

RBI looking to harmonise provisioning by all banks

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By Ankur Mishra

In a move that will ensure that all banks present an accurate picture of stress on their books and adequately provide for it, the Reserve Bank of India is looking to harmonise provisioning done by banks. The central bank is doing this so that if an account is stressed for one bank, then all other banks with exposure to that entity should declare it as a non performing asset (NPA).

RBI has given the task to a special supervisory cadre to monitor information coming from all banks, sources told FE. This cadre was formed in May for supervisory and control of commercial banks.

“The SSM (senior supervisory manager) will constantly engage with banks on the various information received on accounts. RBI is aggregating data via Central Repository of Information on Large Credits (CRILC),” a person familiar with the matter said. In India, banks follow rule-based provisioning, while in some developed markets, requirement-based provisioning is followed.

Speaking to FE, Mrutyunjay Mahapatra, MD & CEO [Syndicate Bank](#) said, “In a multiple banking arrangement, an account which is stressed in one bank may not be stressed in other bank. It happened in the case of DHFL, Religare Finvest and even smaller accounts. So RBI is trying harmonise provisioning to take a view that company is stressed and everyone should declare it as NPA.”

The reason behind harmonising of provisioning is due to divergence in the asset quality of big banks and alleged lapses on part of auditors, said another source. Many banks have reported divergence, following a recent directive by the Securities and Exchanges Board of India (Sebi), due to which listed banks are required to make disclosures of divergences and provisioning beyond specified threshold not later than 24 hours upon receipt of the RBI's Final Risk Assessment Report rather than waiting to publish them as part of annual financial statements.

RBI is often criticised that it does not have supervisory oversight. The regulator will now try to see whether any kind of dissimilarity is there in the system and if at all promoter groups postpone payments for a longer time when they are in trouble. This happens because some banks are accommodating than others.

Analysts believe harmonising of provisioning is going to be a tough task for regulator, given the complex situation of bad loans. Ravikant Bhat, Senior Analyst-BFSI, IndiaNivesh said, "A recent example can be of IL&FS where loans in certain road construction SPVs were performing, some other stressed but not yet NPAs, while the parent had defaulted. Secondly, status of borrowers with banks has varied as loans were being serviced with one bank but in default with another leading to disharmony in asset classification although individual banks would have been in compliance with RBI's IRAC norms."

Speaking on the need of harmonisation of provisioning, Syndicate Bank MD & CEO Mahapatra said that in an information transparent world, no company should be taking advantage of information arbitrage. The divergences are reported on basis of regulatory opinion.

"It is not just based on the conduct of account but based on regulator's view of the whole system," Mahapatra said.

[State Bank of India \(SBI\)](#) on December 10 posted a staggering loss of Rs. 6,968 crore in FY19 and not a net profit of Rs. 862 crore as it had reported earlier. The lender said the Reserve Bank of India had spotted a large divergence of Rs. 11,932 crore in its gross non-performing assets.

Other public sector lenders that reported divergences in past one month include [Union Bank of India](#), [Indian Bank](#), Bank of India, [Indian Overseas Bank](#), [Central Bank of India](#), while [Yes Bank](#) and Lakshmi Vilas Bank are among private lenders.

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