

CONTROL AND RESOLUTION OF NPAS

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Ministry of Finance

Control and resolution of NPAs

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The Gross Advances of Scheduled Commercial Banks (SCBs) 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 the Global Operations Data of the Reserve Bank of India (RBI). As per RBI inputs, the primary reasons for spurt in stressed assets have been observed to be, *inter-alia*, aggressive lending practices, wilful default /loan frauds/corruption in some cases, and economic slowdown. Asset Quality Review (AQR) initiated in 2015 for clean and fully provisioned bank balance-sheets revealed high incidence of non-performing assets (NPAs). As a result of AQR and subsequent transparent recognition by PSBs, 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. During the financial year 2017-18, all such schemes for restructuring stressed loans were withdrawn. Primarily as a result of transparent recognition of stressed assets as NPAs, gross NPAs of SCBs, as per RBI data on domestic operations, increased from Rs. 2,51,054 crore as on 31.3.2014, to Rs. 3,09,399 crore as on 31.3.2015, Rs. 5,66,247 crore as on 31.3.2016, Rs. 7,28,740 crore as on 31.3.2017, and Rs. 9,61,962 crore as on 31.3.2018, (as per provisional data) respectively. RBI has apprised that it does not have information as regards to NPAs as on May 2014.

A number of steps have been taken to expedite and enable resolution of NPAs of banks. The Insolvency and Bankruptcy Code, 2016 (IBC) has been enacted to create a unified framework for resolving insolvency and bankruptcy matters. Under this, by adopting a creditor-in-saddle approach, with the interim resolution professional taking over management of affairs of corporate debtor at the outset, the incentive to resort to abuse of the legal system has been taken away. This, coupled with debarment of wilful defaulters and persons associated with NPA accounts from the resolution process, has effected a fundamental change in the creditor-debtor relationship. The Banking Regulation Act, 1949 has been amended to provide for authorisation to RBI to issue directions to banks to initiate the insolvency resolution process under IBC. As per RBI's directions, cases have been filed under IBC before the National Company Law Tribunal in respect of 39 large defaulters, amounting to about Rs. 2.69 lakh crore funded exposure (as of December 2017).

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. Also, six new Debts Recovery Tribunals have been established to expedite recovery.

In addition, under the Public Sector Banks (PSBs) Reforms Agenda, PSBs have created

stressed asset management verticals for stringent recovery, segregated pre- and post-sanction follow-up roles for clean and effective monitoring, initiated creation of online one-time settlement platforms and committed to monitoring large-value accounts by tying up with specialised monitoring agencies for loans of Rs. 250 crore and above.

As regards outcome, enabled by these steps, NPAs of SCBs reduced by Rs. 2,57,979 crore due to recoveries during the last four financial years (as per RBI data on domestic operations).

Action with regard to control and resolution of NPAs has been taken through the above legislative, legal, regulatory and reform measures, and no specific panel has been formed by the Government in this regard.

This was stated by Shri Shiv Pratap Shukla, Minister of State for Finance in a Written Reply to a Question in Rajya Sabha today.

DSM/KA

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