

loans of ₹ 250 crore and above, and strict segregation of pre and post-sanction roles for enhanced accountability.

Reduction of rate of interest on lending by banks

†694. SHRI NARAYAN RANE: Will the Minister of FINANCE be pleased to state:

(a) whether Government has directed Reserve Bank of India to issue guidelines to banks that they should reduce the rate of interest on housing loans and vehicle loans given by them;

(b) whether Government is aware of the fact that despite major reduction in rate of interest in lending by SBI, private banks still have not followed the same; and

(c) the steps taken by Government to ensure that same policy be adopted by banks of both the public and private sector in India for rate of interest on lending?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SHIV PRATAP SHUKLA): (a) to (c) Reserve Bank of India (RBI) has deregulated the interest rates on advances sanctioned by Scheduled Commercial Banks (SCBs). As per extant framework, since April 1, 2016, banks including private sector banks have to compute actual interest rates on advances by adding the component of spread to the Marginal Cost of Funds based Lending Rates (MCLR) which is the internal benchmark for such purpose. Accordingly, the rate of interest charged by banks to the borrower varies from bank to bank and depends on various factors such as marginal cost of funds, negative carry on account of Cash Reserve Ratio, operating costs and tenor premium.

Panel to tackle NPAs

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

(a) whether Bankers panel/Committee has submitted its draft report to Government which suggests a 5-pronged strategy to tackle NPAs;

(b) if so, the details thereof; and

(c) the details of steps taken or proposed to be taken by Government to tackle growing NPAs issue?

†Original notice of the question was received in Hindi.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SHIV PRATAP SHUKLA): (a) to (c) As per bank inputs, banks had set up a committee on resolution of stressed assets, which has given its report suggesting a five-pronged approach for stressed assets resolution by the banking industry in the areas of SME resolution (for which banks may put in place a robust monitoring process), bank-led resolution, AMC/AIF-led resolution, resolution through the Insolvency and Bankruptcy Code, and an asset trading platform. Banks have initiated steps for taking forward the suggestions with due approvals.

A number of measures have been taken to streamline recovery and introduce innovative methods for recovery of NPAs. The Insolvency and Bankruptcy Code, 2016 (IBC) 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 (NCLT) in respect of 39 large defaulters, amounting to about ₹ 2.69 lakh crore funded exposure (as of December 2017).

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 has been amended for faster recovery, 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 Tribunal have been established to expedite recovery.

In addition, under the PSB Reforms Agenda announced by the Government, PSBs have committed to clean and commercially prudent business through Stressed Asset Management Verticals for focussed recovery, rigorous due diligence and appraisal for sanction by scrutinising group balance sheets, at least 10% share in consortium lending, ring-fencing of cash flows, initiating use of technology and analytics for comprehensive due diligence across data sources, building capacity for techno-economic

valuation, clean and effective post-sanction follow-up on large-value accounts by tying up with Agencies for Specialised Monitoring, and strict segregation of pre- and post-sanction roles for enhanced accountability.

Ministerial group for merger of PSBs

696. SHRI SAMBHAJI CHHATRAPATI: Will the Minister of FINANCE be pleased to state:

- (a) whether a ministerial group had been constituted to take a view on the proposal for merger of Public Sector Banks;
- (b) if so, the details thereof and the terms of reference for the group;
- (c) which are the banks proposed to be considered for merger and what immediate benefits would accrue if the identified banks are merged; and
- (d) whether Government has fixed any timeline for merger of certain Public Sector Banks in the country?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SHIV PRATAP SHUKLA): (a) to (d) The Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980 provide that the Central Government, in consultation with the Reserve Bank of India, may make a scheme, *inter alia*, for the amalgamation of any nationalised bank with any other nationalised bank or any other banking institution. With a view to facilitate consolidation among public sector banks to create strong and competitive banks, serving as catalysts for growth, with improved risk profile of the bank, Government has put in place an Alternative Mechanism (AM) comprised of three ministers, as an approval framework for proposals to amalgamate public sector banks, with the following mandate:

- (i) The proposals received from banks for in-principle approval to formulate schemes of amalgamation shall be placed before AM.
- (ii) AM may also direct banks to examine proposals for amalgamation.
- (iii) AM will receive inputs from RBI before according in-principle approval.