

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO: 1028
TO BE ANSWERED ON THE 8th FEBRUARY, 2019/MAGHA 19, 1940 (SAKA)

QUESTION
NPA of Indian Lenders

1028: DR. PRITAM GOPINATH MUNDE:
SHRISHRIRANG APPABARNE:
SHRI ADHALRAOPATIL SHIVAJIRAO:
SHRI ANANDRAO ADSUL:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Non-Performing Assets (NPAs) accumulated by Indian lenders are higher than those of banks in most major economies, including the US, UK, China and Japan, if so, the details thereof and the rank of India out of the major world economies plagued by bad loans;
- (b) whether gross NPAs increased to 10.2 percent in September, 2017, compared to 9.6 percent in March, which has cautioned against further deterioration as gross NPAs could inch up to 10.8 percent by March 2018, if so, the details thereof and the measure taken to reduce the gross NPAs;
- (c) whether the Government and Reserve Bank of India (RBI) are readying to deal with the bad loan problem, including a one-time settlement scheme for weak sectors and penal action against siphoning of funds, if so, the details thereof and the plan/scheme prepared/formulated by the Government in this regard;
- (d) whether any comprehensive strategy has been chalked out by the Government to nab the defaulters and if so, the details thereof; and
- (e) whether the Government has obtained forensic audit report of the banks on major defaulters and if so, the details thereof and the time by which action is likely to be initiated against the defaulters?

ANSWER

To be answered by

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SHIV PRATAP SHUKLA)

(a): Reserve Bank of India (RBI) has informed that from country-wise data on ratio of non-performing loans to total gross loans available on the International Monetary Fund database, it is observed that the ratio for India compares adversely with those of USA, UK, China and Japan.

(b) to (e): As per Reserve Bank of India (RBI) data on global operations, the aggregate gross advances of Public Sector Banks (PSBs) and Scheduled Commercial Banks (SCBs) increased from Rs. 18,19,074 crore and Rs. 25,07,885 crore respectively as on 31.3.2008

to Rs. 52,15,920 crore and Rs. 68,75,748 crore respectively as on 31.3.2014. 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 banks, 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. Further, during the financial year (FY) 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 (GNPAs) of SCBs, as per RBI data on global operations, rose from Rs. 3,23,464 crore as on 31.3.2015 (4.3 % of gross advances), to Rs. 7,90,556 crore as on 31.3.2017 (9.3 % of gross advances), to Rs. 8,50,178 crore as on 30.9.2017 (9.8 % of gross advances), to Rs. 10,36,187 crore as on 31.3.2018 (11.2 % of gross advances) and as a result of Government's 4R's strategy of recognition, resolution, recapitalisation and reforms, have since declined to Rs. 10,09,286 crore as on 31.12.2018 (10.3 % of gross advances, as per provisional data).

A number of measures have been taken to expedite and enable resolution of NPAs including, *inter alia*, the following:

- (1) The Insolvency and Bankruptcy Code, 2016 (IBC) has been enacted, which has provided for taking over the management of the affairs of the corporate debtor at the outset of the corporate insolvency resolution process. Coupled with debarment of wilful defaulters and persons associated with NPA accounts from the resolution process, this has effected a fundamental change in the creditor-debtor relationship. Further, 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. As per RBI's directions under the aforesaid amended provision in the Banking Regulation Act, 1949, cases have been filed under IBC before the National Company Law Tribunal (NCLT) in respect of 41 borrowers, 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 (SARFAESI) Act 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.
- (3) Under the PSB 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, since the initiation of transparent recognition in FY 2015-16 till December 2018 (as per provisional data), SCBs successfully recovered an amount of Rs. 3,62,120 crore.

With regard to scheme for weak sectors, with a view to facilitate meaningful restructuring of stressed Micro, Small and Medium Enterprises (MSME) loan accounts, RBI has permitted a one-time restructuring of existing loans with exposure up to Rs. 25 crore to MSMEs without classifying them as NPA.

With regard to action against siphoning of funds, action is taken by lenders under RBI's Master Circular on Wilful Defaulters and its Master Directions on Frauds – Classification and Reporting by commercial banks and select FIs. RBI Master Directions envisage that forensic audit be undertaken and acted upon by banks, and do not envisage action in this regard by the Government. Under the said RBI directions/instructions and in addition to these, a number of steps have been taken against defaulters, including, *inter-alia*, the following:

- (1) As per RBI instructions, wilful defaulters are not sanctioned any additional facilities by banks or financial institutions, their unit is debarred from floating new ventures for five years, and lenders may initiate criminal proceedings against them wherever necessary.
- (2) As per data reported by PSBs, as on 31.12.2018, 2,881 FIRs have been registered against wilful defaulters, 9,594 suits have been filed for recovery from them, and action has been initiated under the SARFAESI Act, 2002 in respect of 7,774 cases of wilful defaulters.
- (3) Under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Second Amendment) Regulations, 2016, wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds.
- (4) Under the Insolvency and Bankruptcy Code, 2016 wilful defaulters have been debarred from participating in the insolvency resolution process.
- (5) The Fugitive Economic Offenders Act, 2018 has been enacted to provide for attachment of property of a fugitive economic offender, confiscation of his property and disentitling him from defending any civil claim.
- (6) Government has asked PSBs to examine all accounts exceeding Rs. 50 crore, if classified as NPA, from the angle of possible fraud and to immediately initiate examination of the issue of wilful default once a fraud is reported.
- (7) Instructions/advisories have been issued by Government to PSBs to decide on publishing photographs of wilful defaulters, in terms of RBI's instructions and as per their Board-approved policy, and to obtain certified copy of the passport of the promoters/directors and other authorised signatories of companies availing loan facilities of more than Rs. 50 crore.
