

## Banking Regulation Amendment – A Step Towards Expediting the NPA Recovery Process

Government of India has notified the Banking Regulation (Amendment) Ordinance, 2017, the ordinance would strengthen RBI in dealing with bank's stressed assets. The changes are as follows:

- 1) RBI is authorised to issue directions to any bank to initiate insolvency resolution process in respect of a default under the Insolvency and Bankruptcy Code, 2016
- 2) RBI has been empowered to form committees/ authorities to advise banks on resolution of stressed assets

Indian Banking system is saddled with large chunk of stressed assets. As per estimates most PSU Banks Stressed Assets range between 15%-20% of advances with significant portion, already classified as NPA. While over the past few years stressed asset levels have continued to increase at a rapid pace, not much progress has been made towards resolution of the same. From time to time RBI has come out with various mechanisms such as Corporate Debt Restructuring, 5/25, Strategic Debt Restructuring, Joint Lender's Forum, Scheme for Sustainable Structuring of Stressed Assets (S4A) however, none of them made much headway. This is yet another step on part of government to facilitate resolution of stressed assets.

### CARE's View:

PSU Banks have been reluctant in taking decision with respect to NPA resolution due to fear of enquires at a later stage. Formation of committees by RBI to advise banks on resolution of stressed assets would expedite the decision process in PSU Banks and help in resolution of NPAs.

Of the total stressed assets top 100 exposures would account for significant chunk of NPAs. Due to the amendment to Banking Regulation Act, RBI can direct banks to focus on these top accounts and thus initiate resolution process under the Bankruptcy code, thereby fast-tracking the recovery process.

#### Contact:

**Revati Kasture**

Chief General Manager

[revati.kasture@careratings.com](mailto:revati.kasture@careratings.com)

91-22-67543407

**Anuj Jain**

Deputy General Manager

[anuj.jain@careratings.com](mailto:anuj.jain@careratings.com)

91-22-67543451

**Aditya Acharekar**

Assistant General Manager

[aditya.acharekar@careratings.com](mailto:aditya.acharekar@careratings.com)

91-22-67543528

**Mradul Mishra (Media Contact)**[mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

91-22-67543515

