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State-run banks crack the whip on defaulters, loan recoveries climb

By *Saloni Shukla*, ET Bureau | Nov 19, 2015, 04.00 AM IST Post a Comment

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MUMBAI: From Finance Minister Arun Jaitley to CLSA strategist Chris Wood, the pre-dominant worry is bad loans of state-run banks. But there is light at the end of the tunnel. Recovery from writtenoff loans is climbing at a fast clip.

Bank of India and the State Bank of India led by Arundhati Bhattacharya are leading the way in getting the defaulters to pay up. They are armed with a newfound freedom owing to the non-interference of political powers in their day-today business affairs. Loan recoveries by banks rose 51% on quarter as lenders employed various methods including naming and shaming the defaulters through newspaper advertisements.

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| PNB | -2.15 (-1.61%) |
| Dena Bank | -1.10 (-2.97%) |

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Job & Career



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Growth has, however, slowed in some sectors and markets seem to be levelling off after nearly 5 periods of significant acceleration.

Chasing Them Down
 Loan recovery of top 7 PSU banks jumps 51% QoQ

| | Q2FY16 | Q1FY16 |
|--------------|--------------|--------------|
| | (₹ Cr) | |
| SBI | 627 | 430 |
| BoI | 799 | 468 |
| BoB | 79.23 | 13.05 |
| Union Bank | 55 | 40 |
| Central Bank | 23 | 13 |
| IDBI Bank | 45 | 22 |
| PNB | 217 | 236 |
| Total | 1,845 | 1,222 |

Top 7 PSU banks have recovered Rs 1,845 crore by end of September quarter, compared with Rs 1,222 crore in the June quarter. For Bank of India it was Rs 799 crore from written-off accounts and for SBI it was Rs 627 crore. And Punjab National Bank recovered Rs 217 crore, data from the banks show. "Our loan recovery has improved significantly. We have focused on speeding up Sarfaesi (The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest) action against defaulters, initiating wilful defaulter proceedings, taking symbolic possession of assets and conducting auctions," Anant Upadhyay, GM, Recovery Division, Bank of India, said.

Bad loans have become the biggest drag on the Indian economy as infrastructure companies that binged on debt during the boom are struggling to pay up. Banks are employing many methods including holding dharnas or protest in front of defaulters' premises to make them pay. Many restructuring programmes have also been ended with the Reserve Bank of India Governor Raghuram Rajan saying 'extend and pretend' is bad for the system.

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The numbers may be tiny compared to the size of stressed loans (bad loans and restructured) which are at more than 10% of total loans, but this headstart could

accelerate with even bigger borrowers like Essar facing the heat. Bank of Baroda has already termed its exposure to the company a bad loan which could soon lead to action for recovery. Also, the coming of a Bankruptcy Law is also expected to make things better.

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SBI alone saw its loan recoveries rise 45% compared to last quarter. The lender is focusing on speeding up wilful defaulter cases, initiating forensic audits in accounts where funds have been diverted and assessing even those cases where assets have been sold to asset reconstruction companies, an SBI official told ET.

Bank of India, which saw its loan recoveries, increase 70% in the last quarter has ramped up recovery efforts as it attempts to improve its financials to meet government-set target to be eligible for capital. A few banks have also launched schemes to incentivize those employees who initiate early loan recovery from bad assets, apart from hiring additional resources in the recovery department. Banks are currently focusing on recovery efforts from smaller accounts as recovery from larger accounts remains long-drawn, bankers pointed out. **Dena Bank** BSE -2.97 % also launched a loan resolution campaign on September 15 and has managed to recover over Rs 160 crore in the last two months. The recoveries are from small companies as the big ones continue to employ legal means to prevent banks from taking action.

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