FM: Rate of increase of Non Performing Assets (NPAs) has slowed down in the last Quarter of the Current Financial Year; Government is taking sector specific measures to deal with the problem of NPAs; Steel Sector shows sign of improvement; Multiplication of Oversight Committee under consideration.

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The Union Minister of Finance, Defence and Corporate Affairs, Shri Arun Jaitley said that to deal with the Non Performing Assets (NPAs) of the banks is a challenging task even though the NPAs have shown declining trend in the last quarter of the current financial year.. He said that the core problem of NPAs is with very large corporates, though few in numbers, predominantly in the steel, power, infrastructure and textile sectors. He said that they had expanded their capacity during the boom period (2003-08) but could not face the onslaught of global financial crisis and consequent slow down thereafter. He said that the Government is taking sectoral specific measures to deal with the problem of NPAs specifically in the resolution of large debts. The Finance Minister added that the Steel Sector is on its path of recovery while many decisions have been taken in the Infrastructure, power and textile Sectors to resolve their problems. The Finance Minister Shri Jaitley was making his Opening Remarks here today at the First Meeting of the Consultative Committee attached to the Ministry of Finance. The subject of today's meeting was "Non Performing Assets (NPAs)".

The Finance Minister further said that RBI has also made an Oversight Committee to look into process of the cases referred to it by the different banks. Seeing the response and its performance, the Finance Minister Shri Jaitley said that the Government is considering multiplication of such committees. On the issue of setting-up a 'bad bank', the Union Minister of Finance said that several possible alternatives exist and the issue is being debated on public platforms.The Union Minister of Finance further said that the Insolvency and Bankruptcy Board of India (IBBI) has already been set -up under the Insolvency and Bankruptcy Code, 2016.

Earlier, a presentation was made at the beginning of the Meeting on the the subject of NPAs. In the said presentation, details of various measures undertaken by the Government and Reserve Bank of India (RBI) to deal with the problem of NPAs were highlighted. In the Steel Sector, Minimum Import Price (MIP) has been introduced on import of specific steel products in December 2016 and 10 coal mines have been auctioned to the steel sector. Amended Technology Up-gradation Fund Scheme has been approved by the Government in the Textile Sector. In the Power Sector, measures taken include introduction of Ujjwal DISCOM Assurance Yojana (UDAY), auction of natural gas for stranded gas power projects, and allocation of more than 100 coal mines to private and government companies through reverse e-auction. In the road sector, National Highways Authority of India (NHAI) has approved premium recast of 14-15 distressed road projects, new structures such as Hybrid Annuity Model and Toll-Operate-Transfer Model have been introduced and steps taken to fast track environmental clearance process.

The Reserve Bank of India has also taken measures such as Joint Lenders' Forum (JLF) to be compulsorily formed when aggregate exposure is more than Rs 100 crore, Flexible Structuring (5/25) Scheme for infrastructure and core industries sector based on economic life of the project with periodic refinancing, Strategic Debt Restructuring (SDR) Scheme and Scheme for Sustainable Structuring of Stressed Assets (S4A) among others.

During the presentation, the members were informed about the various legal mechanisms made available for recovery including the Recovery of Debts due to Banks and Financial Institutions (RDDB&FI) Act, Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and the Insolvency and Bankruptcy Code 2016 among others.

Later, the Members of Consultative Committee who participated in today's Meeting gave various suggestions in order to deal with the large scale NPAs of Public Sector Banks (PSBs) in particular, which are adversely affecting the overall performance of the banks. One member suggested that the concerned State Governments may be allowed to take part in the auction of stressed assets. It was also suggested by various members that since Asset Reconstruction Companies (ARCs) are in private sector and their performance is not up to the mark in many cases, therefore, close monitoring of the operations of ARCs be done through stringent regulations especially in the wake of decision to allow 100% FDI in the ARCs through automatic route.

Another member suggested that to improve the confidence of bank officials, the Gross NPA norm may be fixed in the range of 9-10% as well as not counting the asset as NPA if it has been restructured. Some members suggested that the Government must go ahead to establish Public Sector Asset Rehabilitation Agency (PARA) and it should only consider those NPAs where sector specific reforms do not work. It was also suggested to explore long term debt market for financing NPAs. One of the members said that the Chief Vigilance Officer of the Public Sector Bank be made a part of the Credit Committee of the bank and that first the Board of the bank should take a call about the decisions being taken by their officials rather than investigating agencies directly acting on the basis of their own information.. It was also suggested that apart from recovery proceedings, criminal action must be taken against the big wilful defaulters and their photographs may also be published. A member also suggested that under the SARFAESI Act, the focus should be on catching big wilful defaulters.

Other suggestions given by the members included that a Special Bank may be created where NPAs of all the Public Sector Banks be transferred. It was also suggested that when the minimum import price on import of specific steel products have been introduced, then the similar exercise should also be undertaken for the raw material being used to produce the finished products so that smaller units are also benefitted. Young entrepreneurs who have taken soft loans from the banks but suffered due to slow down may be supported by the banks in order to revive their businesses.

It was also suggested by some members that there is need to restore the confidence of the officers of the banks which have been off later adversely affected due to increasing NPAs. Measures be taken to comfort these officials and to enable them to take commercially viable and rational decisions. They suggested creating a Special Performance Vehicle (SPV) Committee outside the banking system to guide commercial decisions.

Along with the Union Finance Minister, Shri Arun Jaitley, Shri Santosh Kumar Gangwar, Minister of State for Finance, Shri Arun Ram Meghwal, Minister of State for Finance and Corporate Affairs, the Members of the Consultative Committee who participated in the today's Meeting include Shri Dilip Kumar Mansukhlal Gandhi, Shri Baijayanta Jai Panda, Shri Kailkesh Narayan Singh Deo, Shri PrabhatsinhPratapsinh Chauhan, Shri Ram Charitra Nishad, Shri Sharad Kumar Maruti Bansode, Shri Subhash Chandra Baheria, Shri Suresh Chanabassappa Angadi and Dr. Udit Raj (all members of Lok Sabha); Shri Anil Desai, Shri N. Gokularishnan, Shri Rajeev Chandrasekhar, Shri Rajkumar Doot and Shri Sukendu Sekhar Roy (all members of Rajya Sabha) .

Among the officers, Shri Ashok Lavasa, Finance Secretary, Shri Shaktikanta Das, Secretary, DEA, Dr. Hasmukh Adhia, Revenue Secretary, Smt Anjuly Chib Duggal, Secretary Financial Services, Shri Neeraj Kumar Gupta, Secretary, DIPAM, Dr. Arvind Subramanian, Chief Economic Adviser (CEA) and other senior officers of the Ministry of Finance also attended the meeting.

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