

Nabard frames self-healing norms for RRBs

K RAM KUMAR

0



Breach on 3 counts to trigger action

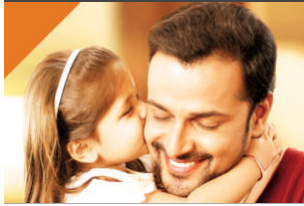
MUMBAI, APRIL 9

The National Bank of Agriculture and Rural Development (Nabard) has come out with a 'Prompt Corrective Action (PCA) Framework' framework for regional rural banks (RRBs), much like the revised one the RBI unveiled for scheduled commercial banks nearly a year ago.

This framework is aimed at enabling RRBs that fail to meet prudential requirements relating to capital adequacy, net non-performing assets (NNPAs) and return on assets (ROA) to take self-corrective action to arrest further deterioration in their financial position.

The PCA will be invoked if RRBs breach trigger points on three parameters: capital to risk-weighted assets (CRAR) ratio, assets (NPAs), and profitability (ROA). The PCA framework will be implemented based on the findings of Nabard's inspection with reference to RRBs' FY2019 financial performance.

PROMOTED



Insurance for Cancer treatment, for as low as Rs. 61* per month. Calculate your quote instantly.

Now you can get yourself covered for as low as Rs.61 per month

Sponsored By 

RRBs are jointly owned by the Central government, the State government concerned and sponsor (usually public sector) bank with the issued capital shared in the proportion of 50 percent, 15 per cent and 35 per cent, respectively. As at end-March 2017, there were 56 RRBs.

Three CRAR trigger points have been set for invoking PCA for RRBs: less than 9 per cent but equal or more than 6 per cent; less than 6 per cent but equal or more than 3 per cent; and less than 3 per cent.

For NPAs, two trigger points have been set: NNPA's over 10 per cent but less than 15 per cent (for RRBs having retained profit)/ Gross NPAs (GNPAs) over 10 per cent but less than 15 per cent (for RRBs having accumulated losses); NNPA's of 15 per cent and above (for RRBs having retained profit)/ GNPAs of 15 per cent (for RRBs having accumulated losses).

Further, if ROA falls below 0.25 per cent, PCA can be set in motion.

Cause of deterioration

When an RRB is put on PCA, the bank's management should identify the cause of deterioration and take corrective measures promptly.