

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5891
ANSWERED ON:03.05.2002
EARLY WARNING SYSTEM FOR NPA
UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE be pleased to state:

- (a) whether RBI has outlined an Early-Warning System for Commercial Banks on loan before becoming a NPA;
- (b) if so, the details of this newly formed Early-Warning System;
- (c) whether the banks have also been advised to have a consistent approach towards early recognition of NPAs, classification and taking of remedial action; and
- (d) if so, to what extent are banks following this new code of conduct ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) to (d): No, Sir. RBI has not specifically outlined any early warningsystem for commercial banks for detecting incipient sickness of loan accounts. However, in accordance with, best international practices RBI hasrecently advised banks to treat a loan account as a NPA account when the interest and/or installments of principal remain overdue for a period of more than 90 days instead of 180 days from the year ending March 31, 2004. These guidelines of RBI are being followed by banks while finalising their annual accounts.