

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. †686

To be answered on the February 6, 2023/Magha 17, 1944 (Saka)

Funds for Banks

†686. SHRI DINESH CHANDRA YADAV:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government provides funds to the banks with the money earned through tax-payers and if so, the details thereof;
- (b) whether the banks are writing off large amounts of loans and if so, the details thereof;
- (c) whether the Government conducts/has conducted any investigation with regard to increase in debt and the process of writing off loans by the banks and if so, the details thereof;
- (d) whether it is also not a fact that this is nothing but a gross misappropriation of the money of tax-payers which causes hindrance in the economic development of our country; and
- (e) if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a): Capital is infused by the Government in Public Sector Banks (PSBs) from time to time to supplement their efforts to meet capital requirement. Capital amounting to Rs. 2,76,043 crore infused in PSBs since FY2017-18, has been funded through recapitalisation bonds issued by the Government and subscribed by the recapitalised banks for the full amount of capital infused.

(b) to (e): As per Reserve Bank of India (RBI) guidelines and policy approved by banks' Boards, non-performing assets (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 of tax benefit and optimise capital, in accordance with RBI guidelines and policy approved by their Boards. As per inputs received from RBI, scheduled commercial banks (SCBs) wrote-off an amount of Rs. 10,09,511 crore during the last five financial years, from FY 2017-18 to FY 2021-22.

The 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. Banks continue to pursue recovery actions initiated in written-off accounts through various recovery mechanisms available, and through sale of NPAs.

All PSBs have a well-established vigilance mechanism headed by a Chief Vigilance Officer directly appointed by the Government of India. CVOs of banks keep a close watch on various aspects of the bank's functioning. As per RBI instructions on the internal control and inspection/audit system in banks, RBI has advised banks regarding fixing of staff accountability aspect of irregularities, malpractices etc., at all levels.

As banks write-off only those NPAs which have been fully provided for, and continue their efforts to recover the dues, write-off exercise does not amount to misappropriation of funds.
