

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
**LOK SABHA**  
**UNSTARRED QUESTION NO-2325**  
ANSWERED ON- 13/12/2021

**RECOVERY OF BANK NPAs**

2325. SHRI SHRIRANG APPA BARNE  
SHRI RAVI KISHAN  
SHRI SANJAY SADASHIVRAO MANDLIK  
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SHRI PRATAPRAO JADHAV  
SHRI BIDYUT BARAN MAHATO  
SHRI SUDHEER GUPTA

Will the Minister of FINANCE be pleased to state:-

- (a) whether the Government is actively pursuing the cases of loan defaulters in the country and outside the country and if so, the details thereof;
- (b) whether the Government's '4Rs' strategy of recognition, resolution, recapitalization and reforms is successful in bringing down the NPAs;
- (c) if so, the details thereof and the amount of money recovered through this strategy; and
- (d) the steps taken by the Union Government to ensure that Prime Minister's Development Package and other centrally sponsored scheme benefits every citizen of across the country including the Union Territory of Jammu and Kashmir?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (c): As per Reserve Bank of India (RBI) guidelines, banks are required to have a loan recovery policy, duly vetted by their Boards, that sets down the manner of recovery of dues, reduction in NPAs, etc., and banks make their recovery policies accordingly and draw up recovery plans in light of the same. Banks pursue recovery actions against loan defaulters through various recovery mechanisms available to them, such as filing of a suit in civil courts or in Debts Recovery Tribunals, action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, filing of cases in the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016, through negotiated settlement/compromise, and through sale of non-performing assets. Additionally, for effective action against defaulters fleeing Indian jurisdiction, the Fugitive Economic Offenders Act, 2018 has been enacted to provide for attachment and confiscation of property of fugitive offenders and has disentitled them from defending any civil claim. Heads of PSBs have also been empowered to request for issue of Look Out Circulars.

As per the RBI data, aggregate gross advances of Scheduled Commercial Banks (SCBs) in their global operations increased from Rs. 25,03,431 crore as on 31.3.2008 to Rs. 68,75,748 crore as on 31.3.2014. As per RBI inputs, aggressive lending practices during this period along with wilful default / loan frauds / corruption in some cases, economic slowdown, *etc.*, were observed to be primary reasons for the spurt in the stressed assets. Asset Quality Review (AQR) initiated in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of NPAs. As a result of AQR and subsequent transparent recognition by banks, stressed accounts were reclassified as NPAs and expected losses on stressed loans, not provided for earlier under flexibility given to restructured loans, were provided for. Primarily as a result of transparent recognition of stressed assets, gross NPAs of SCBs rose from Rs. 3,23,464 crore as on 31.3.2015, to Rs. 10,36,187 crore on 31.3.2018, and as a result of Government's 4Rs strategy of recognition, resolution, recapitalisation and reforms, have since declined to Rs. 8,35,051 crore as on 31.3.2021.

Comprehensive steps, including those under the 4Rs strategy, have been taken by the Government to control and recover NPAs, which enabled SCBs to recover Rs. 7,19,544 crore over the last seven financial years. The steps taken include the following:

- (1) Change in credit culture has been effected, with the Insolvency and Bankruptcy Code (IBC) fundamentally changing the creditor-borrower relationship, taking away control of the defaulting company from promoters/owners, and debarring wilful defaulters from the resolution process. To make the process more stringent, personal guarantor to corporate debtor has also been brought under the ambit of IBC. Under IBC, resolution plans have been approved in 394 cases up to June 2021, with Rs. 2.45 lakh crore amount realisable by financial creditors.
- (2) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 has been amended to make it more effective, with provision for three months' imprisonment in case the borrower does not provide asset details, and for the lender to get possession of mortgaged property within 30 days.
- (3) As per RBI instructions, wilful defaulters are not sanctioned any additional facilities by banks or financial institutions, and their unit is debarred from floating new ventures for five years.
- (4) Wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds, *vide* Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2016.
- (5) Pecuniary jurisdiction of Debt Recovery Tribunal (DRTs) was increased from Rs. 10 lakh to Rs. 20 lakh to enable the DRTs to focus on high value cases resulting in higher recovery for the banks and financial institutions. Six new DRTs have also been established to expedite recovery.
- (6) With Government infusion supplementing the raising of capital by PSBs from market, PSBs have achieved a high provisioning coverage ratio of 83.7% as on 31.3.2021, equipping them to take decision on resolution of NPAs without being constrained on account of such decision impacting their profitability.
- (7) Key reforms have been instituted in PSBs as part of the Public Sector Banks Reforms Agenda, including, *inter alia*, the following:
  - (i) Stressed Asset Management verticals were set up in banks for focused slippage prevention, recovery arrangement and time-bound action in respect of large-value stressed assets.
  - (ii) Board-approved loan policies of PSBs now mandate tying up necessary clearances/approvals and linkages before disbursement, scrutiny of group balance-sheet and ring-fencing of cash flows, non-fund and tail risk appraisal in project financing.

- (iii) Use of third-party data sources for comprehensive due diligence across data sources has been instituted, thus mitigating risk on account of misrepresentation and fraud.
- (iv) Monitoring has been strictly segregated from sanctioning roles in high-value loans, and specialised monitoring agencies combining financial and domain knowledge have been deployed for effective monitoring of loans above Rs. 250 crore.
- (v) To ensure timely and better realisation in one-time settlements (OTSs), end-to-end OTS platform have been set up.

(d): Central government sponsored schemes are announced time-to-time and the same are implemented across the country, including the union territory (UT) of Jammu and Kashmir. Detail guidelines are issued for all such schemes and progress under these schemes are monitored/reviewed by the concerned Ministry/Department on a regular basis. Besides, all the schemes are given wide publicity to create awareness among the citizen so that the benefits of these schemes reach to maximum people. In addition, the Prime Minister's Development Package-2015 (PMDP) was announced on 7.11.2015 for the UT of Jammu and Kashmir, for sectors such as Roads, Power, Health, Tourism, Agriculture, Horticulture, Skill Development, *etc.* Ministry of Home Affairs has apprised that it reviews progress under PMDP closely with the UT of Jammu and Kashmir, and with concerned Ministries/Departments on a regular basis.

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