

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO- 456

ANSWERED ON MONDAY, FEBRUARY 02, 2026/MAGHA 13, 1947 (SAKA)

Write-Off of Loans

†456. SHRI BABU SINGH KUSHWAHA:
SHRI DEVESH SHAKYA:
SHRI NEERAJ MAURYA:

Will the Minister of FINANCE be pleased to state:-

- (a) the reasons for the write-off of loans amounting to Rs. 12.3 lakh crore by public and private sector commercial banks in the country, between Financial Year 2015 and Financial Year 2024;
- (b) whether the Government has proposed specific reforms to enhance the effectiveness, efficiency and timeliness of existing recovery mechanisms;
- (c) if so, the details thereof;
- (d) the rationale behind the high write-offs of Rs. 42,000 crore, by Public Sector Banks (PSBs) in the first half of Financial Year 2025, despite improved/better profitability and a decline in Gross Non-performing Assets (GNPAs); and
- (e) the steps being taken by the Government to minimize write-offs in future and strengthen credit appraisal processes and ensure accountability in loan approval and recovery?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a): As per the Reserve Bank of India (RBI) -Resolution of Stressed Assets Directions 2025, issued for commercial banks, write-off (a major portion of which is due to technical/prudential/advances under collection) is an accounting procedure undertaken by a bank to cleanse the balance sheets of bad debts which are either considered unrecoverable or whose recovery is likely to consume disproportionate resources of the lenders.

Banks write-off non-performing assets (NPAs), including, inter-alia, those in respect of which full provisioning has been made on completion of four years, as per RBI guidelines and policy approved by banks' Boards. Such write-off does not result in waiver of liabilities of borrowers and therefore, it does not benefit the borrower. The borrowers continue to be liable for repayment and banks continue to pursue recovery actions initiated in these accounts.

Further, recovery in written-off loans is an ongoing process and banks continue pursuing their recovery actions initiated against borrowers under the various recovery mechanism available to them, 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, filing of cases in the National Company Law Tribunal under the Insolvency and Bankruptcy Code, etc.

(b) and (c): Comprehensive measures have been taken by the Government and RBI to enhance the effectiveness, efficiency and timeliness of existing recovery mechanisms which include, inter alia, the following:

- (i) 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. To make the process more stringent, personal guarantor to corporate debtor has also been brought under the ambit of IBC.
- (ii) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and the Recovery of Debt and Bankruptcy Act have been amended to make it more effective.
- (iii) Pecuniary jurisdiction of Debt Recovery Tribunal (DRTs) was increased from Rs. 10 lakhs to Rs. 20 lakhs to enable the DRTs to focus on high value cases resulting in higher recovery for the banks and financial institutions.
- (iv) Public Sector Banks have set-up specialized stressed assets management verticals and branches for effective monitoring and focused follow-up of NPA accounts, which facilitates quicker and improved resolution/ recoveries. Deployment of Business correspondents and adoption of Feet-on-street model have also boosted the recovery trajectory of NPAs in banks.
- (v) Prudential Framework for resolution of stressed assets was issued by RBI to provide a framework for early recognition, reporting and time bound resolution of stressed assets, with a build-in incentive to lenders for early adoption of a resolution plan.

(d): As per RBI data, public sector banks have written-off an aggregate loan amount of Rs. 35,096 crore, in the first half of financial year 2025 (provisional data). The occurrence of NPAs is a normal albeit undesirable corollary to the business of banking which may be attributed to a confluence of factors, including prevailing macroeconomic conditions, sectoral issues, global business environment, delayed recognition of stress by the banks, aggressive lending during upturns, improper risk pricing and poor credit underwriting, lack of specialized skills in project appraisals, time and cost overruns in project implementation, etc. The Gross Non-Performing Assets as a percentage of Gross Advances have decreased from a high of 14.58% as on March 2018 to 2.30% as on September 2025.

(e): Reserve Bank has taken several initiatives aimed at resolution of long-standing stressed assets as well as for timely identification and rectification of stress, with the banks' Boards entrusted with the responsibility of ensuring effective oversight so as to reduce NPAs and write offs in future. Credit related matters, including the due diligence requirements of regulated entities (REs) are largely deregulated and the same are governed by the Board approved loan policies of the lenders framed under the ambit of relevant regulatory and statutory requirements. The regulatory provisions are broadly aimed at ensuring that the banks put in place robust credit risk management systems and processes to address potential risks at various stages, including pre-sanction appraisal and due diligence, post-sanction monitoring and sector concentration.

Further, as per banks' Board-approved staff accountability policy, staff accountability exercise is conducted and action is taken against the erring officials, who are responsible for the lapses of non-compliance with the laid down systems and procedures or misconduct or non-adherence to the due-diligence norms.
