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# Modi government, RBI may look at penal action, one-time settlement to fix bank defaulters

BY [RUCHI BHATIA](#), ET NOW | UPDATED: MAR 17, 2017, 04.45 PM IST

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The **Narendra Modi** government and **RBI** are readying a strategy to deal with the bad loan problem, including a one-time settlement scheme for weak sectors and penal action against siphoning of funds. Sources tell **ET Now** that PMO, Finance Ministry and RBI are together working out a comprehensive strategy to nab top 50 defaulters.

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Government and the central bank are awaiting the report from banks post completion of forensic **audit** on big defaulters, an official told ET Now on condition of anonymity.

"We are instructing banks to initiate forensic audit for all top 50 defaulters. We want to understand the nature of the defaults to see if it is a genuine case of **business** going bust due to sectoral issues or was money siphoned off. In case of siphoning of money, government will ask banks to initiate criminal action", said another source in the know of the development.

The department of financial services made a presentation to RBI last week at a high-level meeting on NPAs and has asked the central bank to overhaul the existing tools such as Joint Lenders Forum. Sources indicate that 3-4 banks with the highest exposure in JLF will be asked to make a decision for bad loans instead of the existing 60% voting requirement.

Moreover, PMO is also actively working on contours for a one-time settlement for bad loans. "Various bankers are worried to take decisions and agree to one time settlement options, so government lead panel is working on a one time settlement that will aid decision making", the source added

**SBI** recently announced one time settlement in the farm sector that make up about 6000 crore of doubtful cases on its books. Sources indicate that many more banks could look at similar mechanism for weaker sectors.

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Gross non-performing assets in the banking system were estimated at around Rs7 lakh crore as of the end of December.

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