

branches is the consideration in selection of branches for concurrent audit covering at least 50% of the business. Stock Audit is undertaken by PSBs as per their Board-approved policies.

(c) As per inputs from PSBs, Statutory/Concurrent/Stock Audit was performed on 57,937 and 65,981 branches, as scheduled, in financial years 2016-2017 and 2017-2018 respectively.

(d) The Ministry of Corporate Affairs has informed that a Chartered Accountant in his role as an Auditor conducting statutory, concurrent, stock audit verifies the bank loans subsequent to sanction of loan and not prior to sanction.

In addition, RBI has apprised that external auditors, including Statutory Auditors and Concurrent Auditors, are mandated “to specifically report, simultaneously, to the Chief Executive Officer of the bank and Central Office of the Department of Banking Supervision, RBI, Mumbai, any matter susceptible to be fraud or fraudulent activity or any foul play in any transactions. Any deliberate failure on the part of the auditor should render himself liable for action.”

RBI has further apprised that as part of Minimum Audit Programme mandated by RBI for Concurrent Audit, concurrent auditors have to check, *inter alia*, whether:—

- (i) loans and advances have been sanctioned properly and in accordance with delegated authority;
- (ii) securities and documents have been received as applicable to a particular loan;
- (iii) securities have been properly charged by competent person; and
- (iv) all conditions of sanction have been complied with.

NPA's OF PSBs

2309. DR. SASIKALA PUSHPA RAMASWAMY: Will the Minister of FINANCE be pleased to state:

(a) whether Government is aware of the fact that NPAs of Public Sector Banks (PSBs) have become a matter of very serious concern;

(b) if so, the details thereof;

(c) whether enactment of various legislations brought any relief to Public Sector Banks;

(d) if so, the details thereof; and

(e) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SHIV PRATAP SHUKLA): (a) to (e) Government has adopted a comprehensive approach for addressing NPAs in the banking system. Gross advances of Public Sector Banks (PSBs) increased from ₹ 16,98,109 crore as on 31.3.2008 to ₹ 45,90,570 crore as on 31.3.2014, as per the domestic 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. All such schemes for restructuring stressed loans were withdrawn. Primarily as a result of transparent recognition of stressed assets as NPAs, as per RBI data on domestic operations, gross NPAs of PSBs increased from ₹ 2,16,739 crore as on 31.3.2014, to ₹ 8,45,475 crore as on 31.3.2018 (provisional data).

A number of measures have been taken to expedite and enable resolution of NPAs of banks. The Insolvency and Bankruptcy Code, 2016 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, involving funded exposure amounting to about ₹ 2.69 lakh crore (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 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 for specialised monitoring agencies for loans of ₹ 250 crore and above.

Enabled by the above measures, NPAs of PSBs reduced by ₹ 2,00,646 crore due to recoveries during the last four financial years (as per RBI data on domestic operations).

**NPA account of a private infrastructure company
in Jammu and Kashmir Bank**

2310. SHRI ANAND SHARMA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the account of a private infrastructure development company in Jammu and Kashmir Bank is declared NPA;

(b) if so, the reasons and the details thereof; and

(c) the amount sanctioned by bank to the company in 2012-2016 and the amount the company owes to the bank?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SHIV PRATAP SHUKLA): (a) to (c) Reserve Bank of India (RBI) has informed that under the provisions of section 45E of the Reserve Bank of India Act, 1934, RBI is prohibited from disclosing credit information. Section 45E provides that credit information submitted by a bank shall be treated as confidential and not to be published or otherwise disclosed.

Caution on NPAs in financial stability report of RBI

2311. SHRI K. C. RAMAMURTHY: Will the Minister of FINANCE be pleased to state:

(a) how Government looks at the RBI's recent Financial Stability Report which indicates that gross NPAs of PSBs would go up drastically this fiscal;

(b) the increase in NPAs in real terms from the existing ₹ 10 lakh crores;

(c) whether it does not mean that efforts of Government proved futile;

(d) if so, the other steps Government has taken/proposes to take to contain NPAs in PSBs; and

(e) what are the reasons that NPAs are stable in private and foreign banks and what lessons the Ministry/RBI has learnt from them to contain NPAs?