

**GOVERNMENT OF INDIA
LAW , JUSTICE AND COMPANY AFFAIRS
LOK SABHA**

STARRED QUESTION NO:732

ANSWERED ON:16.05.2002

LEGISLATION FOR RECOVERY OF DEBTS

ADHIR RANJAN CHOWDHURY;NEDURUMALLI JANARDHANA REDDY

Will the Minister of LAW , JUSTICE AND COMPANY AFFAIRS be pleased to state:

- (a) whether the Government propose to introduce a new legislation that would enable the financial institutions to recover debts from defaulters;
- (b) if so, whether the debt recovery tribunals have failed to recover the debts in a time bound period;
- (c) if so, the time by which a bill in this regard is likely to be introduced; and
- (d) the other steps, the Government, proposed to take to recover debts?

Answer

MINISTER OF LAW, JUSTICE & COMPANY AFFAIRS (SHRI ARUJ JAITLEY)

(a) Based on the recommendations of the Narasimham Committee I and II and Andhyarujina Committee, proposal for enacting a new law for regulation of Securitisation and Reconstruction of Financial Assets, Enforcement of Security Interests and Formation of Asset Reconstruction Companies to enable the banks and financial institutions to recover their debts expeditiously from the defaulters is under consideration of the Government.

(b) The Debt Recovery Tribunals (DRT) are functioning effectively and efficiently. DRTs, over the period, registered a substantial improvement in the recovery of debts due to banks and financial institutions. The amount recovered through DRTs has increased from Rs.752 crores in 1999-2000 to Rs.1185 crores in 2000-2001 and to Rs.2153 crores during 2001-2002.

(c) The Bill, namely, The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Bill, 2002 is likely to be introduced in the next Session of Parliament.

(d) The proposed law deals with three distinct action in respect of financial assets held by banks and financial institutions viz. Securitisation of Financial Assets setting up of Asset Reconstruction Companies and Enforcement of Security Interests. Government of India and Reserve Bank of India have advised banks and financial institutions to take several steps for recovery of dues such as evolving and implementation of recovery policy, compromise settlements through Settlement Advisory Committees and monitoring and follow up of NPAs at various levels in the bank. The banks have also been advised to use the forum of Lok Adalats for compromise settlement of their NPAs and guidelines have been issued by RBI in May 2001 for making increased use of this forum to settle disputes involving outstanding balance in NPA accounts up to Rs.5 lakhs. Credit Information Bureau is also being set up to disseminate information on borrowers to the banks.