

# RBI guidelines for resolution of loans below Rs 1,500 crore unlikely this financial year

Updated: December 21, 2019 3:17:22 AM

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**By Ankur Mishra**

The Reserve Bank of India (RBI) is not going to issue guidelines for resolution of stressed assets below Rs 1,500 crore this financial year, said a person familiar with the matter. In June 7, 2019 circular, the Reserve Bank declared that it would announce reference dates for resolution of accounts below Rs 1,500 crore in due course of time.

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crore and Rs 2,000 crore category in the June 7 circular.

“The regulator wants to adhere to the timelines set by the government for providing relief to the MSME sector before releasing guidelines on the resolution of small ticket size loans,” said a source who did not wish to be named.

On September 19, finance minister Nirmala Sitharaman asked banks not to declare any stressed loan account of MSMEs as NPA till March 2020 and work on recasting debt.

A majority portion of loans below Rs 1,500 crore includes exposure of banks to micro, small and medium enterprises (MSME) sector. Ravikant Bhat, senior analyst – BFSI, IndiaNivesh, said: “A meaningful portion of industry and services loans of over Rs 5.1 lakh crore are likely to be in the sub-Rs 1,500 crore exposure category.” Currently, there is no specific resolution mechanism for such loans, and the RBI was supposed to issue guidelines in a calibrated manner, he added.

The RBI issued the prudential framework for the resolution of stressed assets for large accounts amounting loans of over Rs 2,000 crore through the June 7 circular this year. This was done after the apex court had quashed the regulator’s February 12, 2018 circular on the same. The banks were fearing similar guidelines for small tickets size loans, in the line of June 7 circular. The lenders are reeling under pressure to adhere to the provisioning timelines for the resolution of stressed assets.

According to the June 7 circular, the banks have to make an additional provisioning of 20% if the resolution plan is not implemented within six months and another 15% if resolution plan is not implemented within a year, taking the burden of additional provisioning to 35%. The circular, however, allows for reversal of this provisioning if resolution is pursued under the IBC.

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