

'Govt maintaining good distance from IBC pays rich rich dividends to banking system'

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Committee of Creditors (CoC) to take independent commercial decisions without any government interference

Finance Minister Arun Jaitley, on Thursday, said the government's conscious decision to keep distance from the Insolvency and Bankruptcy Code (IBC) process has paid rich dividends to the banking system.

In a little over two years after the code was rolled out, as much as ₹2.8-lakh crore has returned to the banking system, Jaitley revealed at an event to launch the first-ever EASE Reforms Index for public sector banks (PSBs).

The BCG-IBA report – EASE Reforms for Public Sector Banks measures the performance of each PSB on 140 objective metrics across 6 themes, and provides a comparative evaluation showing where banks stand vis-à-vis benchmarks and peers on the reforms agenda.

Jaitley said the government had made sure to keep a good distance from the IBC process and enabled the Committee of Creditors (CoC) to take independent commercial decisions without any government interference. This was a significant reason for the success of IBC, he noted.

PCA banks

The Finance Minister also expressed hope that the remaining six public sector banks that are under the RBI's Prompt Corrective Action (PCA) will improve their parameters so that they can come out of it soon.

It may be recalled that five banks, on the back of the government's recap support, came out of the RBI's PCA framework recently.

Till recently, 11 of the 20 public sector banks, were under PCA. With five PSBs now out of the PCA net, there are only six public sector banks left. The five public sector banks that came out are Bank of India, Bank of Maharashtra, Oriental Bank of Commerce, Corporation Bank and Allahabad Bank.

The public sector banks that continue to be under PCA include UCO Bank, Central Bank of India, Indian Overseas Bank and Dena Bank.

PSBs have shown strong trajectory in their performance over three quarters after the launch of EASE Reforms Agenda. The overall score of PSBs has increased by 15 per cent between March 2018 and December 2018, with the average score of PSBs improving from 56.3 to 64.5, the report concluded. Significant progress is seen across themes, with highest growth being in 'responsible banking'.

Some of the key findings of the BCG report are that stress recognition is almost standard; restructured advances, as a percentage of gross advances, reduced from 7 per cent in March 2015 to 0.5 per cent in December 2018.

The second big improvement is that gross non-performing assets (GNPA) have reversed. GNPA has reduced by ₹31,168 crore, GNPA ratio has started to decline after peaking in March 2018, and has declined for three successive quarters after March 2018.

Thanks to the Insolvency and Bankruptcy Code (IBC), public sector banks have recovered ₹98,493 crore in first nine months of 2018-19, registering a growth of 103 per cent.

PSB balance sheets strengthened through the infusion of ₹3.19 lakh crore, including infusion by the government and market raising.

Fresh slippages

Fresh slippages reduced by ₹58,000 crore in first nine months of 2018-19, compared to same period in the previous financial year.

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RBI and other central banks

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