

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-633
ANSWERED ON- 24/07/2023

PROPOSAL TO LOST AMOUNT IN NPAs

633. SHRI MANISH TEWARI

Will the Minister of FINANCE be pleased to state:-

- (a) whether the Government has taken or proposes to take action to recover the lost amount of Rs. 12.10 lakh crore, which has been written off from the total gross NPAs of Rs. 67.66 lakh crore;
- (b) the specific justification(s) regarding the circular issued by the Reserve Bank of India (RBI), which invites bank defaulters to reconcile their accounts;
- (c) the specific reasons explaining the rise of Non-Performing Assets (NPAs) in India;
- (d) whether it is a fact that India currently holds the world record in NPAs and write-offs, if so, the details thereof;
- (e) whether there exists any detailed plan/mechanism/memoranda provided to address this issue effectively; and
- (f) if so, the details thereof?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (f): As per RBI guidelines and policy approved by bank 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. Such write-off does not result in waiver of liabilities of borrowers to repay. 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. Banks continue to pursue recovery actions initiated in written-off accounts through various recovery mechanisms available, such as filing of a suit in civil courts or in Debts Recovery Tribunals, action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, filing of cases in the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016, through negotiated settlement/compromise, and through sale of non-performing assets.

RBI, *vide* its circular dated 8.6.2023 has issued the Framework for Compromise Settlements and Technical Write-offs covering all regulated entities (REs) with a view to provide further impetus to resolution of stressed assets in the system as well as to rationalise and harmonise the instructions across all REs. As per the framework, all REs are required to put in place a Board-approved policy, and objective of the policy in respect of the compromise settlements shall be to maximise the possible recovery from a distressed borrower at minimum expense, in the best interest of the REs.

The Gross NPAs of Scheduled Commercial Banks have declined in the last five years from Rs. 10,36,187 crore (gross NPA ratio of 11.18%) in March 2018 to Rs. 5,71,515 crore (gross NPA ratio of 3.87%) as on March 2023, as per the provisional data of RBI.

Comprehensive steps have been taken by the Government and RBI to recover and to reduce NPAs, which has enabled an aggregate recovery in NPAs including from written-off loans of Rs. 7,15,507 crore in SCBs during the last five financial years (RBI provisional data for FY 2022-23). These steps 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) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 has been amended to make it more effective.
- (3) Pecuniary jurisdiction of Debt Recovery Tribunal (DRTs) was increased from Rs. 10 lakh to Rs. 20 lakh to enable the DRTs to focus on high value cases resulting in higher recovery for the banks and financial institutions.
- (4) National Asset Reconstruction Company Limited has been set up as an asset reconstruction company with an aim to resolve stressed assets above Rs. 500 crore each. Government has also approved extending a guarantee of up to Rs. 30,600 crore to back Security Receipts issued by NARCL to Lending Institutions for acquiring stressed loan assets.
- (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) 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.
- (8) Wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds.
- (9) 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.
