

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3320

ANSWERED ON:13.08.2010

RECOVERY OF LOANS

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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the facility of loan restructuring is being provided to save those industrialists who have deliberately defaulted on their loans;
- (b) if so, the details thereof for the last three years and reasons therefor alongwith a comparative statement of loans disbursed, loans recovered and loans restructured of such industrialists under various schemes;
- (c) whether the Government has conducted any inquiry in this regard;
- (d) if so, the details thereof and if not, the reasons therefor alongwith the action taken against the erring officials and industrialists; and
- (e) the remedial measures taken / being taken by the Government in this direction?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (e): Reserve Bank of India (RBI) has rationalized the guidelines on restructuring of advances by banks in August 2008. The general principles and prudential norms governing restructuring of advances were spelt out in these guidelines which, inter alia, included eligibility criteria for restructuring of advances, asset classification, income recognition and provisioning norms for restructured accounts, special regulatory treatment for asset classification and incentive for quick implementation of restructuring packages. Restructuring of loans is resorted to by banks only in the case of viable units to address their temporary financial problems. In the event of non-restructuring, these units would have been deprived of the much needed financial support and thus would have been pushed to bankruptcy with all the attendant consequences for all stakeholders.

To provide an opportunity to banks and borrowers, to preserve the economic value of units, RBI effected the relaxations to the guidelines on restructuring of advances during the recent downturn and should not be looked at as a means to evergreen the advances. Besides, special regulatory treatment for asset classification was extended to Commercial Real Estate Exposures restructured for the first time and in the case of exposures (other than commercial real estate, capital markets and personal / consumer loans) which were viable but were facing temporary cash flow problems and needed a second restructuring. Banks were also advised to make certain disclosures related to the restructuring of accounts in their published annual balance sheets.