

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-†2193
ANSWERED ON- 02/08/2021

FINANCIAL CONDITION OF BANKS

†2193. SHRI RAJENDRA DHEDYA GAVIT

Will the Minister of FINANCE be pleased to state:-

- (a) whether many banks of the country are in poor financial condition due to one time settlement scheme;
- (b) if so, the details thereof;
- (c) whether half of amount of the loan is returned to the bank in place of loan and interest under one time settlement scheme;
- (d) if so, the details thereof;
- (e) whether the Government contemplates to give the benefits of one time settlement scheme to small businessmen and farmers who have low loans; and
- (f) if so, the details thereof and if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) and (b): As per Reserve Bank of India (RBI) instructions, banks are required to have a Board-approved loan recovery policy, which may cover, *inter alia*, negotiated settlements through compromise, under which recovery in non-performing asset (NPA) loan accounts are to be effected to the maximum extent possible at minimum expense, with a view to help banks promptly recycle their funds with advantage, instead of resorting to expensive recovery proceedings spread over a long period. Thus, such negotiated settlements, including those under any one-time settlements (OTS) scheme of a bank, help in improving its financial health.

(c) and (d): Amount recoverable under negotiated settlement depends, *inter alia* on the realisable value of secured assets and collateral securities, cost involved in litigation, etc., and the same varies on a case-to-case basis.

(e) and (f): As per inputs received from Public Sector Banks, during the last three financial years they approved OTS pertaining to loans to small business and farmers in 43.90 lakh accounts involving settlement amount of Rs. 42,646 crore.
