BANK NPAs

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has made any provisions to tackle the misconduct risk and under-reporting of bad loans, if so, the details thereof and if not, the reasons therefor;

(b) whether the Nationalised banks have been facing acute Non-Performing Assets (NPAs) despite the Government support to the banks;

(c) if so, the details thereof including the NPAs during each of the last five years till 29 February 2020, bank-wise;

(d) whether the bank frauds have increased during the financial year 2018-19, if so, the details thereof and the reasons therefor; and

(e) the corrective steps taken by the Government to curb the bank frauds and resolve the NPA issues of the Nationalised banks?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a) to (e): As per Reserve Bank of India (RBI) data on global operations, aggregate gross advances of nationalised banks increased from Rs. 11,33,137 crore as on 31.3.2008 to Rs. 34,03,717 crore as on 31.3.2014. As per RBI inputs, the primary reasons for the spurt in stressed assets have been observed to be, inter-alia, aggressive lending practices, wilful default, loan frauds, employee misconduct / 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 non-performing assets (NPAs). As a result of AQR initiated in 2015 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. Further, all such schemes for restructuring stressed loans were withdrawn. Primarily as a result of transparent recognition of stressed assets as NPAs, gross NPAs of nationalised banks, as per data of RBI on global operations, rose from Rs. 1,92,809 crore as on 31.3.2015, to Rs. 6,16,586 crore as on 31.3.2018, and as a result of Government’s strategy
of recognition, resolution, recapitalisation and reforms, have since declined (as per
declared results of nationalised banks) to Rs. 5,56,991 crore as on 31.12.2019. With
regard to NPAs of nationalised banks as on 29.2.2020, RBI has informed that data on
NPAs are submitted by banks at quarterly intervals. Bank-wise details of gross NPAs of
nationalised banks are at Annex.

Government has implemented a comprehensive strategy, consisting of recognition of
NPAs transparently, resolution and recovery of value from stressed accounts,
recapitalisation of nationalised banks, and reforms in nationalised banks and the wider
financial ecosystem for a responsible and clean system. Comprehensive steps have been
taken under the Government strategy to curb NPAs of nationalised banks, including,
inter-alia, the following:

(1) Change in credit culture has been 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.

(2) The Securitisation and Reconstruction of Financial Assets and Enforcement of
Security Interest Act, 2002 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.

(3) Suits for recovery of dues are also filed by banks before Debts Recovery Tribunals
(DRTs). Six new DRTs have been established to expedite recovery.

(4) Over the last five financial years and the current financial year, nationalised banks
have been recapitalised to the extent of Rs. 3.18 lakh crore, with infusion of Rs.
2.78 lakh crore by the Government and mobilisation of over Rs. 0.40 lakh crore
by nationalised banks themselves, enabling nationalised banks to pursue timely
resolution of NPAs.

(5) Key reforms have been instituted in nationalised banks as part of the Public
Sector Banks Reforms Agenda, including the following:

(i) Board-approved loan policies of nationalised banks 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.

(ii) 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.

(iii) 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.

(iv) 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, as per data of RBI on global operations, the gross NPAs of
nationalised banks, after reaching a peak of Rs. 6,16,586 crore as on 31.3.2018, declined
(as per declared results of nationalised banks) to Rs. 5,56,991 crore as on 31.12.2019.
Further, nationalised banks have effected recovery of Rs. 3,08,370 crore over the last five financial years and the first three quarters of the current financial year, including record recovery of Rs. 86,014 crore during the financial year 2018-19.

Comprehensive steps taken to check bank frauds have resulted in the amount involved in frauds of Rs. 1 lakh and above, reported by nationalised banks based on occurrence, declining sharply from Rs. 12,411 crore in FY2017-18, to Rs. 11,120 crore in FY2018-19 and to Rs. 3,739 crore in the first three quarters of the FY2019-20.

The steps taken to curb bank frauds include, inter alia, the following—

(1) An online searchable database of frauds reported by banks, in the form of Central Fraud Registry, has been set up to enable timely identification, control and mitigation of fraud risk and carrying out due diligence during the credit sanction process.

(2) Fugitive Economic Offenders Act, 2018 has been enacted to provide for attachment of property of a fugitive economic offender, confiscation of such offender’s property and disentitlement of the offender from defending any civil claim.

(3) PSBs have been advised to—
   (i) obtain certified copy of the passport of the promoters/directors and other authorised signatories of companies availing loan facilities of more than Rs. 50 crore;
   (ii) decide on publishing photographs of wilful defaulters, in terms of the instructions of RBI and as per their Board-approved policy; and
   (iii) strictly ensure rotational transfer of officials/employees.

(4) Heads of PSBs have been empowered to issue requests for issue of Look-Out Circulars.

(5) For enforcement of auditing standards and ensuring the quality of audits, Government has established the National Financial Reporting Authority as an independent regulator.

(6) In order to bring transparency and accountability in the larger financial system, bank accounts of 3.38 lakh inoperative companies have been frozen.

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Lok Sabha unstarred question no. 1645, regarding Bank NPAs

Details of gross NPAs of nationalised banks

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Source: RBI (for FY2014-15 to FY2018-19) and nationalised banks (for FY2019-20)

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