Business Standard

Govt tells banks to focus on cash recovery

At present, much of their loan recovery happens in written-off accounts

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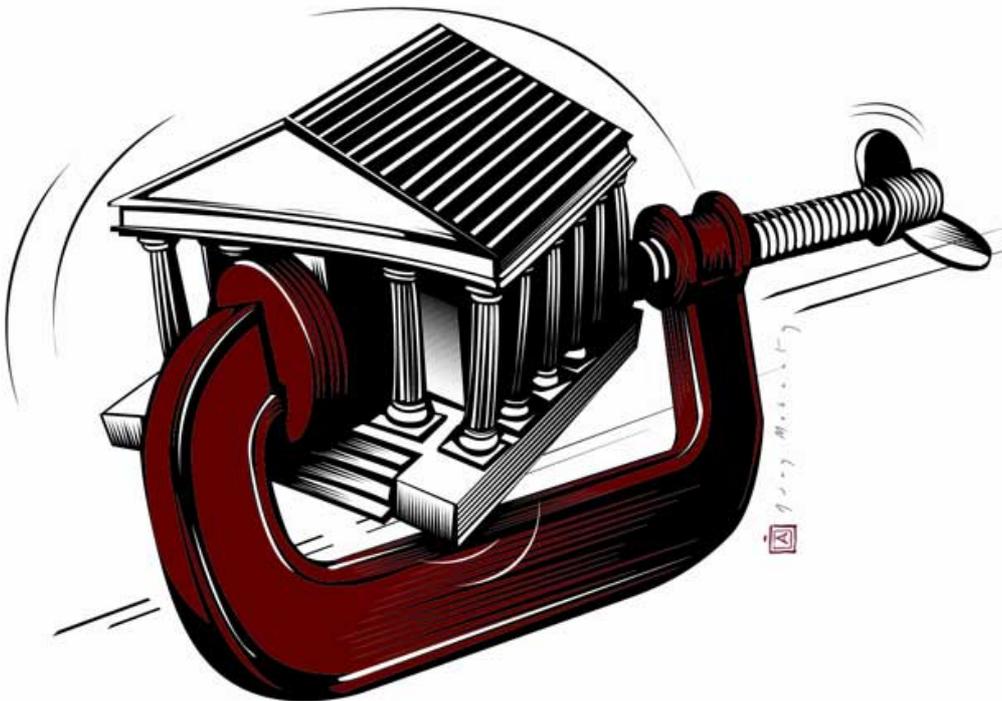September 23, 2016 Last Updated at 00:34 IST

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The government has asked public sector banks to focus on cash recoveries. At present, much of their loan recovery happens in written-off accounts.

Recoveries from written-off accounts help refurbish banks' equity capital base. Cash recoveries and upgradation of live non-performing assets, on the other hand, require banks to contain slippages.

The finance ministry in a communication to public sector bank chiefs said recovery efforts should be stepped up to match, and eventually, overtake the growth of gross non-performing assets. The gross NPAs of public sector banks rose from Rs 5.02 lakh crore in March 2016 to Rs

5.59 lakh crore in June 2016.

PSB executives said work on recoveries from both streams, written-off accounts and live NPAs, had gathered steam in the previous two quarters. The focus on getting money back from stressed accounts is visible from the "war rooms" opened at Delhi-based Punjab National Bank and Mumbai-based Dena Bank.

Karthink Srinivasan, co-head of financial sector ratings at ICRA, said banks had improved recoveries from mid-sized corporates and households but large corporates, mostly consortium accounts where many banks had exposure, remained a weak spot. The total reduction in NPAs — cash recovery, upgradation and write-offs — during the first quarter of 2016-17 by PSBs was Rs 45,615 crore against Rs 27,398 crore in the same period a year ago. Within this, written-off assets stood at Rs 14,954 crore in the first quarter of 2016-17 against Rs 11,277 crore in the same period a year ago. Fresh slippages were Rs 99,609 crore in the first quarter of 2016-17 against Rs 45,252 crore in the same period a year ago.

An executive with a Mumbai-based public sector bank said while the economy was showing signs of recovery, most highly leveraged corporates still continued to face stress.

A NUDGE FOR RECOVERING NPAs
Non-performing assets figures of public sector banks

	FY14	FY15	FY16
Gross NPA (₹ cr)	2,27,300	2,78,500	5,40,000
Gross NPA %	4.20	5.00	9.30
Recovery & upgrades as % of opening gross NPAs (annualised)	43.00	28.00	21.00
Write-offs as % of opening gross NPAs (annualised)	17.60	20.50	18.00

Source: ICRA Research; Banks

The complex dynamics of the joint lenders' forum also slowed down the pace of action against borrowers, he added.

The Reserve Bank of India undertook an asset quality review in 2015-16 to ensure banks were taking proactive steps to clean up their balance sheets. Weak loans were identified and the banks themselves took this further by identifying other weak accounts that were not part of the exercise.

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