

# Lenders welcome move; indicates govt's commitment to solve crisis, says SBI chief

**ENSECONOMIC BUREAU**  
MUMBAI, MAY 5

WITH RESERVE Bank getting powers to tackle bad loans, State Bank of India chairman Arundhati Bhattacharya on Friday said the country and the banking system will have to move quickly and decisively to take benefits of the provisions.

"Amendments to the Banking Regulations Act... indicate the government's firm commitment to find a satisfactory solution to the NPA problem," she said.

Chanda Kochhar, MD and CEO, ICICI Bank, said: "The amendments... also allows RBI to enhance the scope and the size of the oversight committees. These guidelines should facilitate quick decision making and speed up resolution. This major policy move will greatly help the banking sector. This will ensure that investments made and assets created become productive and contribute to economic growth."

"We will make all efforts to resolve the NPA problem, we are making efforts and we will continue to do so, this is one more chapter," Sudarshan Sen, executive director, RBI, said. "But this is a continuing process, nothing

**"Oversight committee structure will ensure that the current tools and processes get sharper"**

**KVS MANIAN**  
PRESIDENT, KOTAK MAHINDRA

happens overnight, these are hard problems, these are difficult problems but we are determined to solve them," he said while inaugurating the Assocham Global Factoring Summit.

PSU banks are sitting gross NPAs of over Rs 6 lakh crore. SBI alone accounts for Rs 108,000 crore of the NPAs.

KVS Manian, president, Kotak Mahindra Bank, said: "With close oversight, if the RBI can shepherd the process in a manner that will drive outcomes and speedier action on wilful defaulters, it will reduce the NPA overhang... The oversight committee structure will ensure that the current tools and processes get sharper once they are closely monitored by the RBI, with an implicit understanding that without the desired progress there is a possibility of more direct intervention."

"To my mind this will result in

**"This major move will ... ensure that investments made and assets created become productive"**

**CHANDA KOCHHAR**  
MD & CEO, ICICI BANK

a more responsible behaviour by both lenders and borrowers. More importantly it will offer the much needed transparency to the commercial decisions required to be made for resolution. Bankers can operate with lesser fear of retribution. The key is as to how the balance between the right level of oversight is exercised still maintaining the independence of the bank management. The power, I am sure, will be exercised only where lenders and/or borrowers show recalcitrance," Manian said.

Sanjay Mehta, leader, risk & advisory, BMR Advisors said: "This is indeed a great move to empower the RBI to implement solutions to address the NPA issue rather than just announce policies. All the policies announced by the RBI in the past did not prove to be effective. We hope that this ordinance will lend the necessary teeth to un-

wind NPAs in a time bound manner..."

Karthik Srinivasan, group head, financial sector ratings, ICRA, said: "As against earlier provisions of issuing general directions to banks, the RBI can now issue specific instructions to banks to initiate the resolution under the provisions of Insolvency and bankruptcy code 2016. Government on its part has enabled RBI to issue such directions. Initiation of proceedings under the bankruptcy code may force borrowers and lenders to come on a common platform and accelerate the resolution, given the limited timeframe of 180 days (with provision of one time extension of 90 days) under the bankruptcy code, else face a liquidation process".

"Banks have been too scared to take decisive calls to enforce NPAs due to fear of investigations. In addition, they lacked sectoral depth and experience to be able to model their resolution to maximise value out of these nearly dead assets. The sector based supervisory committees of the RBI will address both the issues. Banks needed this last nudge and the ordinance appropriately provides this simple and yet powerful push," Mehta added.

## NPA LEVELS WERE HOLDING GROWTH: RBI

Mumbai, May 5: A senior RBI official on Friday said very high level of bad loans are hampering the faster growth of the factoring segment.

Noting that despite the enactment of the Factoring Regulation Act in 2011, the industry has not taken off as desired, Sudarshan Sen, executive director, RBI, said that due to this the ₹3,200 crore industry has not grown in recent years.

"What is of concern also is the high NPAs in the factoring sector with a gross NPA of 29 per cent and net NPA ratio of 11 per cent, which is alarming as it has led the players with negative RoA (return on assets) and RoE (return on equity). So these areas need to be addressed," Mr Sen told at an Assocham event.

He said since the new factoring law was enacted, six NBFC factors got registered with the RBI of which three are systemically important.

He said one of impediments in the healthy functioning of factoring industry is the non-availability of recourse under the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act.

Its provisions were extended to all systemically important NBFCs including NBFC factors last year. "This is expected to improve recovery by factors and reduce their NPA levels," Mr Sen said, adding RBI's trade receivables discounting system (TReDS) can come handy for them as it will facilitate discounting of invoices and bills of exchange.

— PTI

## High NPAs in factoring sector concerning: RBI official

**MUMBAI, DHNS:** Reserve Bank of India executive director Sudarshan Sen raised concerns over the high non-performing assets in the factoring sector.

“What is of concern is the high NPAs in the (factoring) sector with 29% gross NPA ratio and the net NPA ratio at 11%, this is a little alarming as is also the negative ROA (return on assets) and ROE (return on equity), so these areas need to be addressed,” Sen said while inaugurating an Assocham Global Factoring Summit.

“One of the impediments in the healthy functioning of factors was the non-availability of recourse under the provisions of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI),” Sen added.

According to Sen, the decision to extend the benefit of enforcement of security interest to all systemically important NBFCs including NBFC factors should help the sector. “This is expected to improve recovery by factors and reduce their NPA levels,” Sen said.

## High NPAs impeding factoring biz growth: RBI

PRESS TRUST OF INDIA  
Mumbai, May 5

**A SENIOR RESERVE** Bank of India official on Friday said very high level of bad loans are hampering the faster growth of the factoring segment.

Noting that despite the enactment of the Factoring Regulation Act in 2011, the industry has not taken off as desired, Sudarshan Sen, an executive director at the central bank, said due to this the ₹3,200-crore industry has not grown in recent years.

"What is of concern also is the high NPAs in the factoring sector with a gross NPA of 29% and net NPA ratio of 11%, which is alarming as it has led the players with negative RoA (return on assets) and RoE (return on equity). So these areas need to be addressed," Sen told a factoring summit.

Sen said since the new factoring law was enacted, six NBFC factors got registered with the RBI. Of these, three are systemically important. He said one of impediments in the healthy functioning of factoring industry is the non-availability of recourse under the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act. Its provisions were extended to all systemically important NBFCs, including NBFC factors, last year.

# Govt, RBI get cracking on bad loan problem

Ordinance gives RBI powers to deal with NPAs

ARUP ROYCHOUDHURY & ABHIJIT LELE

New Delhi/Mumbai, 5 May

**T**he Reserve Bank of India (RBI) now has the powers to direct banks to initiate bankruptcy proceedings against defaulting companies, and to take decisions on behalf of lenders while dealing with stressed assets, after the President gave his assent to an Ordinance to amend the Banking Regulation Act.

The Ordinance is the focal point of a new framework which the government hopes will help it hasten the processes to deal with nearly ₹7 lakh crore worth of non-performing assets (NPAs) in the Indian banking system. The government on Friday notified the Banking Regulation (Amendment) Ordinance 2017. The Ordinance comes into force immediately and enables the RBI to direct banks to initiate bankruptcy proceedings against defaulting companies under the Insolvency and Bankruptcy Code. The banking regulator has also been empowered to decide on dealing with toxic assets and instructing banks to act accordingly. The RBI will also set up oversight committees to direct banks and joint lenders' forums to deal with the stressed assets.

"The Ordinance has just received the President's assent. I am sure it will be a very interesting piece of legislation," said Sudarshan Sen, executive director, RBI. "We will make all efforts to resolve the NPA problem. We are making efforts and we will continue to do so...But this is a continuing process, nothing happens overnight. These are difficult problems, but we are determined to solve them," Sen added.

Bankers say the country has now the right environment for such resolution proceedings to succeed. The amendments to the Banking Regulation Act, enactment of the Insolvency and Bankruptcy Code, and amendments to the Sarfaesi and Debt Recovery Tribunal Acts "indicate the government's firm commitment to find a satisfactory solution to the NPA resolution problem," said Arundhati Bhattacharya, chairman of State Bank of India.

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