

NPAs WRITTEN OFF BY PSBS

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Ministry of Finance

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As per inputs received from Public Sector Banks (PSBs), valuation reports are obtained from banks' empanelled valuers and banks do not follow a practice of obtaining valuation reports from practising member of the Institute of Chartered Accountants of India (ICAI).

As per inputs received from PSBs, till 31.3.2019, resolution plans have been approved in 68 cases by the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code, 2016 (IBC). The total resolution amount approved in these cases was Rs. 65,320 crore. Provision held by PSBs in these cases was Rs. 33,556 crore as on 31.3.2019. PSBs provided for an additional amount of Rs. 21,727 crore, which amounts to 18.02% of the principal outstanding in these accounts.

As per inputs received from PSBs, as on 31.3.2019, FIRs have been filed against 3,154 wilful defaulters.

To strengthen PSBs, Government has implemented a comprehensive 4R's strategy consisting of recognition of NPAs transparently, resolution and recovering value from stressed accounts, recapitalising PSBs, and reforms in PSBs and financial ecosystem to ensure a responsible and clean system. Steps taken under these strategies include, *inter-alia*, the following:

1. Change in credit culture was effected, with the 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 and debarring them from raising funds from the market.
2. Over the last four financial years, PSBs were recapitalised to the extent of Rs. 3.12 lakh crore, with infusion of Rs. 2.46 lakh crore by the Government and mobilisation of over Rs. 0.66 lakh crore by PSBs themselves.
3. Key reforms were instituted in PSBs as part of PSBs Reforms Agenda, which include, *inter-alia*, the following:
 1. 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.
 2. 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.
 3. 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.

4. To ensure timely and better realisation in one-time settlements (OTSs), online end-to-end OTS platforms have been set up.

Gains to PSBs are amply visible in their growing financial strength. As per RBI data on global operations (including provisional data for March 2019, as reported on 2.7.2019), gross NPAs of PSBs have reduced over the last financial year by Rs. 1,06,032 crore, record recovery of Rs. 3,09,568 crore has been effected over the last four financial years (excluding recovery in IDBI Bank Limited made during 2018-19), and domestic credit growth has risen to 10.20% during financial year 2018-19.

Growing strength of PSBs is also evident from the fact that all PSBs meet minimum regulatory capital requirement, 6 PSBs are now out of PCA restrictions, balance-sheets of PSBs have been cleaned up through transparent recognition of NPAs and their provision coverage ratio is at its highest level in seven years, and asset quality has improved sharply.

Note: NPA Figures cited above for PSBs include those for IDBI Bank Limited, which was recategorised as a private sector bank by RBI with effect from 21.1.2019.

This was stated by Shri Anurag Singh Thakur, Minister of State for Finance & Corporate Affairs in a written reply to a question in Lok Sabha today.

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