

To prevent bad loans, banks to cross-check info on borrowers

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According to RBI data, banks reported 5,879 cases of frauds (of ₹1 lakh and above) aggregating ₹32,048.65 crore in 2017-18 - File photo

To approach I-T and GST departments to check veracity of information submitted

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Banks are likely to soon seek authorisation from borrowers and guarantors so that they can approach authorities such as Income Tax (I-T) and Goods and Services Tax (GST) departments to cross-check the veracity of information submitted for getting loans.

The proposed move is aimed at strengthening the loan-sanction mechanism in the backdrop of the pile-up of bad loans between FY16 and FY18, and rising frauds in the banking system.

Bankers say the authorisation by way of consent is required from borrowers and guarantors as banks are seeking financial (personal) information about them from the authorities. Without such authorisation, the authorities will not share information, said a senior public sector bank official.

The authorisation will help banks access granular information on the taxes borrowers and their guarantors have paid, whether they have tax arrears, and their net worth.

If the financial information submitted by borrowers and guarantors varies with what banks find in the I-T and GST databases, the loan proposal will be rejected, thereby preventing potential bad loan or fraud.

Banks are believed to be working on a standardised format for seeking authorisation from borrowers and guarantors on accessing information from various authorities.

Access to I-T, GST and Ministry of Corporate Affairs databases, coupled with tapping credit information bureaus and Central Repository of Information on Large Credits, will help bankers evaluate loan proposals better.

Stress and frauds

As per data compiled by credit rating agency ICRA, GNPA's rose to 14.1 per cent of gross advances for public sector banks as of end-September 2018, against 12.6 per cent as of end-September 2017. However, the GNPA ratio in the September 2018 quarter was lower than the preceding quarter's 14.6 per cent

GNPA's were flat at 4.4 per cent in the case of private sector banks. GNPA's of these banks in the September 2018 quarter were lower than the 4.6 per cent of the preceding quarter.

For all banks, GNPA's rose to 11 per cent of gross advances as of September-end 2018, against 10.3 per cent as of September-end 2017. GNPA's for all banks in the September 2018 quarter were lower than the 11.5 per cent of the preceding quarter.

The rating agency estimated that GNPA's of all banks aggregated ₹9,98,200 crore as of end-September 2018, against ₹8,40,400 crore as of end-September 2017.

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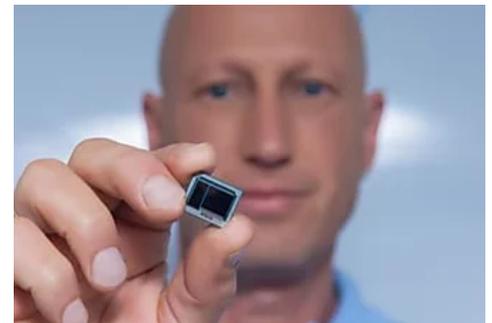
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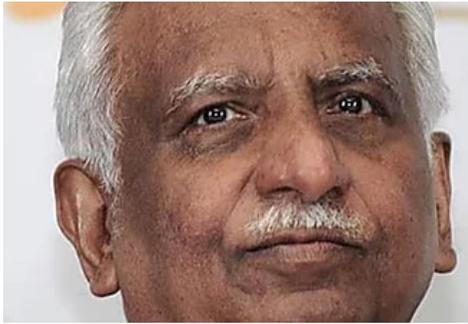


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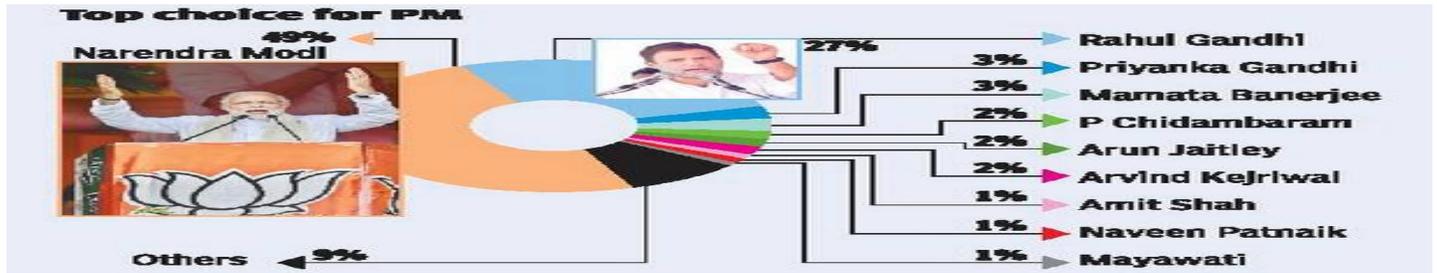
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