

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**  
**UNSTARRED QUESTION NO: †2823**  
**TO BE ANSWERED ON THE 28<sup>th</sup> DECEMBER, 2018/PAUSHA 7, 1940 (SAKA)**

**QUESTION**  
**VIOLATION OF BANKING REGULATION ACT**

**†2823. DR. BANSHILAL MAHATO:**

Will the Minister of FINANCE be pleased to state:

- (a) whether Non-Performing Assets (NPAs) of Scheduled Commercial Banks are increasing and if so, the details thereof during each of the last three years and the current year;
- (b) whether increase in NPA of banks is likely to adversely affect the deposits of account holders and if so, the details thereof;
- (c) whether any bank has been found guilty of not adhering to the Banking Regulation Act, 1969 and violating norms of granting loans without collateral security due to which NPA is increasing and if so, the details thereof during the last three years along with the action taken by the Government against these banks; and
- (d) the steps taken/proposed to be taken by the Government to check increasing NPA and to safeguard the interest of bank customers?

**ANSWER**

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

(a) and (d): With regard to details of increase in NPAs of Scheduled Commercial Banks (SCBs), it may be noted that gross advances of SCBs increased from Rs. 23,33,823 crore as on 31.3.2008 to Rs. 61,00,848 crore as on 31.3.2014, as per the domestic operations data of the Reserve Bank of India (RBI). As per RBI inputs, the primary reasons for spurt in stressed assets have been observed to be, *inter-alia*, aggressive lending practices, wilful default / loan frauds / corruption in some cases, and economic slowdown. Asset Quality Review (AQR) initiated in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of non-performing assets (NPAs). As a result of AQR and subsequent transparent recognition by Public Sector Banks (PSBs), stressed accounts were reclassified as NPAs and expected losses on stressed loans, not provided for earlier under flexibility given to restructured loans, were provided for. During the financial year 2017-18, all such schemes for restructuring stressed loans were withdrawn. Primarily as a result of transparent recognition of stressed assets as NPAs, gross NPAs of SCBs, as per RBI data on domestic operations, rose from Rs. 5,66,247 crore as on 31.3.2016, to Rs. 7,28,808 crore as on 31.3.2017 and Rs. 9,62,621 crore as on 31.3.2018, and have since declined to Rs. 9,43,300 crore (provisional data) as on 30.9.2018. PSBs reported record recovery of Rs. 60,713 crore in the first half of the current financial year, double the amount recovered during the first half of the previous financial year. Significant further recovery is expected as a number of high-value accounts are at advanced stages of the resolution process in National Company Law Tribunal.

With regards to steps to check increasing NPAs, it may be noted that a number of steps have been taken to expedite and enable resolution of NPAs of PSBs over the last four and a half years, including, *inter-alia*, the following:

- (1) The Insolvency and Bankruptcy Code, 2016 (IBC) has been enacted to create a unified framework for resolving insolvency and bankruptcy matters. 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 effected a fundamental change in the creditor-debtor relationship. 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. In exercise of powers under this amendment, RBI directed banks to initiate the insolvency resolution process under IBC before the National Company Law Tribunal in 41 cases, 12 of which had cumulative outstanding amount of Rs. 1,97,769 crore as on 31.3.2017 and the remaining 29 had outstanding amount of Rs. 1,35,846 crore as on 30.6.2017.
- (2) 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 Tribunal have been established to expedite recovery.
- (3) 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 through specialised monitoring agencies.

Enabled by the above steps, as per RBI data on global operations (with provisional data for September 2018), during the last three and a half financial years, NPAs of SCBs reduced by Rs. 2,83,770 crore due to recoveries.

(b): As per data reported by RBI on domestic operations (with provisional data for September 2018), total deposits of SCBs, rose from Rs. 95,07,301 crore as on 31.3.2016, to Rs. 1,05,69,063 crore as on 31.3.2017, Rs. 1,13,08,114 crore as on 31.3.2018, and Rs. 1,16,61,996 crore as on 30.9.2018. Further, it may be noted that all possible steps and policy measures are taken to prevent bank failure and protect interest of depositors, which includes issuance of directions, measures under RBI's Prompt Corrective Action, capital adequacy norms superior to the Basel-III international framework, prudential norms, and the existing deposit insurance as per the scheme. Indian banks have adequate capital and are also under prudent regulation to ensure safety and soundness, as well as systemic stability. Government *vide* Department of Economic Affairs' press release dated 7.12.2017, has reiterated its implicit guarantee for PSBs.

(c): Enforcement Department, RBI has apprised that from 3.4.2017, it has not taken any action under Banking Regulation Act, 1949 against any bank for violating norms of granting loans without collateral security.

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