

Forensic audit must for all bad loans: Parliament panel to RBI

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Says CDR has failed to achieve objectives; calls for cases to be settled within six months

WHAT THE PANEL WANTS							
<p>RBI actions</p> <ul style="list-style-type: none"> Forensic audit of all bad loans Wilful defaults to be audited too RBI to prepare guidelines for audit Reports to be submitted in 6 months 	<p>Cracking the whip</p> <ul style="list-style-type: none"> Name and shame wilful defaulters Asks RBI to form empowered committees to monitor large loans 						
<p>Bats for big infra</p> <ul style="list-style-type: none"> Develop a "vibrant" bond market to finance infra Asks Centre to <ul style="list-style-type: none"> revive DFIs for long-term finance allow IFCs to buy infra projects that have turned into NPAs 	<p>Rework debt restructuring</p> <ul style="list-style-type: none"> CDR cases should be settled in 6 months Banks can take control of defaulting entity Management change mandatory in wilful default cases 						
 <p>Veerappa Moily Chairman, Parliamentary Standing Committee on Finance</p>	<p>Public sector bank NPAs</p> <table border="1"> <tr> <td>₹2,05,024 cr</td> <td>- Sept 2015</td> </tr> <tr> <td>₹4,00,000 cr</td> <td>- April 2016</td> </tr> <tr> <td>₹64,335 cr</td> <td>- 21% of total NPAs - is wilful default</td> </tr> </table>	₹2,05,024 cr	- Sept 2015	₹4,00,000 cr	- April 2016	₹64,335 cr	- 21% of total NPAs - is wilful default
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New Delhi, February 5:

Cautioning that the rising trend of non-performing assets (NPAs) with banks had "the potential to damage the growth story", the Finance Standing Committee of Parliament has called for an immediate forensic audit of all restructured loans that had turned into bad debts.

A forensic audit is also required for wilful defaults, and the Reserve Bank of India (RBI) has been asked to prepare guidelines for the process. The analytical reports of the forensic audit should be submitted to the panel in six months, the panel said in its report, which was adopted here on Friday.

"We have adopted the report. We will submit it to the Speaker," said Veerappa Moily, Congress MP and Chairman of the panel.

The panel has asked the central bank to form empowered committees at the level of the RBI, banks and borrowers to monitor large loans.

Startling figures

As of September 2015, net NPAs of public sector banks stood at Rs. 2,05,024 crore; they may reach Rs. 4 lakh crore by the end of this fiscal year, the panel said. Such a huge figure, it added, "raises questions" on the credibility of mechanisms to deal with non-performing assets.

The report said wilful defaulters owe public sector banks Rs. 64,335 crore, which constitutes about 21 per cent of total NPAs. It called for making public the names of the top 30 stressed accounts of each bank.

There is no justification for keeping the names secret, the Parliamentary panel observed, asking the RBI to amend its guidelines.

RBI rapped

The RBI, as a regulator, did not implement its own guidelines, the committee said, and asked the central bank to be proactive and monitor the issue on a regular basis.

The panel also recommended the development of a "vibrant bond market" to finance infrastructure projects.

Battling for large infrastructure projects, it said the Centre should revive Development Financial Institutions for long-term financing of such projects.

It also urged the Centre to allow Infrastructure Finance Companies to buy infrastructure projects turning into NPAs and keep them as standard assets.

The report noted that in most cases, corporate debt restructuring (CDR) mechanisms had failed to achieve the desired objectives, adding that there should be a definite timeline of six months to settle CDR cases. In 2014-15, most of the slippages came from restructured debt.

Empowering banks

On strategic debt restructuring, the report said it could empower banks to take control of the defaulting entity, and recommended that a change in management must be made mandatory in cases involving wilful default.

The prolonged slowdown in the economy has eroded the market for distressed assets so much that even Asset Reconstruction Companies found it hard to offload these, the committee observed, adding that the RBI should consider creating a dispensation that allows banks to write off losses in a staggered manner.

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