

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:369

ANSWERED ON:20.08.2004

GUIDELINES FOR NPA

Moghe Shri Krishna Murari;Singh Dr. Ram Lakhan

Will the Minister of FINANCE be pleased to state:

- (a) whether Reserve Bank of India has changed the definition of bad debt w.e.f. March, 2004;
- (b) if so, the details thereof;
- (c) whether non-performing assets would increase as a result thereof;
- (d) if so, the details thereof;
- (e) whether RBI has issued guidelines for compromise settlement of non-performing assets;
- (f) if so, the details thereof;
- (g) whether the Government propose to direct RBI to include Scheduled Banks and other Financial Institutions also under the above RBI guidelines;
- (h) if so, the details thereof; and
- (i) if not, the reasons therefor?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (i): A statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO.369 FOR 20TH AUGUST 2004 REGARDING GUIDELINES FOR NPA
TABLED BY DR. RAM LAKHAN SINGH AND SHRI KRISHNA MURARI MOGHE

(a) & (b): Yes, Sir. Reserve Bank of India (RBI) has introduced 90 days overdue norm for identification of non-performing assets (NPAs) w.e.f. 31 st March, 2004 in order to move towards international best practices and to ensure greater transparency. Accordingly, with effect from 31 st March, 2004, NPAs shall be a loan or an advance where;

(i) interest and/or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan;

(ii) the account remains out of order, in respect of an overdraft/Cash Credit (OD/CC);

(iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted;

(iv) interest and/or instalment of principal remains overdue for two harvest seasons but for a period not exceeding two half years in the case of an advance granted for agricultural purposes; and

(v) any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

(c) & (d) : No, Sir. The analysis of Non-performing assets of banks indicated that inspite of the reduction in `overdue` norm from 180 days to 90 days the Gross NPAs reduced from Rs. 68713.88 crores as at the end of March 2003 (180 day norm) to Rs.63246.21 crores as at the end of March 2004 (90 day norm)

(e) & (f): Yes, Sir. RBI had issued revised guidelines for compromise settlement of chronic NPAs of Public Sector Banks on 29th January, 2003. These guidelines were to cover all NPAs in all sectors irrespective of the nature of business, which have become doubtful or loss assets on 31 st March 2000 with outstanding balance of Rs. 10 crores and below. This One Time Settlement (OTS) Scheme was later extended upto 31 st July 2004 for submission of applications and 31 st October 2004 for processing of the applications. Main features of the scheme are at Annexure.

(g) No, Sir.

(h) Does not arise.

(i) Scheduled Banks are free to formulate one time settlement schemes for settlement of their NPA accounts in their banks on their own. There is no proposal at present to introduce OTS in financial institutions (FIs). They are settling their NPA accounts as per their settlement/recovery policy duly appmved by Boards of the FIs.

ANNEXURE

MAIN FEATURES OF THE SCHEME

I It will cover NPA accounts classified as Doubtful Asset as on 31.03.2000 and / or NPA accounts classified as Sub-Standard as on 31.03.2000, which became doubtful or loss subsequently.

II Time period for receipt of Applications under the scheme has been extended to 31st July 2004. The date of processing was also extended upto October 31, 2004.

III. Guidelines will cover all sectors.

IV. These guidelines are non-discriminatory and non-discretionary.

V It will cover cases on which the banks have initiated action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and also cases pending before Courts/DRTs/BIFR, subject to consent decree being obtained from the Courts/DRTs/BIFR.

VI. The settlement formula for doubtful assets as on 31.03.2000 is 100% of the outstanding balance as on date when the account was categorized as Protested Advances or classified as doubtful asset, whichever is earlier.

VII. The settlement formula for Sub-Standard assets as on 31.03.200`0 is 100% of the outstanding balance as on date when the account was categorized as Protested Advances or classified as doubtful Asset, whichever is earlier plus interest @PLR from 01.04.2000 till the date of final payment.

VIII. Any deviation from the scheme to be made with the approval of Board of Directors.