

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:32
ANSWERED ON:25.02.2000
NON PERFORMING ASSETS
ADHIR RANJAN CHOWDHURY;NAMDEO HARBAJI DIWATHE

Will the Minister of FINANCE be pleased to state:

- (a) whether attention of the Government has been drawn to the news-item captioned `No respite for public sector banks from Non-Performing Assets` appearing in the `Statesman` dated January 14, 2000;
- (b) if so, the facts of the matter reported therein;
- (c) the steps the Government propose to take to reduce Non-Performing Assets of various public sector banks;
- (d) whether the Government have decided to amend the present banking laws and has initiated the process of releasing the list of top defaulting companies and individuals of bank loans;
- (e) if so, the details thereof; and
- (f) the action proposed to be taken by the Government against the top bank loan defaulters?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL) :

(a) and (b) Yes Sir. Management of Non-Performing Assets (NPAs) was one of the subjects discussed in the meeting taken with the Chief Executives of the Public Sector Banks, as recovery in NPAs has been the subject matter of continued attention of the Government /RBI as well as of Public Sector Banks. It is a fact that NPAs of the Public Sector Banks has risen from Rs. 43,577 crore as on 31st March, 1997 to Rs. 51,710 crore as on 31.3.99 representing 15.9% of the gross advances.

(c) and (f) Reserve Bank of India/Government of India as well as public sector banks have taken a number of steps not only to check the fresh incidence of NPAs but also to ensure recovery of NPAs. These are :

i) The Government had appointed a three member Committee under the Chairmanship of Chairman, Indfan Banks` Association to study the reasons for mounting NPAs in public sector banks and to suggest a detailed multi pronged strategy for dealing with problems of NPAs. The comprehensive recommendations made by the Committee have been considered by the RBI and the Government and action has been initiated on some of the recommendations.

ii) In order to prevent the accretion of fresh NPAs banks have taken steps to upgrade the credit appraisal skills at different levels.

iii) All public sector banks have documents of loan recovery policy prepared and duly vetted by Board of Directors.

iv) Banks have been advised to reduce their NPAs through negotiated settlements to ensure maximum recovery at minimum expenses. However, in this regard precautions is to be taken while arriving at compromise settlements have also been laid down.

v) Recovery cells have been set up at Head Office under a General Manager and branch wise targets have been set up by banks. Performance of branches in recovery is to be monitored by Head Office on monthly basis and Board of Directors are kept informed of the progress on quarterly basis.

vi) Debt Recovery Tribunals at Calcutta, Delhi,

Bangalore, Ahmedabad, Chennai, Guwahati, Jaipur, Patna, Mumbai, Jabalpur, Hyderabad, Ernakulam and Appellate Tribunals in Mumbai and Chennai have been setup so far to assist speedy recoveries of banks dues. On 17th January, 2000 an Ordinance has been promulgated for giving increased powers to the DRTs in order to render them more effective in the realisation of dues to banks and FJs.

vii) Reserve Bank of India has put in place a scheme to collect details about borrowers of banks and FIS with outstanding aggregating Rs. 1 crore and above which are classified as `doubtful` or `loss` and accounts where suits are filed, as on 31st March and 30th September each year and disseminate this information (on floppy diskettes) to the banks and FIs for their use while considering, on merits, the request for new or additional credit limits by defaulting borrowing units and also by the directors/proprietors/partners named in the list either in their own name or in the name of other units with which they are associated.

2) RBI also publishes a list of borrowers (with outstanding aggregating Rs. 1 crore and above) against whom suits have been filed by banks and FIs for recovery of their funds, as on 31st March every year.

viii) Settlement advisory committees headed by retired Judges have been set up by nine banks to examine and recommend compromise proposals to the competent authorities for their consideration in respect of large advances.

ix) Settlement Advisory committees of executives

have been set up as per guidelines issued by RBI to liquidate more than three years old NPAs of SSI Sector and small loans by compromise settlement.

(d) and (e) In order to further expedite the recovery mechanism, the Recovery of Debts Due to banks and Financial Institutions Act, 1993 has been amended by promulgation of an ordinance on 17th January, 1999.

The ordinance seeks to, inter-alia, provide for set-off and counter claims, appointment of receivers and commissioners by the Tribunals, appointment of more than one recovery officer and empowering the Tribunals to distribute the sale proceeds among secured creditors in accordance with the provisions of Section 529 A of Companies Act, 1956.