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Facts dispute claims by banks: write-off gallops, recovery crawls

In the last three years, public sector banks have written off Rs 1,14,000 crore as reported by The Indian Express on February 8. The Finance Ministry, RBI and SBI sent separate letters to the newspaper arguing that write-offs did not mean all was lost.

By: [Sandeep Singh](#), [Khushboo Narayan](#) and [George Mathew](#) | Published: February 10, 2016 8:02 AM

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The record of loan recovery by banks after being written off flies in the face of claims made by the Finance Ministry, Reserve Bank of India and State Bank of India that the recovery process does not stop even after write-offs.

In the last three years, public sector banks have written off Rs 1,14,000 crore as reported by The Indian Express on February 8. The Finance Ministry, RBI and SBI sent separate letters to the newspaper arguing that write-offs did not mean all was lost.

But in the last three years, the recovery rate (amount recovered as a percentage of additional write-off) for SBI, the largest government bank, has slipped steadily. Similarly, for ICICI Bank, the largest private sector bank.

If the recovery rate for SBI was 19.06 per cent in 2012-13, it dropped to 11.71 per cent the next year and declined further to 10.88 per cent in 2014-15, data disclosed in the bank's annual report reveals. In absolute terms, SBI's write-offs jumped almost four times from Rs 5,594 crore in 2012-13 to Rs 21,313 crore in 2014-15. It recovered Rs 2,318 crore last year compared with Rs 1,066 crore in 2012-13.

The trend is similar for ICICI Bank with its loan recovery rate dropping from 26.74 per cent to 15.96 per cent during the same period. It, however, fares better than SBI in keeping its write-off low. ICICI Bank's write-off stood at Rs 832 crore in 2014-15, only marginally higher than Rs 725 crore in 2012-13, according to its annual report. Its recovery, however, declined to Rs 132.8 crore compared with Rs 193.9 crore during the period.

"Write-offs were initially introduced as a tool for banks to manage their tax liabilities on impaired assets. Under the norm, banks were expected to treat the write-offs as advances and pursue their recovery. However, most banks have very poor recovery follow-up once the loan is written off," K C Chakrabarty, former RBI deputy governor told The Indian Express. A presentation by him in November 2013 when he was DG, RBI, showed that less than 10 per cent of the total amount written off (including technical write-offs) have been recovered for the period FY01 to FY13. There is no data on recovery of assets written off in the last two financial years.

In contrast to the tardy recovery, the write-offs and bad loans have only mounted and are likely to rise further in 2015-16. After writing off Rs 53,100 crore in the 2014-15, banks are expected to write off another Rs 52,227 crore this year, says data available from India Ratings which has studied the balance sheets of banks and corporate houses. Loan write-offs in the first half of 2015-16 were Rs 25,000 crore. With this, banks would have written off Rs 277,400 crore in the last ten years with more than half the write-offs happening in the last three years.

Gross non-performing assets, or bad loans, are expected to jump 31.48 per cent in the fiscal ending March 2016 to Rs 426,400 crore from Rs 324,300 crore. On top of this, banks are expected to show restructured loans worth Rs 615,000 crore for the year ending March 2016. This includes standard restructuring loan of Rs 502,000 crore and NPA restructuring of Rs 113,100 crore, says Ind-Ra data which did the number crunching for The Indian Express.

This means that the total stressed assets (NPAs and standard restructured loans) are expected to cross Rs 9,28,000 crore mark by FY16. "Many of the restructured loans of corporates are now turning into non-performing assets," said Udit Kariwala, Analyst -Financial Institutions, India Ratings.

In fiscal 2007, total restructured loan was just Rs 10,400 crore, This has now shot up by 5,813 per cent to Rs 615,000 crore as corporate houses went on a borrowing spree in the last seven years. Many such corporates which embarked on infrastructure projects which need massive investment are now unable to pay up, forcing them to go for corporate debt restructuring (CDR), 5:25 refinance scheme and strategic debt restructuring scheme to remain out of the NPA books.

Ind-Ra estimates around one-third of the corporate sector borrowing from banks to be deeply stressed currently (totalling to 21 per cent of bank credit) of which about half has been recognised currently as impaired in the books (NPAs and restructured loans).