

**WILFUL DEFAULTER**

**Prelims-** Polity & Governance- Constitutional Bodies, Regulatory Bodies; Economics- Banking

**Mains-** GS-II- Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

**GS-III-** Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

- ▶▶ **Context:** Rajya Sabha was informed by the Minister of Finance informed about the mechanisms in place to deter wilful defaulters, curb incidence of wilful defaults, and effect recovery from wilful defaulters.

**What is wilful defaulter?**

- ▶▶ Under Indian law, wilful defaulters are classified as firms or individuals who own large businesses and deliberately avoid repayments.

**Stats:**

- ▶▶ India's state-owned banks had classified **₹1.50 trillion** worth of loans as "wilful defaults" in 2018-19, with the biggest lender State Bank of India accounting for nearly a one third.
- ▶▶ The State Bank of India saw the highest number of wilful defaults at ₹46,158 crore, while Punjab National Bank stood second at ₹25,090 crore, with Bank of India at ₹9,890 crore,

**Government Action on Wilful Defaulter:**

- ▶▶ Wilful defaulters are not sanctioned any additional facilities by banks or financial institutions, and they are debarred from launching ventures for five years.
- ▶▶ The government has debarred wilful defaulters and companies with wayward borrowers from accessing capital markets to raise funds or participate in insolvency resolution process.
- ▶▶ Bank chiefs can also authorise look-out notices for defaulters to prevent them from leaving the country.

**Mechanisms in Place to Deter Wilful Defaulters:**

- ▶▶ PSBs have been asked to examine all accounts exceeding Rs. 50 crores, 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.

- ▶▶ 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.
- ▶▶ 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.

