

Money & Banking

NPAs to be nebulous owing forbearance dispensations, restructuring schemes: CARE

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GNPA ratio of SCBs could rise to 13.5 per cent by September 2021 from 7.5 per cent in September 2020

Non-performing assets (NPAs) of Banks this year would tend to be a bit nebulous due to the various forbearance dispensations that have been given besides the restructuring schemes that have been introduced, according to CARE Ratings.

Banks, however, have been more proactive in terms of being cognizant of the regulatory environment and the fact that there could be an increase in quantum of NPAs once normalcy returns.



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“This would affect not just corporate loans but also those pertaining to the SME (small and medium enterprise) segment and retail borrowers,” the credit rating agency said in a note.

Referring to the Reserve Bank of India’s (RBI) Gross NPA projection in its latest Financial Stability Report, CARE said even the baseline scenario, which also considers the withdrawal of the regulatory dispensation, is quite high. These stress scenarios will get reflected in a sharp increase in the slippage ratio, it added.

As per the latest (January 2021) FSR, GNPA ratio of scheduled commercial banks (SCBs) could rise to 13.5 per cent by September 2021 from 7.5 per cent in September 2020 under the baseline scenario.

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Cumulative provisions

Cumulative provisions made by Banks for the year (which includes for NPAs among others) was around Rs 1.78 lakh crore in these three quarters.

Per CARE’s assessment, the picture so far this year has been positive with a tendency for gross NPAs to move down both in terms of amount as well as ratio of outstanding credit.

“There was a contrarian movement in June after which there has been a decline. The decline in NPAs indicates negative slippage ratio -- incremental NPAs to outstanding credit at the start of quarter,” the agency said.

GNPAs of 30 Banks rose from 7.94 per cent of gross advances as at March-end 2020 to 8.20 per cent as at June-end 2020. However, GNPAs declined to 7.72 per cent as at September-end 2020 and 7.01 per cent as at December-end 2020.

Referring to RBI’s Report, the agency said it had indicated that as of September 2020, the gross NPA ratio was above 20 per cent for gems and jewellery and construction sectors and above 15 per cent for mining and engineering. For industry it was 12.4 per cent.

“Retail had a ratio of 1.7 per cent which can be an area of concern going ahead. Further, large borrowers had a gross NPA ratio of 11.3 per cent,” it added.

Distribution of GNPAs

As per CARE’s analysis of the third quarter results of 30 Banks, only HDFC Bank had GNPA of less than 1 per cent. Eleven Banks had GNPA in the 1-4 per cent range and 7 banks had GNPAs in the 5-10 per cent range.

Five Banks had GNPAs in the 10-15 per cent range and 2 Banks had GNPAs in the 15-20 per cent range. Only one Bank had GNPA above 20 per cent.

The positive development is that all of them witnessed a decline in the gross NPA ratio during this period, the agency said.

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