

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-2382
ANSWERED ON-08.07.2019

WRITE OFF OF BANK LOANS

2382. SHRIMANISH TIWARI

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that Rs. 5,55,603 crores worth of loans have been written off by public and private banks from 1st April, 2014 till now, if so, the details thereof and the reasons therefor;
- (b) the details of action taken against officials responsible for sanctioning these written off loans, especially in public banks, bank-wise;
- (c) whether the Gross Non Performing Assets (NPA) stand at 9.3% of all outstanding loans given by public and private sector banks till 31st of March 2019, if so, the details thereof; and
- (d) the steps taken by the Reserve Bank of India to bring down the quantum of NPA over the last five years especially since 1st April, 2014?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) to (d) As per Reserve Bank of India (RBI) data on domestic operations, aggregate gross advances of Public Sector and Private Sector Banks increased from Rs. 21,70,823 crore as on 31.3.2008 to Rs. 58,01,260 crore 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 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. Primarily as a result of transparent recognition of stressed assets as NPAs, gross NPAs of Public Sector and Private Sector Banks, as per RBI data on global operations, rose from Rs. 3,12,706 crore as on 31.3.2015, to Rs. 10,21,464 crore as on 31.3.2018, and as a result of Government's 4R's strategy of recognition, resolution, recapitalisation and reforms, have since declined by Rs. 1,00,951 crore to Rs. 9,20,513 crore as on 31.3.2019 (provisional data). The gross NPA ratio of public and private sector banks has also declined from 11.52% as on 31.3.2018, to 9.37% as on 31.3.2019 (provisional data).

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. Banks themselves write-off NPAs as part of their regular exercise to clean up their balance-sheet for tax benefit and capital optimisation, in accordance with RBI guidelines and policy approved by their Boards. As borrowers of written-off loans continue to be liable for repayment and the process of recovery of dues from the borrower in written-off loan accounts continues, write-off does not benefit the borrower. Thus, the amount written-off after 1.4.2014 pertains

substantially to loans sanctioned during previous years. As per inputs received from RBI, public and private sector banks wrote-off an amount of Rs. 6,19,244 crore from 1.4.2014 till 31.3.2019 (provisional data).

Staff accountability in PSBs is examined at the very outset, when a loan turns into NPA without waiting for writing-off of the loan after full provisioning is made upon completion of four years. Bank-wise details regarding staff accountability are at Annex.

A comprehensive 4R's strategy has been adopted to bring down the quantum of NPAs consisting of recognition of NPAs transparently, resolution and recovering value from stressed accounts, recapitalising Public Sector Banks (PSBs), and reforms in PSBs and financial ecosystem to ensure a responsible and clean system. Steps taken under this strategy include, *inter-alia*, the following:

- (i) Change in credit culture was effected, with the Insolvency and Bankruptcy Code (IBC) fundamentally changing the creditor-borrower relationship, taking away control of the defaulting company from promoters/owners and debarring wilful defaulters from the resolution process and debarring them from raising funds from the market.
- (ii) Over the last four financial years, PSBs were recapitalised to the extent of Rs. 3.12 lakh crore, with infusion of Rs. 2.46 lakh crore by the Government and mobilisation of over Rs. 0.66 lakh crore by PSBs themselves.
- (iii) Key reforms were instituted in PSBs as part of PSBs Reforms Agenda, include the following:
 - (a) Board-approved Loan Policies of PSBs now mandate tying up necessary clearances/approvals and linkages before disbursement, scrutiny of group balance-sheet and ring-fencing of cash flows, non-fund and tail risk appraisal in project financing.
 - (b) Use of third-party data sources for comprehensive due diligence across data sources has been instituted, thus mitigating risk on account of misrepresentation and fraud.
 - (c) Monitoring has been strictly segregated from sanctioning roles in high-value loans, and specialised monitoring agencies combining financial and domain knowledge have been deployed for effective monitoring of loans above Rs. 250 crore.
 - (d) To ensure timely and better realisation in one-time settlements (OTSs), online end-to-end OTS platforms have been set up.

Enabled by the above steps, financial gains from cleaning of the banking system are now amply visible. Gross NPAs of public sector and private sector banks, as per RBI data on global operations, have reduced over the last financial year by Rs. 1,00,951 crore, and recovery of Rs. 3,92,253 crore has been effected by these banks over the last four financial years, including a record recovery of Rs. 1,54,186 crore in the last financial year.

Lok Sabha Unstarred Parliament Question No. 2382, for 8.7.2019

**Staff against whom staff accountability was fixed in NPA accounts
during the last five financial years**

S. N.	Bank	Number
1	Allahabad Bank	434
2	Andhra Bank	1,193
3	Bank of Baroda	1,318
4	Bank of India	1,522
5	Bank of Maharashtra	457
6	Canara Bank	3,298
7	Central Bank of India	6,125
8	Corporation Bank	4,873
9	Dena Bank	366
10	IDBI Bank Limited	962
11	Indian Bank	1,480
12	Indian Overseas Bank	1,658
13	Oriental Bank of Commerce	1,017
14	Punjab and Sind Bank	417
15	Punjab National Bank	4,488
16	Syndicate Bank	1,432
17	UCO Bank	410
18	Union Bank of India	813
19	United Bank of India	508
20	Vijaya Bank	554
21	State Bank of India	8,035

Source: Banks

Note: IDBI Bank Limited has been recategorised as a private sector bank by RBI with effect from 21.1.2019.
