

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1723
ANSWERED ON:22.08.2012
WAIVER OF LOANS
Roy Shri Mahendra Kumar

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that bad loans to the tune of Rs. 500 crore had been written off in the year 2011-12; and
- (b) if so, the reasons therefor and the details of the officers responsible for such a huge loss to the State exchequer?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): The Reserve Bank of India (RBI) has reported that the Scheduled Commercial Banks wrote-off about Rs. 21374 crores of bad loans during the financial year 2011-12 (DBS, RBI Return - Balance Sheet Analysis Return-Global operations).

Banks may write-off bad loans at Head Office level, even though the relative advances are still outstanding in the branch books. The recovery efforts remain as usual. However, it is necessary that 100% provision is made in the respective accounts.

The commercial banks are required to adhere to Guidelines issued by RBI on write off of loans. As per RBI's Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 2, 2012, among other things, the banks should either make full provision as per the guidelines or write-off such advances and claim such tax benefits as are applicable, by evolving appropriate methodology in consultation with their auditors / tax consultants. Recoveries made in such accounts should be offered for tax purposes as per the rules.

Write off is not the first choice for banks. Banks resort to write off when other avenues for recovery fail or the asset coverage is not enough. In such cases, it is a business loss - a bad debt written off, not necessarily attributable to any individual