

RBI examining relaxing NPA classification limit beyond 90 days

Currently, accounts turn into a NPA or bad loan if it is not serviced for 90 days

Press Trust of India | New Delhi June 13, 2017 Last Updated at 20:31 IST



The Reserve Bank of India (RBI) is looking into request for extending the NPA classification period from the current 90-day window to help small and medium enterprises.

"Some people have made

representation to the Finance Ministry of raising the NPA classification period beyond existing 90 days. This issue is under consideration. It is being examined by RBI," said Minister of State for Finance Arjun Ram Meghwal told *PTI*.

He, however, did not disclose the details of the representation.

Currently, accounts turn into a non-performing asset (NPA) or bad loan if it is not serviced for 90 days.

In case of small businesses and SMEs payments come usually late. Once they miss 90-day period and fall in the NPA category, their credit line is cut.

In the absence of vibrant factoring or trade receivable market, small business and SME face the issue of timely credit availability.

Meghwal also said that there is a need to strengthen loan restructuring mechanism in an effort to tackle inflation.

Loan restructuring is reviewed by Reserve Bank of India from time to time as part of its effort to fight the mounting NPAs in the banking system.

Most recently, the minister said, the government brought in an ordinance giving wide-ranging legislative powers to the Reserve Bank to fight NPAs.

The ordinance authorises RBI to issue directions to any bank to initiate insolvency resolution process in the event of a default under the provisions of the Insolvency and Bankruptcy Code (IBC), 2016.

As per some estimates, banks are sitting on unrecognised stressed loans worth Rs 7.7 lakh crore in corporate and SME sectors and expect around 35 per cent of them to slip into the NPA category in the next 12-18 months.

There is a likelihood of Rs 2.6 lakh crore of corporate and SME loans, which are 3.2 per cent of total bank credit to be recognised as stressed loans by 2019.

Stressed loans include restructured assets that carry the risk of turning into NPAs.

On the three-year achievements of the Modi government, Meghwal said: "Whenever the review takes place, 2017 will be known as the year of economic reforms."

The highlights so far this year are the advancement of the budget, the merger of the railway budget with the general, the budgetary passage before March 31 and the proposed GST rollout from July 1, the minister added.

Terming jobless growth criticism as a mere political statement, Meghwal dismissed it as something not based on facts as "political opponents have coined this as a terminology".

"The informal sector created a lot of job opportunities through various schemes of the government like Mudra, Stand Up India, Start-up India," he stressed.

More than 7.45 crore entrepreneurs have been given bank loans under the Pradhan Mantri Mudra Yojana as part of the government's effort to fund the unfunded. Easy loans have been provided to small businesses like barber shop owners, cobblers and cycle mechanics etc under the Mudra Yojana without any collateral, he said.

"More than 7.45 crore small entrepreneurs received loans worth more than Rs 3.17 lakh crore. Of this, 70 per cent of the beneficiaries are women," Meghwal pointed out.

About 18 per cent of the borrowers are from the scheduled caste category and 4.5 per cent scheduled tribe while other backward class accounted for almost 34 per cent.

Under the Mudra Yojana, a loan of up to Rs 50,000 is given under the 'Shishu' plan, between Rs 50,000 to Rs 5 lakh under 'Kishore', and between Rs 5 lakh to Rs 10 lakh under 'Tarun'.