Draft Reply

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA

UNSTARRED QUESTION NO. 1140

TO BE ANSWERED ON THE 08th FEBRUARY, 2019, MAGHA 19, 1940 (SAKA)

Banking Sector Reforms

QUESTION

1140. SHRI SHIVKUMAR UDASI

Will the Minister of **FINANCE** be pleased to state:

a) whether the banking sector has failed to meet the targets for weaker sections of the society and if so, the details thereof;

b) whether the Government proposes to undertaken any major reforms in the banking sector and if so, the details thereof; and

c) whether the Government proposes to push banking sector reforms to lift out of Non-Performing Assets and revive lending growth and if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI SHIV PRATAP SHUKLA)

(a): In terms of Reserve Bank's extant guidelines on Priority Sector Lending, a target of 10 percent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposure (CEOBE), whichever is higher, has been prescribed for lending to Weaker Sections. Reserve Bank monitors the performance of banks against the stipulated priority sector targets/ sub-targets on a quarterly as well as annual basis. As reported by RBI, Scheduled Commercial Banks (SCBs) have achieved the prescribed target and the advances under Priority Sector to weaker sections stood at 10.33% for financial 2016-17 and 10.74% for financial year 2017-18.

(b) To strengthen banks and foster a culture of clean and responsible banking, Government has followed a comprehensive 4 R's approach of recognition, resolution, recapitalization and reforms.

A number of steps have been taken to promote the functioning of PSBs, including, inter alia, the following:

1. Reforms, as per the PSB Reforms Agenda adopted by PSBs-
   i. increasing access to banking services from home and mobile through digital banking and enhanced customer ease,

ii. enabling easy accessibility to senior citizens and the differently-abled, through online update of pension life certificates, etc.
iii. instituting efficient practices for effective coordination in large consortium loans by restricting number of lenders in consortium and by adoption of standard operating procedures,
iv. strict segregation of pre- and post-sanction roles and responsibilities for enhanced accountability,
v. ring-fencing of cash flows and use of technology and analytics for comprehensive diligence across data sources for prudent lending,
vi. institution of transparent and robust one-time settlement mechanism with automated escalation and monitoring,
vii. monitoring of loans above ₹250 crore through specialised agencies for effective vigil,
viii. establishment of stressed asset management verticals in banks for focused recovery and timely and effective management of stressed accounts,
ix. institution and implementation of a risk appetite framework for a structured approach to manage, measure and control risk and check aggressive and imprudent lending,
x. monetisation of non-core assets for strengthening capital base,
xi. enabling faster bill realisation for MSMEs through discounting by banks on the Trade Receivables electronic Discounting System (TReDS),
xii. enabling proactive reach-out to borrowers and stepping-up cluster-based financing to MSMEs,and
xiii. developing human resources by rewarding top performers and enabling specialisation through job-families, and role based learning for executives.

2. Comprehensive checking of all accounts above ₹ 50 crore that turn NPA being checked for wilful default and fraud.

3. In-principle approval for MSME loans up to ₹ 1 crore within 59 minutes by PSBs through the 59 minutes portal (www.psbloansin59minutes.com).

4. Strengthening governance through professional and arms-length top-level appointments of Whole Time Directors (WTDs) and Non-executive Chairmen of PSBs through the Banks Board Bureau, institution of performance-based extension in WTD appointments and bifurcation of the position of Chairman and Managing Director (MD) into those of non-executive Chairman and an
MD & CEO.

(c) : In addition to 4R's approach mentioned in (b) above, Government has taken a number of steps to expedite and enable resolution of NPAs of PSBs over the four and a half financial year period ending September 2018, including, inter alia, the following:

(1) The Insolvency and Bankruptcy Code, 2016 (IBC) has been enacted, which has provided for the taking over 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 ₹ 1,97,769 crore as on 31.3.2017 and the remaining 29 had outstanding amount of ₹ 1,35,846 crore as on 30.6.2017.

(2) Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest 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 specialized monitoring agencies.

****