available to banks

for resolution of stressed assets were restructuring of loans under various schemes of RBI, a one-time settlement by way of compromise, and filing of suits and enforcement of decree for recovery thereafter. These were not time-bound, and tapped either only the defaulting borrower or a limited pool of potential buyers. IBC has made resolution of stressed assets time-bound and transparent, with price discovery from a wider pool of buyers. Such a transparent and open resolution process offers banks a fair price discovery mechanism.

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 has been amended to make it more effective with provision for three months imprisonment in case the borrower does not provide asset details and for the lender to get possession of mortgaged property within 30 days. Also, six new Debts Recovery Tribunals have been established to expedite recovery.

In addition, under the PSBs Reforms Agenda, PSBs have created stressed asset management verticals for stringent recovery, segregated pre- and post-sanction follow-up roles for clean and effective monitoring, initiated creation of online one-time settlement platforms and committed to monitoring large-value accounts by tying up with specialised monitoring agencies for loans of Rs. 250 crore and above.

In order to deter economic offenders from evading the process of Indian law by remaining outside the jurisdiction of Indian courts, Government introduced legislation in Parliament and the same has been passed as the Fugitive Economic Offenders Act, 2018. It provides for attachment of property of a fugitive economic offender, confiscation of such offender's property and disentitlement of the offender from defending any civil claim. Government has also asked PSBs to examine all accounts exceeding Rs. 50 crore, if classified as NPA, from the angle of possible fraud and in case an account turns NPA, to seek a report on the borrower from the Central Economic Intelligence Bureau, a nodal agency for economic intelligence mandated to ensure interaction and coordination among all the concerned agencies in the area of economic offences. Further, for enforcement of auditing standards and ensuring the quality of audits, Government has initiated establishment of National Financial Reporting Authority as an independent regulator. Government has also advised Public Sector Banks to obtain certified copy of the passport of the promoters/directors and other authorised signatories of companies availing of loan facilities of more than Rs. 50 crore.

Enabled by the above measures, NPAs of PSBs reduced by Rs. 2,00,646 crore due to recoveries from defaulters during the last four financial years (as per RBI data on domestic operations). Recovery is continuing under various legal mechanisms, as per legal provisions.
