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Banks bat for bad loan breather

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Mumbai: The Indian Banks' Association has asked the Reserve Bank of India to ease bad loan recognition norms to 180 days from the current 90 days, three people familiar with the matter said.

Bankers led by the IBA have also asked the regulator to extend a moratorium on loans and the standstill on stressed accounts by at least one more quarter, one of the people said.

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Banks have sought that loans extended to overdue accounts be considered under the standard category, or classified as standard restructured asset, which would lead to lower provisioning.

They have also sought a one-time restructuring of all loans and a specific term loan package for sectors that are under stress due to the Covid-19 pandemic.

"A lot of these issues were discussed with the RBI governor in a meeting he held with banks. Talks are on at individual banks and IBA level. We are all working together to see the best way out of this crisis," said a banker involved in the discussions.

"The services sector has been the worst hit. We are discussing a corporate term-loan package for industries which are worst affected due to Covid-19. A one-time restructuring request has also been made," the banker added.

On March 27, the RBI allowed banks to extend a three-month moratorium on all loan payments.

On April 17, the regulator allowed a 90-day asset classification standstill on all overdue accounts as on February 29.

Moratorium Likely till Aug

These relaxations are set to end on May 31.

"We have already extended a three-month moratorium to our customers, it's obvious we may have to give another three months. Some banks also want moratorium extension till December, but it's like asking for the moon from the RBI," another senior public sector bank official, who is involved in the talks, said.

According to a research report released by State Bank of India's Economic Research Department, the RBI could extend the moratorium till August.

"With the lockdown now extended up to May 31, we expect RBI to extend the moratorium by three months more, this will imply companies need not pay till August 31, and it will imply almost minimal possibility of companies being able to service their interest liabilities then in

Banks' Wish List to RBI

- Relax NPA classification to **180 days**
- **Extend** moratorium and asset standstill by 3 months
- **Allow** one-time restructuring of stressed loans
- **Treat** loans to overdue accounts as standard
- **Special term loan package for sectors affected due to Covid-19**

September, failing which the account might be classified NPA as per extant norms," said Soumya Kanti Ghosh, SBI's group chief economic advisor. "RBI also needs to clarify whether enhanced working capital loans classify as Covid-19 debt."

Poor credit growth, including that of retail loans, along with rising non-performing assets and credit costs is expected to singe banks and non-bank lenders.

Rating agency Crisil expects that banking sector NPAs will rise to 11-11.5% by March 2021from an estimated 9.6% as of March 2020, with sharply lower recoveries and rising slippages.

NPAs are expected to swell for nonbanking finance companies too, with microfinance, loans to micro, small and medium enterprises and developer funding witnessing the sharpest spike.

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