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Base rate calculation guidelines for banks soon: SS Mundra

By PTI | Dec 08, 2015, 03.25 PM IST Post a Comment

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NEW DELHI: RBI will soon come out with a methodology to determine the base rate taking into account marginal cost of funds to ensure effective monetary policy transmission, deputy governor **SS Mundra** said today.

On [strategic debt restructuring](#) (SDR), he said it's too premature to say that it is not functioning as the window is still open.

"They (banks) have been given a window of 18 months. At this point of time, they are putting SDR in cases which are eligible. I think it's premature to say they (banks) are unable to find buyers," he said here.

Under the SDR scheme, banks are allowed to take a majority ownership of troubled firms and find new owners for turning it around. It allows banks to classify NPAs as standard assets during the 18 months.

SDR has been invoked in about a dozen cases since issuance of the guidelines in this respect in June.

On the base rate framework, the deputy governor said it's work in progress and can be expected shortly.



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The median base lending rates of banks have come down by about 60 basis points as against a 125-basis point policy rate reduction since January.

Base rate is the minimum benchmark rate below which a bank cannot lend.

Asked about March 2017 deadline for cleaning up balancesheet of banks, Mundra said: "You wait for it. We will come out with all the details in due course of time."

He, however, did not elaborate.

Last week, [RBI Governor](#) Raghuram Rajan had said steps taken by the central bank and the government should help lenders clean up their balancesheets by March 2017.

The gross NPA of public sector banks rose to 6.03 per cent as of June 2015, from 5.20 per cent in March 2015.

"We hope that over the span of the next year... say by March 2017, a full clean-up will have been done by banks... the idea is to put real assets back on track with whatever needs to be done," Rajan had said.

"The first step was with things like 5:25, SDR and bringing in new promoters, among others. Given that banks have more powers now, we can now be a little more careful about recognition, and the first step was to do away with the forbearance starting April 1, 2015."

"We are in constant dialogue with banks on a number of issues, including assets on their balance sheets, and we are talking to them about what is being done under the 5:25 scheme... We have given a number of facilities to banks to improve their asset quality," the governor had said.

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