

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-†2286
ANSWERED ON- 08/03/2021

WRITING OFF BANK LOANS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the written off bank loans are recovered;
- (b) if so, the details thereof; and
- (c) the details of the amount of bank loans written off along with the amount recovered out of that during the last three years?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a) to (c): As per data of the Reserve Bank of India (RBI), aggregate gross advances of Scheduled Commercial Banks (SCBs) in their global operations increased from Rs. 25,03,431 crore as on 31.3.2008 to Rs. 68,75,748 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 / 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 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 Further, all such schemes for restructuring stressed loans were withdrawn.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 SCBs, as per RBI data on global operations, rose from Rs. 3,23,464 crore as on 31.3.2015, to Rs. 10,36,187 crore as on 31.3.2018, and as a result of Government's strategy of recognition, resolution, recapitalisation and reforms, have since declined by Rs. 2,79,627 crore to Rs. 7,56,560 crore as on 31.12.2020 (provisional data as on 31.12.2020).

As per RBI guidelines and policy approved by bank Boards, non-performing loans, 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 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. As per RBI data, SCBs have written-off loans of Rs. 2,36,265 crore, Rs. 2,34,170 crore and Rs. 1,15,038 crore during FY2018-19, FY2019-20 and the first three quarters of FY2020-21 respectively.

With regard to recovery of written-off bank loans, as per RBI guidelines, banks are required to have a loan recovery policy, duly vetted by their Boards, that set down the manner of recovery of dues, period-wise targeted level of reduction in non-performing assets, etc. A number of recovery mechanism are available to banks to effect recovery, 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. Banks decide upon the best possible recovery mechanism to be adopted in individual cases depending on the merits of each case. Action initiated under aforementioned mechanism continue even after the write-off of the bad loans. During the last two financial years and the first three quarters of the current financial years, as per RBI data, SCBs recovered an amount of Rs. 3,68,636 crore, including recovery of Rs. 68,219 crore from written-off loan accounts.
