

FINANCE MINISTRY DIRECTS BANKS

TO DEAL FIRMLY WITH FRAUD, WILFUL DEFAULT

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As part of the strategy to contain bad debts, the Finance Ministry has directed all public sector banks to accord top priority to cases of fraud and wilful default and take legal action against those responsible.

"Cases of fraud have been detected in many banks. There is no difference in fraud and wilful default as both are intentional in nature," Financial Services Secretary Gurdial Singh Sandhu told PTI. "So banks have been asked to declare such cases as wilful default and appropriate legal action should be initiated by banks," he said.

Cases of fraud include providing wrong information, submission of fictitious documents and so on. Mr. Sandhu said banks have to deal with all such cases firmly so that non-performing assets could be brought down. "Banks have to make all out efforts for NPA recovery and reducing level of NPA and cost of funds. Government would be working very closely with banks," he added.

Non-Performing Assets (NPAs) or bad loans of state-owned banks rose by 28.5 % from Rs.1.83 lakh crore in March, 2013 to Rs.2.36 lakh crore in September last year.

Banks recovered Rs. 18,933 crore worth of bad loans during the April-December period. They have been monitoring their top 30 bad loan accounts for quite some time now. PSU banks accounted for the disproportionate share in this increase in NPAs, while the new private sector banks managed to lower their NPA ratio.

Last month, Finance Minister P. Chidambaram had said "the biggest challenge facing the public sector banks is NPAs and asset quality. NPAs are high in large corporate sector as well as in the SSI and MSE sector". Mr. Chidambaram had said NPAs for 2013-14 are "likely to be a little higher" over 2012- 13, when they stood at 3.84 per cent. Stressing the importance of addressing NPAs, the Minister said: "We have told them (banks) to focus on recovery and banks are focusing on recovery."

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Bad Loans in Public Sector Banks (March 2008) Rs. 39,000 crores

Bad Loans in Public Sector Banks (March 2013) Rs. 1,64,000 crores

Bad Loans in Public Sector Banks (September 2013) Rs. 2,36,000 crores

Bad Loans restructured & shown as good loans Rs. 3,25,000 crores

Fresh Bad loans in the last 7 years Rs. 4,95,000 crores

Profits transferred and adjusted for provisions towards bad loans (2008 to 2013) Rs. 1,40,000 crores

Bad Loans in 172 Corporate Accounts (Rs.100 crores and above) Rs. 37,000 crores

Bad Loans constituted by top 4 defaulters in PSBs Rs. 23,000 crores

Bad Loans in top 30 bad loan accounts in 24 Banks Rs. 70,300 crores

Bad Loans (Suit Filed) in 3250 Accounts (Rs. 1 crore & above) Rs. 43,795 crores

Bad loans written off in the last 13 years Rs. 2,04,000 crores

Source: AIBEA News Bulletin