

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1435
ANSWERED ON:18.07.2014
CREDIT POLICY GUIDELINES
Owaisi Shri Asaduddin

Will the Minister of FINANCE be pleased to state:

- (a) whether the Public Sector Banks (PSBs) are following the credit policy guidelines framed by the Government and the Reserve Bank of India (RBI);
- (b) if not, the reasons therefor and to what extent the employees of the banks are responsible for increased NPAs in granting loans without following proper procedure;
- (c) to what extent the social security policy and waiver of loans have increased the NPAs of nationalised banks; and
- (d) the steps taken or being taken by the Government to reduce the NPAs of public sector banks?

Answer

(MINISTER OF FINANCE IN THE MINISTRY OF FINANCE) (SHRI ARUN JAITLEY)

(a) & (b) Yes, Madam. Credit Policy guidelines are issued by RBI which is followed not only by Public Sector Banks, but also by all banks in the country.

(c) As per information received from RBI, such information is not available with them. The reasons for rise in NPA of nationalised banks include sluggishness in the domestic growth during the recent past, slowdown in recovery in the global economy and continuing uncertainty in the global markets.

(d) Reserve Bank of India has issued instructions to improve the health of the financial sector; reduce the NPAs; improve asset quality of banks; and to prevent slippages. They stipulate that each bank is to have a Board approved loan recovery policy put in place, an effective mechanism for information sharing for sanction of fresh loans/ad-hoc loans/ renewal of loans to new or existing borrowers, have a robust mechanism for early detection of signs of distress including prompt restructuring in the case of all viable accounts and taking recourse to legal mechanisms like SARFAESI Act, 2002, DRTs and Lok Adalats.

RBI has issued instructions to the Banks to review slippages in asset classification in the borrowal accounts with outstanding of 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. RBI also advised banks to strengthen the information sharing mechanism among lenders by making it compulsory for banks to receive/share information on borrowers before sanctioning of loans.

RBI on January 30, 2014, released a "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.

To remove bottlenecks in the recovery of bad debts, the Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012 has been passed by Parliament and has come into force from 15.01.2013.

In the budget 2014-15, presented by the Hon'ble Finance Minister, three new Debt Recovery Tribunals have been proposed which would help banks to recover the NPAs. Further, Public Sector Banks were asked to improve the monitoring and recovery efforts with respect to their portfolios. Sale of NPAs to asset reconstruction companies (ARCs) in the light of the Framework on Revitalizing Stressed Assets issued by RBI, helped banks to reduce the NPA in March, 2014.