

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-4037
ANSWERED ON- 28/03/2022

RECOVERY FROM WILFUL DEFAULTERS

4037. SHRI PARTHIBAN S.R.

Will the Minister of FINANCE be pleased to state:-

- (a) the reasons behind the slow ill-performing loan recovery rate;
- (b) whether despite the recent developments, the concerned authorities have only managed to recover 40 percent of the loan amount from the loan fugitives; and
- (c) the corrective steps being taken by the Government for the full/maximum loan recovery from the wilful defaulters?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (c): As per Reserve Bank of India (RBI) data, recovery made by public sector banks (PSBs) during the financial year as a percentage of gross non-performing assets (NPAs) as on beginning of the financial year (FY) has improved from 11.33% in FY2017-18, to 13.52% in FY2018-19, to 14.69% in FY2019-20. In FY2020-21, despite widespread impact of the COVID-19 pandemic on the economy and its cascading effect on the actions in respect of recovery measures, the recovery during the financial year as a percentage of gross NPA as on beginning of the financial year was still at 12.28%.

With regard to loan recovery from the wilful defaulters, as per RBI's Master Circular on Wilful Defaulters, dated 1.7.2015, banks are required to take steps to initiate the legal process, wherever warranted, against the borrowers/guarantors for recovery of dues. Further, they may also initiate criminal proceedings against wilful defaulters, wherever necessary. In line with these instructions, banks initiate recovery process under various recovery mechanisms, such as filing of a suit in civil courts or in the 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, and through sale of NPAs.

Moreover, to deter wilful defaulters, as per RBI's instructions, wilful defaulters are not sanctioned any additional facilities by banks, non-banking financial companies (NBFCs) or financial institutions, and their unit is debarred from floating new ventures for five years. Further, *vide* Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Second Amendment) Regulations, 2016, wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds. In addition, the Insolvency and Bankruptcy Code, 2016 has debarred wilful defaulters from participating in the insolvency resolution process.

As per the inputs received from the Enforcement Directorate, it has attached assets worth Rs. 19,111 crore, up to 23.3.2022, under the provisions of Prevention of Money Laundering Act, 2002 in certain cases of loan fugitives, which is 84.61% of the defrauded amount of Rs. 22,586 crore in these cases. Further, out of these attached assets, assets worth Rs. 15,113 crore, which is 66.91% of the defrauded amount, has been restituted to PSBs.
