

03:32 PM 10 JAN MARKET STATS ▾	SENSEX 26,900 ▲ 173.01	NIFTY 50 8,289 ▲ 52.55	GOLD (MCX) (Rs/10g.) 28,076 ▲ 25.00	USD/INR	CREATE PORTFOLIO	Download ET MARKETS APP	CHOOSE LANGUAGE ENG
--	----------------------------------	----------------------------------	---	---------	-------------------------	--------------------------------	------------------------

Don't overplay NPA issue to extent of debilitating lending: Banks Board Bureau chairman Vinod Rai

By PTI | Updated: Apr 20, 2016, 06.54 PM IST

[Post a Comment](#)

PUNE: Banks Board Bureau chairman Vinod Rai today said the stressed assets problem should not always be seen as an "alarmist situation" as it may make lenders more risk-averse towards fresh lending or settling old cases.

"The banking sector has seen a considerable **stress** in recent years. We, however, should not allow the cacophony of uninformed voices to debilitate the decision-making capability of bank executives," Rai said at the 12th convocation of the RBI-run National Institute of Bank Management here today.

"Projects do have time and cost over-runs. Quite often the problems are creations of the global **economy**. Nevertheless, these need not be magnified to create an alarmist situation leading to a backlash wherein banks become risk-averse whether to lend afresh or settle old cases."

He said in the past, the banking system has faced problems but they have emerged stronger.

The former Comptroller and Auditor General said not all loan defaults are willful and not all lending activities even if it is to salvage some stressed accounts can be branded as corrupt practice or criminal misconduct.

Calling for addressing the stressed assets issue with urgency and diligence, he said, "We need not **debate** ad infinitum the escapades of one or two industrialists. Unfortunately, the legal system does not permit easy and rapid **resolution** of stressed assets of banks. Nevertheless, we cannot allow normal loan advancing activity to come to a standstill based on the experience of a few cases of mismanagement."

Within the framework of the existing laws, tenacious steps have to be taken to ensure that the stressed assets issue is resolved and their value is not allowed to depreciate.

He said loan defaults do occur in the **banking industry** and they may occur for a variety of reasons which are beyond the control of the borrower.

Rai further said that these defaults merely amount to a breach of contract, and hence, are not necessarily criminal in nature. It would attract criminal prosecution only if fraudulent or dishonest intentions are established, he added.

"Therefore, defaults occurring on account of a downturn in the economy or adverse external factors cannot be construed as cheating or borrowing with a mala fide intent," Rai said.

On the fear psychosis among bankers of being hounded by vigilance officials when bank executives take decisions to advance loans or conclude settlements of stressed loans, Rai said, adding there is no intention of any agency to launch any kind of witch hunt.

Stay on top of business news with The Economic Times App. [Download it Now!](#)

Other Times Group news sites

Times of India | इकनॉमिक टाइम्स
छंदीनीमिड टाइम्स | Mumbai Mirror
Times Now | Indiatimes
नवभारत टाइम्स | महाराष्ट्र टाइम्स
वीजय चन्दाईक | Lifehacker
Gizmodo | Eisamay | IGN India
NavGujarat Samay

Living and entertainment

Timescity | iDiva | Zoom |
Luxpresso | Gaana | Happytrips |
Cricbuzz | Get Smartapp

Networking

itimes | MensXP.com

Hot on the Web

Income Tax Slabs | Budget 2017
Sensex, Nifty Live | Income Tax
Calculation
UP & Punjab Assembly Elections
2017 | Demonetisation
Gold Rate

Services

ads2book | Gadgetsnow | Free Business Listings
Simplymarry | Astrospeak | Timesjobs | Magicbricks | Zigwheels | Timesdeal |
dineout | Filmipop | Remit2india | Gaana | Greetzap | Techradar | Alivear |
Google Play