

Curbing mechanism for wilful defaults

3391. SHRI DEREK O'BRIEN: Will the Minister of FINANCE be pleased to state:

- (a) the losses incurred by Public Sector Banks (PSBs) in the last three years due to accumulating wilful defaults, the details thereof;
- (b) the mechanism in place, and the steps taken by Government, to ensure that the incidence of wilful defaults is curbed, the details thereof;
- (c) whether Government has initiated bank recapitalisation measures, if so, the details thereof; and
- (d) whether Government can assure that public funds or funds for welfare programmes will not be mobilised to recapitalise banks, if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANURAG SINGH THAKUR): (a) and (b) Mechanisms are in place to deter wilful defaulters, curb incidence of wilful defaults, and effect recovery from wilful defaulters. These include, *inter-alia*, the following:

- (1) PSBs have been asked to examine all accounts exceeding ₹ 50 crore, if classified as Non-Performing Asset (NPA), from the angle of possible fraud and to immediately initiate examination of the issue of wilful default once a fraud is reported.
- (2) Wilful defaulters have been acted against comprehensively. As per data reported by PSBs, till 31.3.2019, suits for recovery have been filed in 10,022 cases. In cases involving secured assets, action under the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 has been initiated in 8,067 cases. Further, in accordance with Reserve Bank of India (RBI)'s instructions of initiation of criminal proceedings wherever necessary, FIRs have been registered in 3,154 cases.
- (3) To deter wilful defaulters, as per RBI instructions, wilful defaulters are not sanctioned any additional facilities by banks or financial institutions, and their unit is debarred from floating new ventures for five years. Further, *vide* Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Second Amendment) Regulations, 2016, wilful defaulters

and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds. In addition, the Insolvency and Bankruptcy Code (IBC) has debarred wilful defaulters from participating in the insolvency resolution process.

- (4) For effective action against wilful defaulters fleeing Indian jurisdiction, the Fugitive Economic Offenders Act, 2018 has been enacted to provide for attachment and confiscation of property of fugitive offenders and has disentitled them from defending any civil claim.
- (5) Government has advised PSBs to decide on publishing photographs of wilful defaulters, in terms of RBI's instructions and as per their Board-approved policy.
- (6) Government has advised PSBs to obtain certified copy of the passport of the promoters/directors and other authorised signatories of companies availing loan facilities of more than ₹ 50 crore.
- (7) Heads of PSBs have been empowered to request for issue of Look Out Circulars.

RBI has apprised that there was an addition of ₹ 81,527 crore in the cumulative amount outstanding against wilful defaulters of ₹ 25 lakh and above, (as reported by PSBs and appearing on the website of TransUnion CIBIL), in PSBs over the financial years 2016-17, 2017-18 and 2018-19 (till December 2018). Recovery of dues from wilful defaulters takes place on an ongoing basis under legal mechanisms, which include, *inter-alia*, the IBC, SARFAESI Act and Debts Recovery Tribunals.

(c) and (d) PSBs have been recapitalised through issuance of special securities amounting to ₹ 1,86,000 crore in financial years 2017-18 and 2018-19 and budget provision of ₹ 70,000 crore has been sought in the budget for the current financial year. These securities are subscribed by the investing banks to the full extent of the amount infused in each PSB. Thus, the funds for recapitalisation of PSBs are mobilised from the PSBs themselves.

Downgrading of country's GDP rate forecast by FITCH rating agency

3392. SHRI JOSE K. MANI : Will the Minister of FINANCE be pleased to state:

- (a) Whether the global rating agency FITCH Ratings has downgraded India's