

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1120

ANSWERED ON:28.11.2014

NPAS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has ascertained the Non Performing Assets (NPAs) of Public and Private Sector Banks after cancellation of coal blocks;
- (b) if so, the details and amount involved therein, bank-wise;
- (c) whether the NPAs of these banks have increased during the last three years and current year;
- (d) if so, the details thereof along with the number of employees found involved in such cases and the action taken against them during the said period, bank-wise;
- (e) whether the Reserve Bank of India(RBI) has advised the banks to fix responsibility of the employees in cases of NPAs and if so, the details thereof along with the action taken by the banks against them till date; and
- (f) the steps taken/being taken by the Government/RBI to keep a strick vigil on NPAs/Bad loans of the banks?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) to (e): The position of Gross NPAs of Public and Private Sector Banks in coal sector and total Gross NPA is as per Annex. The cancellation of coal blocks happened in September 2014 and its impact on the asset quality of banks may arise in future depending upon the time of resolution of this issue. The Government has ascertained that the impact of cancellation of coal block allotment on Public Sector Banks (PSBs) due to likely stoppage of production of power plants is estimated at Rs. 96,484 crore.

NPAs have risen to 3.84 per cent as on March, 2013 and further to 5.32 per cent (provisional) as on Sept 2014 in respect of PSBs and the same have risen from 1.91 per cent as on March 2013 to 2.04 per cent (provisional) as on Sept 2014 in respect of Private Banks. NPAs of the Public Sector Banks in coal industry for Sept 14 is 0.23% and of Private Banks is 0.22% of the their total GNPA.

The main reasons for increase in NPAs of banks, inter-alia, are sluggishness in the domestic growth during the recent past, slowdown in recovery in the global economy, uncertainty in the global markets, external factors including the ban in mining projects, delay in environmental related permits affecting Power, Iron & Steel sector, delay in collection of receivables, aggressive lending by banks in the past, especially during good times. Cases in which wrong doing is noticed by bank it institutes internal probe to fix staff accountability.

Reserve Bank of India (RBI) has issued guidelines, applicable to all categories of banks, on examining staff accountability under various circumstances. Reserve Bank has advised vide circular dated August 25, 1992 that Ghosh Committee (which went into the details of frauds and malfeasance in banks) recommendations should be implemented. RBI circular dated November 01, 1996, on Report of the Working Group to Review the Internal Control and Inspection/Audit System in Banks – Implementation of the Recommendations, advised the banks that 'with a view to keep the incidence of corruption and malpractice under check, there is a need for fixing staff accountability aspect of irregularities, malpractices etc., at all levels, at the appropriate time. RBI circular dated July 28, 1995 on Compromise or Negotiated Settlements of Non-Performing Assets advised the banks that staff accountability has to be examined expeditiously.

(f): The Government/RBI have already initiated various steps for timely repayment of loans from the defaulters to protect the nationalized banks. RBI has released guidelines dated 30 January, 2014 for "Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders: Framework for Revitalizing Distressed Assets in the Economy" suggesting various steps for quicker recognition and resolution of stressed assets.

Further, RBI has issued instructions to the Banks to review slippages in asset classification in the borrowal accounts with outstanding Rs.5 crore and above by the Board of Directors of the bank and review NPA accounts which have registered recoveries of Rs.1 crore and above.

The Government of India on 26th June, 2014 has suggested banks to give more focussed monitoring in coordination with other members of consortium, assigning the responsibility at the Executive Director level, hiring best lawyers and monitoring their performance in defending bank's interest in the Debt Recovery Tribunals (DRTs) and High Courts. The Government had earlier directed on 21.11.2012 to the PSBs to constitute a Board level Committee for monitoring of NPAs and recovery. Recovery Committee reviews the NPAs periodically.