

PSBs recover Rs 222 billion from NPA accounts via one-time settlement

The information presented in the Lok Sabha covers 19 nationalised banks

Abhijit Lele | Mumbai August 06, 2018 Last Updated at 23:47 IST



Public Sector Banks (PSBs) have recovered over Rs 222 billion through one-time settlement (OTS) in 2.44 million accounts over the last three years as a part of cleaning up balance sheet. Banks seemed to have stepped up efforts the most in 2017-18 to get about Rs 90 billion from close to one million accounts.

This assumes significance in the light of Sashakt panel's advice for banks to resort to recoveries through schemes akin to OTS to settle dues of Non-Performing Assets (NPAs) up to Rs 500 million.

The information presented in the Lok Sabha covers 19 nationalised banks. It does not cover State Bank of India group and IDBI Bank.

In 2015-16, state-owned banks were able to arrive at a settlement in case of 0.69 million accounts and recovered Rs 64.6 billion. In the following year, 2016-17, they got Rs 67.8 billion from 740,000 accounts.

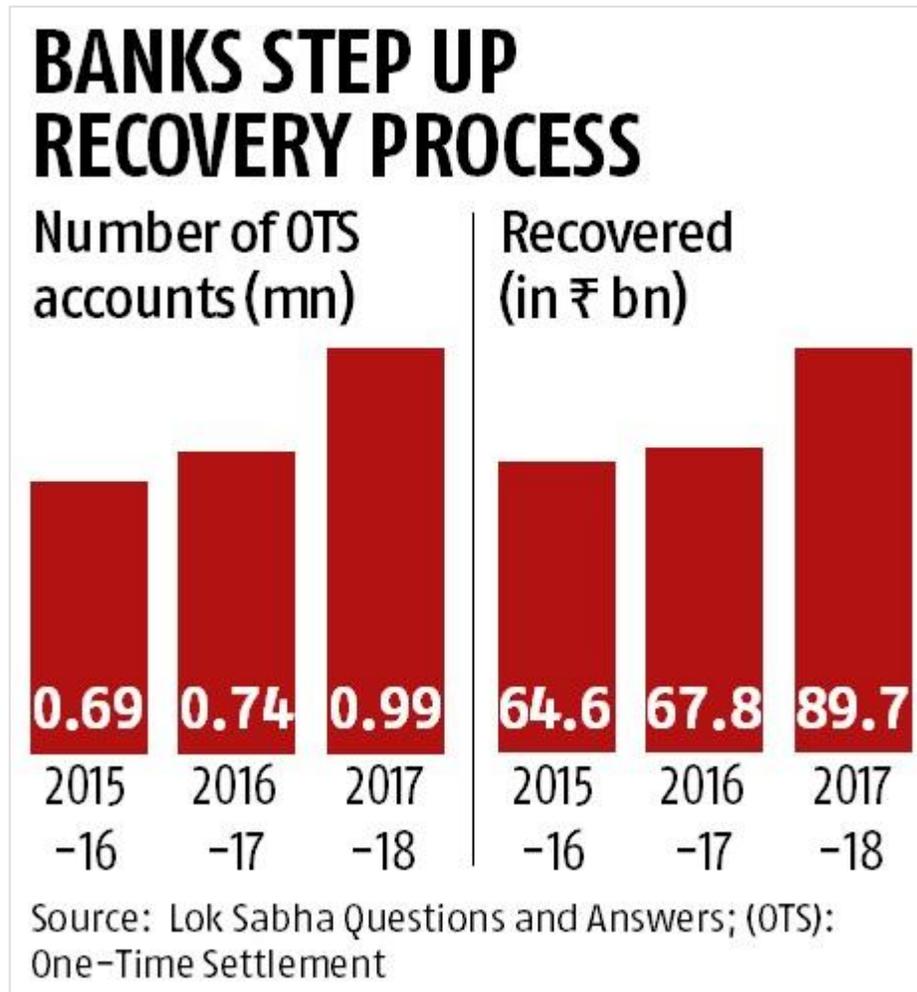
In 2017-18, Punjab National Bank (PNB) recovered Rs 13.75 billion from 240,000 accounts,

followed by Rs 10.87 billion by Central Bank of India from 130,000 accounts and Union Bank of India raised Rs 8.28 billion 80,000 accounts. According to RBI instructions, banks are required to have a loan recovery policy, which may cover negotiated settlements of NPAs. According to inputs from nationalised banks, all nationalised banks have in place OTS schemes. These schemes are in pursuance of board-approved policies of banks, and are typically oriented towards sectors such as agriculture, Micro Small and Medium Enterprises (MSMEs), weaker sections and education loans, and typically have an upper limit on the amount of NPAs.

Sunil Mehta panel, which penned the five-pronged approach termed “Sashakt” to resolve the pool of non-performing assets, has suggested a scheme akin to OTS for SMEs.

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This approach will be applicable to assets that are less than Rs 500 million and contribute Rs 1.2 trillion to the PSBs’ stressed asset pool.



These are predominantly sole banking assets and do not need coordination between multiple banks to resolve.

These companies are SMEs where the job creation potential is the most and the ability of the companies to survive in difficult times is the least.

Since resolution of these assets is completely under the control of a single bank, the resolution approached should be aligned to the individual bank, albeit under broad framework.

There should be customised resolution approaches for different types of assets and a well-defined time-bound process to resolve them.

For this purpose, banks should set up focused verticals with clear targets and staff this vertical appropriately. Banks should device a template resolution approach for different types of stressed loans based on simple metrics and Standard Operating Process (SOP) for resolution. Banks should be setup up internal SME steering panel(s) for formulating and validating these schemes, including provision of additional funds.

The resolution under this approach should be non-discretionary, non-discriminatory and executed in a time-bound manner. Also, banks should put in place a robust monitoring process to ensure implementation of resolution happens within 90 days.