

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-1817
ANSWERED ON- 13/2/2023

RECOVERY OF BANK NPAs

1817. SHRI DINESH CHANDRA YADAV

Will the Minister of FINANCE be pleased to state:-

- (a) whether recovery of Non-Performing Assets (NPAs) has not been expedited despite making amendments in IBC legislation four times during the last four years and banks have been unsuccessful to recover their debt, resulting in banks writing off money of taxpayers of the country and if so, the details thereof;
- (b) whether three fourth amount of total NPAs is due on only three hundred and twelve defaulters and banks are not able to recover from them; and
- (c) if so, the details thereof along with the corrective steps taken/proposed to be taken by the Government and banks jointly for recovery of the bank NPAs?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (c): The Insolvency and Bankruptcy Code, 2016 (IBC) was enacted to provide for insolvency resolution of distressed entities in a time bound manner. As of September 2022, 553 cases were resolved through Corporate Insolvency Resolution Process (CIRP) under IBC, wherein, the realisable value to the creditors was Rs. 2.43 lakh crore. Further, 23,417 applications for initiation of CIRP, having underlying default of Rs. 7.31 lakh crore were resolved before their admission itself.

Further, in respect of write-off of non-performing assets (NPAs), as per Reserve Bank of India (RBI) guidelines and policy approved by banks' Boards, NPAs, 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 evaluate/consider the impact of write-offs as part of their regular exercise to clean up their balance-sheet, avail tax benefit and optimise capital, in accordance with RBI guidelines and policy approved by their Boards. The borrowers of written-off loans continue to be liable for repayment and banks continue to pursue recovery actions initiated in written-off accounts through various recovery mechanisms available to them.

As per inputs received from RBI, as on 31.3.2022, 39.8% of gross NPAs of scheduled commercial banks pertain to top 312 defaulting borrowers. Recovery in NPA accounts is an ongoing process, and scheduled commercial banks have recovered an aggregate amount of Rs. 6.60 lakh crore during the last five financial years.

Comprehensive measures have been taken by the Government and RBI to prevent NPAs in public sector banks (PSBs), which include, *inter alia*, the following:

- (1) Change in credit culture has been effected, with 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. To make the process more stringent, personal guarantor to corporate debtor has also been brought under the ambit of IBC.
- (2) Further, a pre-packaged insolvency resolution process (PPIRP) was operationalised under IBC to provide an efficient alternative insolvency resolution process for corporate persons classified as micro, small and medium enterprises (MSME), ensuring quicker, cost-effective and value maximising outcomes for all the stakeholders, in a manner which is least disruptive to the continuity of their businesses and also preserving employment.
- (3) Prudential Framework for Resolution of Stressed Assets was issued by RBI in 2019 to provide a framework for early recognition, reporting and time bound resolution of stressed assets, with a build-in incentive to lenders for early adoption of a resolution plan.
- (4) Central Repository of Information on Large Credits (CRILC) collects, stores and disseminates credit data to lenders, and banks are required to submit report on weekly basis to CRILC, in case of any default by borrowing entities with exposure of Rs. 5 crore and above.
- (5) Under the PSB Reforms Agenda, comprehensive and automated Early Warning Systems (EWS) were instituted in PSBs, with ~80 EWS triggers and use of third-party data for time-bound remedial actions in the borrowing accounts.
- (6) PSBs have also created Stressed Asset Management Verticals for stringent recovery, segregated pre- and post-sanction follow-up roles for clean and effective monitoring, and engaging specialised monitoring agencies for monitoring of large-value accounts.
- (7) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 has been amended to make it more effective.
- (8) Wilful defaulters are not sanctioned any additional facilities by banks or financial institutions, and their unit is debarred from floating new ventures for five years.
- (9) Wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds.
