

**GOVERNMENT OF INDIA  
FINANCE AND COMPANY AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:5035  
ANSWERED ON:20.12.2002  
NPAs OF BANKS  
SHYAMA SINGH

**Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:**

- (a) whether the RBI has ruled out any involvement of officials of nationalised banks in cases of NPAs;
- (b) if so, whether any indepth study/investigations have been conducted by RBI;
- (c) if so, the reports of the investigating team; and
- (d) the reasons for failure of the nationalised banks to recover NPAs timely?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

- (a) No, Sir. Reserve Bank of India (RBI) have issued guidelines to the banks advising them to examine staff accountability in the case of compromise or negotiated settlement of their Non-Performing Accounts expeditiously within a time frame.
- (b) No, Sir.
- (c) Does not arise.
- (d) The major reason for the failure of the nationalized banks to recover NPAs is that mortgage backed loans extended by the banks are governed by the provisions of the Transfer of Property Act, 1862. Under the Act banks` power to sell the property in case of loan defaults without the intervention of courts is available only in certain specified cases. Taking possession of the property by the mortgagee (banks) in such cases also involves long drawn litigation. Hence, realization of security in the case of mortgage backed loans has not been easy under the legal system which existed prior to the promulgation of the `Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests Ordinance, 2002`. The Bill to replace the said Ordinance has been passed by both Houses of Parliament recently. The new legislation will facilitate faster recovery of NPAs by banks.