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Micro Aspects of Management of Non-Performing Assets in India

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Abstract: *Indian Banking Industry stays a life support system to our Economy. In our 71 years of independence we have witnessed huge changes in the socio-economic landscape of Asia's third largest economy. The annual economic survey took a very important centre stage this year in the wake of two tumultuous international developments (Brexit and Political changes in advanced economies) and two radical policy actions domestically (Demonetization and passage of GST constitutional amendment bill). High levels of bad loans have brought down credit growth in public sector banks (PSBs) to historic lows, despite the fact that private banks continue to be aggressive in lending.The Non-Performing Assets have always created a big problem for the banks in India. It is just not only problem for the banks but for the economy too. The success of banks depends upon methods of managing NPAs and keeping them within tolerance level. It is not at all possible to have zero NPAs. But when these macro level aspects are taken up for implementation, a professional management infrastructure is put in place with the desired technical expertise through optimization of technological resources and to plug all the extant legal loopholes that are apparent so that NPA loans are contained and kept to the barest minimum in every financial institution.Hence, the human Resources Management, Technology and Legal Aspects play a crucial role in the Management of NPAs and lack of these key aspects in our Financial System have already dented the growth of Indian Economy.*
Keywords: *NPAs, Financial Sector, Banking sector, PCA, SARFAESI, RDDBFI*

I. Introduction

Today, the banking industry is reeling under increased accumulation of NPAs while the expectations of the stakeholders are going on a sky rocketing pace which is a cause of serious concern. NPA has now scaled to 12.6 percent at end-June, the highest level in at least 15 years. Indian banks' sour loans hit a record 9.5 trillion rupees ($145.56 billion) at the end of June, unpublished data shows, suggesting Asia's third-largest economy is no nearer to bringing its bad debt problems under control. A review of Reserve Bank of India (RBI) data obtained through right-to-information requests shows banks' total stressed loans - including non-performing and restructured or rolled over loans - rose 4.5 percent in the six months to end-June. In the previous six months they had risen 5.8 percent. Like any other Industry risk is inherent in banking. Credit risk (i.e., the borrower's inability or unwillingness to repay the loan) is the principal risk faced by the all commercial banks NPA creates three major problems before any bank- As the bank has to make provision against NPA, their profit is reduced and also the interest income as NPA does not generate any Income. It also creates mismatch of Assets & Liabilities of the banks. Huge accumulation of NPA in banks leads to heavy expenditure to maintain such poor quality of assets in their books. Banks have been very cautious in acknowledging that all NPAs have already been classified. But, in the process, the total stressed assets in banks had reportedly reached 12.6% by June 2017—the highest recorded in the last 15 years. Banks take serious steps like preventive management and curative management for recovery of Nonperforming assets and there is need to make modification in recovery management. Asset (Credit) contraction, Liability Management, Capital Adequacy, Shareholders' confidence, Public confidence, Impact on the National Economy, etc are the core issues to be addressed in the Management of Non Performing Assets.

II. Macro Aspects Of Management Of Non Performing Assets

The Preamble of the Reserve Bank of India describes the basic functions of the Reserve Bank of India as:
"to regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth."

The Supervisory and Regulatory power of RBI are managed at various Departments viz, Corporate Strategy and Budget, Corporate Services, Currency Management, Economic and Policy Research, External Investments and Operations, Government and Bank Accounts, Information Technology, Non-Banking Regulation, Non-Banking Supervision, Payment and Settlement Systems, Statistics and Information

Management, Enforcement , Financial Inclusion and Development , Financial Markets Operation, Financial Markets Regulation, Financial Stability Unit, Foreign Exchange, Human Resource Management, Inspection, Internal Debt Management, International, Legal, Monetary Policy , Premises, Rajbhasha, Risk Monitoring, Secretary's and Central Vigilance Departments. However, there is no separate Department at the Reserve Bank of India to supervise or monitor the Non-Performing Assets of its member banks under Private Sector, Public Sector, Foreign Sector, Co-operative Sector and Rural Sectors.

Management of Non-Performing Assets in Financial Institution is an Art and that requires special skill sets. Reserve Bank of India is empowered by statute to perform the role of a Regulator and supervisor for the entire Indian financial system. It prescribes broad parameters of banking operations within which the country's banking and financial system functions. Its objectives are to maintain public confidence in the system, protect depositors' interest and provide cost-effective banking services to the public. However, this role find its inadequacy when it comes into the macro level aspects in the overall management of NPAs by the respective member banks due to lack of clear cut policy in three broad parameters viz, Human Resources, Technology and Legal Aspects.

Current Focus of the study relates to the importance of Human Resources Management where the major Training Establishments of Reserve Bank of India namely, College of Agricultural Banking and Reserve Bank of India Staff College and others are autonomous, such as, National Institute for Bank Management, Indira Gandhi Institute for Development Research (IGIDR), Institute for Development and Research in Banking Technology (IDRBT) wherein there are inherent inadequacies are apparent under the present curriculum and training methodology. These Institutions which function under the control of RBI do not envisage specific training system in the Management of Non-Performing Assets. Since there are no explicit guidelines or instructions from RBI, the respective member banks have not put in place an effective training methodology to address the management issues of NPAs.

How to upgrade the present Training Methodology to address the NPA issues and evaluate the major root cause for slippage of loans into Non-Performing assets? A Loan Portfolio in any financial institution should comprise of Proper Credit Management, which involves Proper Credit Investigation, Scientific Credit Appraisal, Technical Feasibility, Managerial ability, Marketability, Project Cost Assessment, Economic Viability, Financial Viability, Sensitivity Analysis, Timely Credit Disbursement, Scientific Repayment Scheduling, Proper Credit Documentation, Effective Credit Supervision, Surveillance, Effective Credit Management Information System Proactive Credit Policy and Loan Review Policy. And for the Management of NPA, one requires a specialized skill sets. Hence, the following parameters contribute to the root cause for the core issues:

2.1 Lack of Expertise in Credit Appraisal and Assessment of Credit Needs of Borrowers.

This critical component falls under the category of internal inadequacies found in the banking system. And this expertise surmounts under the following premises:

2.1.1. **Knowledge and Analytical skill:**

Credit management requires well trained professionals who are experts in their chosen field since it provides the final link in the bank’s cash flow and survival. Since there is no fixed criteria stipulated, Bank management does not give due importance to the selection of knowledge workers nor proper practical training. The training system has become too stereo type class room sessions and never bother about updating the knowledge level of the employees and executives alike. Lack of dynamic updation of global concepts and even RBI directives are mandatory to be implemented and followed and that any individual staff knowledge realities are totally lacking in banks. Banks and financial institutions conduct training programmes to equip their employees to take up the challenges of the present and to face the uncertain future with confidence and trust. But it is found that most of the participants of the training workshops consider the time spent on training as paid holidays. The effectiveness of the training programmes with regard to gaining knowledge and skills and the ability of the participants to effectively use their new found knowledge on the job at hand is never tested and judged. Hence training becomes a routine exercise to fulfill the statistical requirement.

2.1.2. Decision Making.

The most important aspect in credit appraisal and assessment and monitoring is the capacity of the sanctioning, monitoring and reviewing authorities to take timely decision based on the performance of the past and the prospects of the future to meet the challenges of the present. The effectiveness of the decision depends upon understanding the existing market realities, ability to predict the future trends, perspectives of the business environment and efficacy of risk management. The most important factor for the decay in effectiveness is the **“Fear Psychosis”** prevailing among all sections of employees, particularly among the officers, managers and executives. Timely decisions are so vital in banks, which if not taken, would prove detrimental to both the customer and the bank. Managerial job requires making decisions to commit extensive resources of finance and usually involve an impressive level of uncertainty with respect to the outcome or result. No officer or executive wants to take timely decision, even if their decision is inevitable on most important matters, simply because of the fear that they may become accountable for their acts of commissions and omissions and error of judgment.

2.1.3 Service Orientation.

Bank bosses are expected to monitor borrowal customers' reaction and their perception and their problems and predicaments on services offered to prevent their accounts becoming NPA. It is very much essential for banks and financial institutions to closely monitor the customers' requirements of credit needs and credit monitoring of their borrowal accounts and the follow-up measures undertaken by them. Banks and financial institutions have to organise a credit monitoring service system which understands the credit needs of the customer, to take decisions to serve the customer better and improve further on the basis of feedback and through innovation and also analysing the factors that triggers creation of NPA to provide a totally harmonious credit delivery and credit monitoring system that prevents or cure the NPA cause. Credit monitoring will have no meaning unless the boss takes timely action to meet the needs of the borrower clients and to take effective steps either to prevent the accounts becoming NPA or find timely appropriate cure by initiating bold steps as per RBI directives.

2.1.4.Lack of Trained Professionals in the Management of NPAs.

Often it is misunderstood in the operational banking that NPA Management is a part of routine task under General Banking and the manpower is placed as temporary attachment or an additional task. It's a total misconception as the officer or manager handling this portfolio must possess special skills and expertise in bargaining, understanding the borrower's business background, legalities involved, public relations, etc. There are many gaps in resources to acquire the requisite skills with special professional qualifications. In reality neither the RBI nor the member banks have devised a suitable HR policy to ensure that NPA accounts are managed professionally. Newly recruited young officers without having any banking expertise or knowledge are straightaway entrusted to handle such tough portfolios for recovery of NPA loans. Language barrier is the cause for major concern as communication issues crop up the moment NPA Recovery campaign is launched.

2.1.5. Lack of General Awareness of NPA amongst the operational staff of bank

NPA is often considered to be an untouchable portfolio in any branch of the bank due to the fact that staff and officers have a total misconception about the fact that only Management is responsible for recovery of bad debts as they are the sanctioning authority. On the other hand, they feel powerless and handicapped to take any credit decisions or initiate recovery action proactively. It is often experienced that even if an hardcore NPA borrower visits the branch to enquire or gather details about his NPA loan account they are simply diverted to the Manager. Follow up of standard assets and feedback related to NPA loans always gets affected due to the attitude on account of lack of general awareness of the loan. A branch manager personally follows up the NPA loans and initiate several steps during his tenure to recover the bad loans. Once his tenure gets finished, the new incumbent fails to continue the recovery action due to the fact that either he is not fully aware or appraised about the recovery action initiated by his predecessor or any written documentation or records maintained for him to continue the action. This situation places the NPA borrower in a very advantageous position not only to evade his repayment obligations or his commitment to the bank he gains undue advantage by getting more time to repay his NPA loan. This further deteriorates the quality of loan asset of the bank. In other words, a Special Mention Account gets slipped to doubtful asset creating more wilful defaulters.

2.1.6. Ineffective roles played by the Empanelled Lawyers and Valuers in NPA Management

Advocates find it effortlessly easy to defend a borrower in any court than the Bank. Any branch manager feels that once the documents are handed over the lawyer to initiate legal action against the borrower his skin is saved by not only protecting the enforceability of loan documents but also misconceived thought that it is duty of the Court to recover the bad loans. In most of the cases, the litigation procedures are long drawn process only due to the deficiencies in documentation and the bank's lawyer wastes the court proceedings only by defending the technical deficiencies raised by the borrower's lawyer. If there is no defense from the other side, he gets an Ex-Partite court order which often fails to yield any results. Even if Recovery action is initiated by the Tribunal after issuance of Recovery Certificate, bank is further subjected to further compliance of long drawn procedures spelt out in the RDBBFI Act. Similarly, valuation of securities done by approved valuers are never subject to any statutory standards which even prove detrimental to bank's interest as Asset Contraction or Realistic value is not subject to review of the Regulatory Authority.

III. NPA Reduction Strategies

NPA Management Policy devised by banks must be in tune Credit Risk exposure. They must revisit their strategies associated with Identification of NPA, Organizational set-up, review of loan sanction terms, Rephasement and Reschedulement of loans, Rehabilitation Packages, review of services offered by external professionals and engagement of private agencies, Matters and Compromise & Write-off, Special Incentive Packages and scientific evaluation of M.I.S. & I.T. data using latest Business Intelligence tools and Analytics.

IV. Absence of realistic classification of assets

Assets are generally classified into Standard, Sub-Standard, Doubtful and Loss. This serves the purpose only for Balance Sheet perceptive including provisions for bad loans. However, there is no branch level data-base to classify Non-Performing Assets for recovery action. In other words, every bank and its branches should re-classify all its stressed or sticky or bad or NPA loans basically into two broad categories, viz, Recoverable Assets and Non-Recoverable Assets. Reserve Bank of India should advise guidelines to all banks with specific definition and conditions to classify the same under these two major segments so that recovery could be focussed only on those loans which are recoverable. In other word, the manpower for recovery exercise should never be wasted in concentrating on loans where recovery through normal course is not possible in the near future. Eg, loans where borrowers are deceased, legal disputes, litigation on prime and collateral securities, Government policies which hampered generation of income to business, labour problems, etc. Further, all borderline NPA slippages or loans which have four to six months overdue interests should be recovered on top priority so that they are upgraded to standard assets on a time bound warfooting exercise.

V. Inadequate policy guidelines in Banks

Every bank must strive hard to devise it's policy guidelines to for "PREVENTION OF POTENTIAL NPA BECOMING NPA". Potential NPAs can be prevented from becoming NPAs by the following ways- In case of Potential NPA (Term Loans) 180 days, By recovering the critical due amount i.e. the amount of arrears of both interest and installment upto 1st October of the financial year before or as on 31st March of the financial year. By rescheduling the repayments where there is possibility of poor, nil recovery due to genuine causes beyond the control of the borrower.

VI. Legal Aspects and Statutory Compliance of Government Policies or norms for Lending:

The primary two aspects of banking knowledge are the legal aspect and the banking aspects. The legal aspects are governed by their respective Acts and rules, legal system and procedures and the banking aspects consist of the relevant rules, regulations, systems and procedures of banking and various regulations through Reserve Bank of India. The advent of Basel norms applicable globally in the banking sector and the introduction of prudential norms during the Indian banking reforms initiated in the year 1990 along with the dawn of the concept of non-performing assets (NPA) and the enactment of Recovery of Debts Due to Banks and Financial Institutions Act, 1993 and The Securitisation And Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 , have changed the entire perceptions of law and practice of banking with specific regard to acquiring legal knowledge and RBI directives which have become an inevitable necessity for the officers and executives of the banks and financial institutions to deal particularly with the loans and the recovery of loans. The already existing Banking Regulation Act, 1949 with its subsequent amendments empowers Reserve Bank of India to exercise control and supervision over banks and financial institutions by giving guidelines through its notifications and circulars which are mandatory for the banks and financial institutions to follow. One of the biggest flaw lies on the lack of knowledge about banking laws and practice of banking including contents of various RBI guidelines and directives among the bank employees including many of the top executives. Banks have a separate legal department managed by legal professionals and if they have the expertise and knowledge to tackle legal matters, why should the banks outsource the services of lawyers incurring heavy expenses out of public money for which they are the custodians? If only the bank executives understand the genuine problems pertaining to the many facets of business faced by the borrowers and follow the RBI guidelines and the banking laws and Acts and take a pragmatic and practical approach to solve the problems through mutual discussion, many of the incidents of NPA could have been avoided. Invoking legal measures can only be the last resort when every other recovery means failed to yield results.

Banks must designate a separate department to co-ordinate with the State Legal Services Authority at regular intervals to ensure that all NPA related recovery matters are reviewed individually by proper assessment of the financial status of the NPA borrower and his repayment capability. Spot settlement in full quits without any pre-conditions should send positive signals so that hard core NPA loans are recovered immediately.

VII. Legal Reforms:

Constraints faced by banks at DRT for speedy disposal of recovery cases and actions taken under SARFAESI Act due to existence of certain legal impediments have never been addressed. Normally, every advocate representing a borrower is placed at upper hand due to certain inherent deficiencies and constraints in the litigation procedures leading to inordinate delay and pendency before various other courts. Legal Reforms are very much required to address the age old issues in the statutes which are the causative factors to place the borrower in an advantageous position thereby defeating and demoralizing the secured creditors. Provisions which under Transfer of Property Act, SARFAESI Act, RDBBFI Act, Limitation Act, State Finance Acts, Stamp Acts, Civil Procedure Code, Criminal Procedure Code, Indian Penal Code, Indian Evidence Act, etc are to be thoroughly reviewed and proposed to the Finance Ministry to take up for suitable amendments in the statute in order to facilitate effective recovery of NPAs through legal measures.

VIII. Role of Technology in the Management of Non-Performing Assets:

Information Technology plays a huge role in the Management of NPA. However, RBI has not devised a common or robust software for its member banks in their CBS system to assess the evaluate the sensitive indicators in advance before slippage. In other words, banks are not fully equipped to devise a software detection mechanism to sense the slippages in advance due to lack of optimization of technological resources. There is no separate NPA Module in the CBS system or an effective Management information system tool. Proper Management Information System (MIS) is an important tool for effective NPA management. In a study it has been observed that lack of reliable MIS in banks is one cause for high NPAs. The Management Information System presently used in many banks does not help much in effective management of NPAs because it is simply collection of a bunch of statements for generating various reports for submission to the Banks Board. The Reserve Bank of India introduced DSB returns under Supervisory Reporting System in 1995 as a measure of prudential supervision for ensuring financial soundness and safety of the banks provide NPA related information regarding the following aspects- Sectoral break up of advances, Asset classification, Movement of loan assets, Potential NPA , Fresh addition in NPA, Reduction in NPA, Provision required, Uncharged Interest, Govt. guaranteed NPA accounts

An effective Management Information System on NPA should be designed & introduced in banks keeping in view of the following objectives for effective NPA management in the long run. Objectives of NPA-MIS Creation of a comprehensive database on NPA to assess Asset Quality, to forecast Potential NPA, monitor movement of Asset Classes in Asset Cycle, arrest degradation of Standard assets, monitor NPA reduction, Assess progress & prospect of Compromise Settlement as well as Write off, assess Provision requirements on realistic basis, assess uncharged interest, assess quantum of NPA involved in Legal process, assess Govt. guaranteed NPA accounts. Identification of Risk Concentration, Development of Risk Assessment Models as well as Risk Management techniques, Analysis of NPA dimensions relating to geographical area, industry, sectors, activities, Formulation of Sound Credit Policy as well as Loan Recovery,NPA Management Policy, Comparative study of the bank's position vis-a-vis peer group as well as banking industry with respect to NPA dimensions, causes, remedies, etc, Evaluation of NPA management quality, Sensitivity analysis of impacts of policy changes of Govt. ,RBI,Bank; changing market forces; natural calamities; etc. on NPA. The collection as well updation of information for the NPA-MIS should be cost effective & time saving. The statements, returns used for the above purposes should be comprehensive, non- repetitive & easy reporting. The periodicity should be such as to serve practical utility to the said objectives. Manual compilation of data not only consumes valuable time but also includes statistical error, which ultimately generates unreliable information for decision making.

8.1. How to Optimize Information Technology in NPA Management?

There is hardly any use of IT in NPA management by banks. Presently banks are mainly using computers for day-to-day transaction of loan accounts at branch level and compilation of manually reported statistical data. Further, the software used in the banks are not effective in meeting the present needs of the banks, rather sometimes they create problems. For example, the cash credit packages presently used in some banks are unable to detect the NPA, accounts, as a result payments are being made in the NPA accounts, thus increasing NPA pool of the banks, Banks should use proper software & networking at the branch and controlling office levels for the purpose of Forecasting of Potential NPA syndrome in each loan account, Automatic identification & categorization of NPA as on each balance sheet date, Calculation of critical amounts for arresting slippage as well as upgradation,Auto-generation of statistical returns for NPA-MIS, Estimation of Provision requirement in each NPA account, Transmission of data to management through networking, Risk analysis & appraisal of credit proposals, Sensitivity analysis of various impacts on NPA. The Software for MIS should contain such particulars parameters fields which can generate necessary information for the above purposes.

8.2. Integration of Customer ID across all banks using common parameters

After the advent of Aadhar where biometric credentials are embedded in a single database, RBI can establish a robust technology wherein all common credentials of any single borrower can be integrated in a single database and share the same to member banks where they have NPA loans outstanding. In other words, it would facilitate tracking of customers for recovery especially in case of Education, Vehicle and Personal Loans. Data available in Regional Transport offices, Passports, PAN, UIDAI, etc can be integrated in a single common ID so that recovery measures could be fruitful for the banks. Technology can play a huge constructive role to safeguard the financial institutions which are handicapped to track the defaulting borrowers.

8.3. Management of NPA data:

Many financial institutions viz Public Sector, Private Sector, Foreign, Regional Rural and Co-operative banks operate under Core Banking Solutions and loan master information is maintained in an application software. These contain all credentials of the borrower including updation of Standard BSR codes for any specific business activity, scheme or sector and are KYC compliant in general. The Loan Master Data is hardly subject to any periodical updation and the Credit Information is most static. The total balances under respective loan segments is reflected in the Balance Sheet and it is inclusive of NPA loans. But there is no provision in the Loan Master Application in the CBS to incorporate the terms and conditions of sanction. In other words, the Loan Master is held in CBS and the Sanction Letter is simply confined as Hard copy in the branch file/ loan documents. Various MIS and Business Analytics are extracted using latest software tools and the recovery of these critical loans under NPA segment are dealt accordingly. However, if the NPA loans are kept under a separate module and shown separately directly in the Balance Sheet, the Asset movement, slippages, etc can be closely monitored at every layer of operations and Management of Non Performing Assets can be attached with special focus and attention for recovery. Further, any violation or deviation in sanction terms the CBS must throw alerts to the users to ensure compliance and generate warning signals to arrest the loans from slippage into NPA. Thus, Technology can play a vital role in devising a special Application Software to create a separate NPA Module in the CBS system of banks.

IX. Role Of Reserve Bank Of India In The Management Of Npas

Reserve Bank of India has to be play a major role in exercising their supervision and monitoring of loan portfolio of the member banks within their statutory powers in the following manner:

9.1. Uniform and standardized norms can be prescribed for empanelment of Advocates who handle bank related legal work, Engineers who are engaged in Valuation of Securities offered to banks and Chartered Accountants who are engaged in the conduct of Concurrent Audit, Revenue Audit, Statutory Audit, Stock Audit, Credit Audit, etc. A common format to be introduced to cover all aspects stipulated under the RBI guidelines and review of performance of these professionals engaged by the member banks should be done in accordance with the prescribed RBI norms and the said professionals should be approved by the respective apex bodies of their profession viz Bar Council, ICAI, etc. At present, banks themselves engage these professionals who execute the tasks in age old procedures and formats resulting in deterioration of prescribed professional standards required in the management of Non-Performing Assets.

9.2 Inspection and Audit of NPA accounts should be a regular exercise and reports and action points proposed should be submitted to the respective bank managements in co-ordination of all the three empanelled professionals appointed under the auspices of the Reserve Bank of India.

9.3 Bank-wise exposure and NPA position to a particular sector should be periodically evaluated and published in its website so that further credit to the same exposure that are financially unviable can be arrested. In other words, credit expansion can be explored on any single or multiple sectors where the bank shows minimum NPA can be augmented further.

X. Conclusion

The Non-performing assets (NPAs) have emerged as a major headache for the government and the Reserve Bank of India (RBI). During the last three years both the RBI and government started addressing to this problem in a big way. Total bad loans of India's 38 listed commercial banks have already crossed Rs 8 lakh crore at the end of June quarter. This NPA chunk now accounts for nearly 11 percent of the total loans given by the banking industry. The problem of recovery is not with small borrowers but with large borrowers but adoption of a pragmatic Regulatory and Supervisory approach by RBI for solving this problem of the Management of NPA. Hence, Human Resources, Technology and Legal Aspects of Non-Performing Assets constitute a major chunk in the managerial challenges envisaged in this most critical segment of our Indian Economy.

[1]Government announced a capital infusion of Rs.2.11 lakh crores into the public sector banks to redeem its credibility since over 90 percent of these stressed assets are on the books of government-owned banks for strengthening NPA-hit public sector banks, which include re-capitalisation bonds, budgetary support, and equity dilution. These banks constitute about 70 percent of the total banking industry, in terms of assets, meaning the government will have to bear the burden of massive capital requirements of crisis-ridden industry. This unprecedented Rs 2.11 lakh crore capital infusion road map announced by the government is expected to boost capital adequacy of all public sector banks, with a differential approach. The government's equity dilution would help banks to raise about Rs 58,000 crore. The government equity, as per the current policy, is expected to come down to 52 per cent in state-owned banks. The actual bad loan scenario in the sector could be even worse if one accounts for the amount of loans that are being restructured under various schemes and are technically retained as standard on the books of banks. If the economic cycle doesn't pick up as expected, a significant chunk of such loans too may turn bad. [2]Gross non-performing assets of PSBs rose from 5.4% of their gross advances in March 2015 to 13.7% by June 2017. Consequently, provisioning against expected losses grew substantially, making capital infusion by the government so important. Between FY15 and Q1FY18, the provisioning of Rs 3,79,080 crore was made, way above the Rs 1,96,937 crore made during the preceding 10 years. Of the Rs 2.11 lakh crore recapitalisation plan approved by the government last week, Rs 1,35,000 crore will be mobilised through recapitalisation bonds and around Rs 58,000 crore through the dilution of government equity in various PSBs.

[3]The unofficial, but assuredly the latest were the data released by RBI through a right-to-information request revealed that banks' total stressed loans – including non-performing and restructured or rolled over loans stood on October 11, 2017 at Rs 9.5 lakh crores (Rs 9.5 trillion or $145.6 billion); they were as a percentage of total loans at 12.6%; they were at end-June, the highest level in 15 years; and they rose by 4.5%in the six months to end-June. Hence, in the previous six months they had risen by 5.8%.

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