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NIIF may help PSU banks cut NPAs

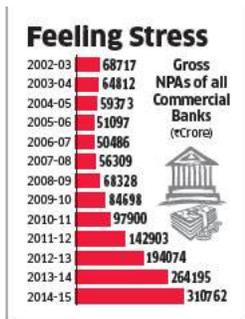
By ET Bureau | Feb 05, 2016, 04.00 AM IST

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MUMBAI: State-run banks could be in for some good news, the government's [infrastructure](#) fund, which will take shape soon, will allow the banks to sell some of their stressed assets to the fund, which is expected to have some sovereign wealth funds as investors.

The government plans to set up a Rs 40,000-crore National Investment & Infrastructure Fund (NIIF), with [investments](#) from international [pension](#) funds and sovereign wealth funds from countries such as Russia, Singapore and the UAE.

"It could help prevent good assets being disposed of at very low valuation," chairman of State Bank of India Arundhati Bhattacharya told ET.



"There's no doubt that overleveraged groups need to deleverage and that can only happen through orderly sale of core and non-core assets. Any steps to quicken this process are welcome. But this should be done in a manner that best preserves value and reduces pain to various other stakeholders of such units such as vendors, suppliers, ancillaries and employees of such units," she said.

"NIIF would be a fund of funds. So there will be multiple alternate investment funds underneath... There could be a stressed-assets fund, renewable energy fund, brownfield projects fund.... (all) sponsored by the NIIF," Jayant Sinha, minister of state for [finance](#), had told ET last month.

The rise in sticky loans to Rs 7 lakh crore has been a concern for the Reserve Bank of India, which has asked banks to make proactive provisions for them. Ashvin Parekh, a consultant, said the NIIF will improve the economic value of assets and help banks reduce bad loans.

"Funding stuck projects will reduce stressed loans. Whether the government provides money in the form of capital or reduce the NPA burden, the story is the same," he said.

The RBI has set a deadline of March 2017 for banks to clean up their balance sheet. After the monetary policy, RBI governor Raghuram Rajan said the move is aimed to "create the basis for strong growth and will enable banks to focus not on managing legacy assets but on lending to new ones".

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