GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA

UN-STARRED QUESTION NO.10
ANSWERED ON 19TH JULY, 2021 /ASHADHA 28, 1943 (SAKA)

INVESTMENT BY FINANCIAL INSTITUTIONS

10. SHRI GOPAL CHINNAYA SHETTY:

Will the Minister of FINANCE be pleased to state:

(a) whether the Indian Financial Institutions particularly Industrial Development Bank of India has invested thousands of crores rupees in various companies of major industrial houses and now that amount has been written off showing them as Non Performing Assets;

(b) if so, whether the Government proposes to takes necessary steps to conduct a high level enquiry or enquiry by Central Bureau of Investigation into this matter; and

(c) if so, the details thereof and if not, the reasons therefor?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (c): As per Reserve Bank of India (RBI) guidelines and policies approved by bank Boards including IDBI Bank and All India Financial Institutions (AIFIs), non-performing loans, including, *inter-alia*, those in respect of which full provisioning has been made on completion of four years, are removed from the balance-sheet of the bank concerned by way of write-off. Banks and AIFIs evaluate/consider the impact of write-offs as part of their regular exercise to clean up their balance-sheet, avail of tax benefit and optimise capital, in accordance with RBI guidelines and policy approved by their Boards. Borrowers of written-off loans continue to be liable for repayment. The process of recovery of dues from the borrower in case of written-off loan accounts continues as the write-off of financial assets from books of accounts is only a technicality, without impeding recovery mechanisms.

With regard to recovery of written-off bank loans, as per RBI guidelines, banks and AIFIs are required to have a loan recovery policy, duly vetted by their Boards, that set down the manner of recovery of dues, period-wise targeted level of reduction in non-performing assets, etc. A number of recovery mechanism are available to banks to effect recovery, 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. Banks and AIFIs decide upon the best possible recovery mechanism to be adopted in individual cases depending on the merits of each case. Action initiated under aforementioned mechanism continue even after the write-off of the bad loans.

Government has issued 'Framework for timely detection, reporting, investigation etc. relating to large value bank frauds' and commercial banks and AIFIs report frauds to different law enforcement agencies including Central Bureau of Investigation (CBI) as per Reserve Bank of India's Master Direction on Frauds – Classification and Reporting by commercial banks and AIFIs dated 01.07.2016 (updated as on 03.07.2017).

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