

### Interest rate on bank deposits

512. SHRI SANJAY RAUT : Will the Minister of FINANCE be pleased to state:

- (a) whether cutting down bank interest rate is helping the rich at the cost of the poor;
- (b) whether the poor and middle class, especially the pensioners, keep their money in banks and survive on interest on bank deposits;
- (c) whether the rich and powerful are not returning the money they have borrowed from banks;
- (d) if so, the total amount of NPAs accumulated on account of default by rich and influential businessmen in the last three years; and
- (e) how is Government planning to bring down NPAs?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA) : (a) The cut in interest rate on bank deposits is applicable for all depositors, irrespective of their income level.

(b) Bank deposits are considered risk free and generally offer less returns as compared to other market linked products. Therefore, risk averse customers park their savings in bank deposits.

(c) to (d) Total amount of Gross Non Performing Assets (NPAs) of all Banks during the last 3 years is given below:

<i>Gross NPAs of all banks (in Rs. crore)</i>		
Mar.-2011	Mar.-2012	Mar.-2013
94,121	1,37,102	1,83,854

Source: RBI.

(e) To improve the health of the financial sector and to bring down NPAs, Reserve Bank of India has issued instructions which stipulate that each bank is required to have a robust mechanism for early detection of signs of distress including prompt restructuring in the case of all viable accounts; to have a loan recovery policy which sets down the manner of recovery of dues, targeted level of reduction (period-wise), norms for permitted sacrifice/waiver, factors to be taken into account before considering waivers, decision levels, and reporting to higher authorities; monitoring of write-off/waiver cases; valuation of properties including collaterals accepted for their exposures;

and taking recourse to legal mechanisms like SARFAESI Act, 2002, DRTs and Lok Adalats.

The Government has advised Public Sector Banks (PSBs) to take a number of new initiatives to increase the pace of recovery and manage NPAs, which include appointment of Nodal officers for recovery, to conduct special drives for recovery of loss assets, to put in place early warning system, to replace system of post dated cheques with Electronic Clearance System (ECS) and to constitute a Board level Committee for monitoring of recovery.

Parliament has recently enacted 'The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Act, 2012' for removing certain bottlenecks in the recovery of bad debts.

**Bad loans written off by nationalized banks**

513. SHRI BALWINDER SINGH BHUNDER : Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) has flayed nationalized banks for using 'Technical write off' to reduce their NPA as for many years banks did not show this written off loans as receivable in their books although they were pursuing recovery in court;

(b) if so, the details thereof, bank-wise and reasons for adopting this technical write off by banks;

(c) the number of banks which adopted this practice and in the details of such cases, bank-wise;

(d) whether this technical write off led to increase in the profit of banks; and

(e) what is the reaction of Government and the action taken thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA) : (a) to (c) No, Sir. However, Banks are required to adhere to Guidelines issued by RBI on write off of loans. In terms of RBI's Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2013 (available at RBI's Website- [www.rbi.org.in](http://www.rbi.org.in)), among other things, the banks should make full provision as per the guidelines for write-off of such advances and claim such tax benefits as are applicable. Recoveries made in such accounts should be offered for tax purposes as per the rules. Banks are also permitted to write-off advances at Head Office level, even though such advances