

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2603
ANSWERED ON:09.12.2005
NPAS OF URBAN COOPERATIVE BANKS
Baxla Shri Joachim

Will the Minister of FINANCE be pleased to state:

- (a) whether Non Performing Assets of Urban Co-operative Banks have been increasing over the last several years ;
- (b) if so, the details of NPAs of UCBs during the last year, year-wise, State-wise showing debt, slab wise number of NPA debtors account e.g. number of accounts in Rs.50,000 debt slab, Rs. 1,00,000, Rs.2,00,000 and so on ;
- (c) the reasons for increase in NPAs and failure of recovery; and
- (d) the steps contemplated, for recovery of NPAs within a specific time-frame ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

(a): No specific trend in increase/decrease of Non Performing Assets(NPAs) is established by the following data of gross and net NPAs of Urban Cooperative Banks(UCBs) for the last five years: -

(b) : The data reporting system of RBI does not capture /generate slab-wise data of NPAs as called for. However, the details of state-wise NPAs of Urban Cooperative Banks for the year 2004-05 are furnished at Annexure.

(c) : The reasons for increase in NPAs and low recovery, inter-alia, include - Normal business failure ;

Cyclical nature of certain industries resulting in business downturn, Outbreak of natural calamities ;

Lack of sound lending policies and non-adherence to guidelines/instructions issued by RBI from time to time ;

Poor quality of pre-sanction appraisal/post-sanction supervision of loans and advances granted by banks;

Excessive exposure to certain sectors: Sanctioning of unsecured loans to firms/companies connected to share/stock brokers in violation of RBI guidelines and Unauthorised credit facilities extended, Diversion of funds out of business, Lack of security and Pending court cases etc.

(d) : Several steps have been taken to encourage recovery of loans UCBs have been advised to initiate penal measures against willful defaulters, implement a scheme of One Time Settlement of NPAs on the lines of draft scheme approved by RBI;

UCB`s have been brought under the purview of the Securitisation Act in January 2003 ; Ban has been issued on loans and advances to directors(except in certain cases): UCBs are not allowed to extend credit facilities to stock/share brokers against shares/debentures/ bonds etc.