

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
**LOK SABHA**  
**UNSTARRED QUESTION NO-†131**  
ANSWERED ON-14.09.2020

**Industrial NPAs**

†131. SHRI ASHOK MAHADEORAO NETE:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Non-Performing Assets (NPAs) relating to big industries and corporate houses have increased sharply as compared to Micro, Small and Medium Enterprises Sector due to non-repayment of loans of the banks during the last three years;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the steps taken by the Government to promote Micro, Small and Medium Enterprises sector and to increase the recovery of loans from the corporate houses?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a): No, sir. As per Reserve Bank of India (RBI) data on domestic operations, non-performing assets (NPAs) of scheduled commercial banks (SCBs) pertaining to large industry and services have come down to Rs. 4,36,492 crore as on 30.6.2020 (provisional data) from Rs. 6,35,971 crore as on 31.3.2018, registering a decline of 31%.

(b): Question does not arise.

(c): A number of steps have been taken to promote the Micro, Small and Medium Enterprises (MSME) sector. These include, *inter alia*, the following:

- (1) RBI dispensation permitting banks and non-banking financial companies (NBFCs) to restructure GST-registered standard MSME accounts with exposure of up to Rs. 25 crore, without downgrading the account as NPA, under which Public Sector Banks (PSBs) restructured over 6.51 lakh MSME accounts till March 2020;
- (2) Revision of the definition of MSME units to allow more enterprises to avail of benefits for MSMEs and to help existing MSMEs expand;
- (3). Removal of ceiling on credit for loans to MSMEs in the services sector for being classified as priority sector lending;

- (4) Mandating of SCBs by RBI to not accept collateral security in case of loans up to ₹10 lakh extended to units in the Micro and Small Enterprises sector;
- (5) Steps to provide relief under COVID-19 pandemic, including, *inter-alia*, the following:
  - (i) Launch of pre-approved loans under Emergency Credit Line Guarantee Scheme for sanction of Rs. 3 lakh crore to eligible Micro, Small and Medium Enterprises (MSMEs);
  - (ii) Launch of Credit Guarantee Scheme for Subordinate Debt for stressed MSME units to help sustain and revive MSMEs which have either become NPA or are on the brink of becoming NPA; and
  - (iii) Reassessment of working capital limits of existing borrowers;
- (6) Introduction of externally benchmarked interest rates for all fresh floating rate loans to retail borrowers and micro and small enterprises from October 2019 onwards and to medium enterprises from April 2020 onwards, to ensure effective transmission of policy rate cuts;
- (7) Setting up of Loan Management Systems and Centralised Processing Centres in Public Sector Banks (PSBs), resulting in retail loan disbursement turnaround time reducing from 31 days in the fourth quarter (Q4) of the financial year (FY) 2017-18 to 10 days in Q4 of FY2019-20;
- (8) Launch of PSBloansin59minutes.com for digital lending for MSMEs and retail borrowers;
- (9) Use of the Trade Receivables Discounting System (TReDS) for online financing of trade receivables of MSMEs on competitive terms;
- (10) Initiation of end-to-end digital processing of loans to micro-enterprises by the State Bank of India through eShishu Mudra platform;
- (11) Relief to banks in their Cash Reserve Ratio requirement from February to July 2020 for incentivising lending to MSMEs, automobiles and residential housing;
- (12) RBI-announced Rs. 15,000 crore Special Refinancing Facility for Small Industries Development Bank of India (SIDBI) for on-lending/refinancing purposes; and
- (13) SIDBI-announced Schemes for Special Liquidity Support to NBFCs, Micro Finance Institutions (MFIs) and banks for on-lending to MSMEs.

With regard to recovery of loans from the corporate houses, a number of steps have been taken in this regard, enabled by which SCBs effected a recovery of Rs. 5,48,749 crore during the last five financial years, including record recovery of Rs. 1,56,692 crore during FY 2018-19, the largest proportion of which was on account of recoveries made in NPAs of large industry and services. Steps taken in this regard, *inter alia*, are 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 at the outset, 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, and Insolvency Resolution Process can now be started against personal guarantors as well.

- (2) Under IBC, resolution plans have been approved in 250 cases till June 2020, with Rs. 1.89 lakh crore realisable amount, of which Rs. 1.36 lakh crore was approved in eight of the twelve large corporate accounts that were referred to the National Company Law Tribunal on RBI's direction (as per the website of the Insolvency and Bankruptcy Board of India).
- (3) As per RBI instructions, 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.
- (4) Wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds, *vide* Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Second Amendment) Regulations, 2016.
- (5) As per RBI instructions, banks are required to submit report on weekly basis to Central Repository of Information on Large Credits, in case of any default by borrowing entities with exposure of Rs. 5 crore and above.
- (6) 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.
- (7) In addition, under the Public Sector Banks (PSBs) Reforms Agenda, following measures have been taken:
  - (i) Creation of Stressed Asset Management verticals in banks for focussed slippage prevention, recovery arrangement and time-bound action in respect of large-value stressed assets;
  - (ii) Deployment of specialised monitoring agencies combining financial and domain knowledge for effective monitoring of loans above Rs. 250 crore;
  - (iii) Setting up of online, end-to-end One-Time Settlement portals and platforms in banks to ensure timely and better realisation; and
  - (iv) Institution of technology- and data-driven risk scoring and scrutiny in banks, which comprehensively factors in third-party data and non-financial risk factors and ensures higher scrutiny of high-risk cases.

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