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SPOTLIGHT

Offbeat



Picking up dog poo may become national policy

As the historical record shows, when people have to pick up, and are convinced of the civic good of doing so, then they will.

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Recovery of bad debt worries banks

By Sidhartha, TNN | Updated: Nov 30, 2015, 12.15 PM IST [Post a Comment](#)

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NEW DELHI: Almost 15 years ago, Daewoo filed for bankruptcy and a few years later **General Motors** took over its auto business. More than a decade later, while the **Chevrolet Spark**, which replaced the Korean chaebol's Matiz, can still be spotted on the road, its Indian plant lies in a shambles. Asset Reconstruction Company (India), or Arcil, which used to spend around Rs 5 crore for maintaining the facility near Noida, is still dealing with legal cases as a plan to sell it didn't materialize.

Over a thousand kilometres away in **Jharkhand**, lenders are trying to get the local administration and the state government to protect their interests in loans they had extended to a Rs 5,000-crore power plant, which remains under construction and has even hit equipment vendor **Bhel** **BSE -2.07%** that has a Rs 800-crore exposure. With no support from the state, locals and unpaid vendors are taking away pipes and other material from the under-construction facility.

While there has been a slowdown in fresh accretion to the pile of bad debt of banks, which added up to Rs 3.14 lakh crore at the end of September, recoveries have dwindled, exaggerating the pressure.

THE ECONOMIC TIMES

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Kingfisher...	0.04 (3.03%)
Dena Bank	-0.80 (-2.16%)
BHEL	-2.85 (-2.07%)

BURDEN PILING UP

BANKS UNDER FINANCE MINISTRY'S SPOTLIGHT

Lender	Gross NPA*	% Change	Cash Recovery#	% Change
Bank Of India	29,894	112	1,267	-31
Indian Overseas Bank	19,424	46	842	-49
UCO Bank	12,227	64	492	-57
Bank of Maharashtra	7,986	84	346	55
United Bank	6,112	-8	217	-62
IDBI Bank	14,758	28	215	-46

Amount in ₹ cr Source: Banks
 *Gross NPA at end of Sept 2015, YoY rise #Recovery between Sept 2014 and Sept 2015

A document prepared for a recent meeting of bank chiefs with **finance minister** Arun Jaitley had noted that "the situation requires special focus in banks like Bank of India, IDBI, Indian Overseas Bank, Bank of Maharashtra, UCO Bank, and United Bank of India".

Over the years, thanks to persuasion by the Reserve Bank of India and the [finance ministry](#), banks have become more transparent about recognizing non-performing assets. But there has been little improvement when it comes to recovery, bankers admit. "The economic environment is poor and companies are over-leveraged. So, even if we want to sell an asset, we are not getting buyers or the right price," said a senior executive.

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But the bigger issue is the challenge posed by defaulters, who approach multiple legal forums to delay the process of banks initiating action. No one illustrates it better than [Vijay Mallya](#) and the defunct [Kingfisher Airlines](#) BSE 3.03 %, which approached several courts to avoid getting the "wilful defaulter" tag. Mallya is not the only one indulging in "forum shopping". "It is for the courts to recognize that. If someone is using the legal options to delay the process, we can't do much — courts need to take that into account," said a senior government official.

There is a problem with the infrastructure at the debt recovery tribunals too, something that the finance ministry is trying to fix. In fact, sources said, it is looking if the adjournments are too frequent and why people are unwilling to join.

While minister of state for finance Jayant Sinha had told TOI that a fund is being planned to deal with impaired assets that can be revived, asset reconstruction companies believe that the legal framework too needs to be strengthened, and they have not been consulted on this.

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