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Stressed Assets Effect on Post Merger Scheduled Commercial Banks in India

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ABSTRACT

The global banking reform agenda made further progress in 2017-'18, the Reserve Bank of India ushered in a revised framework with the insolvency and bankruptcy code as the focal point in pursuit of declogging of bank's balance sheets from overhang of stressed assets. Going forward, issues such as recapitalization, improvement in banks' corporate governance, implementation of Ind-AS and containment of cybersecurity risks may assume prominence. Indian banks will continue to face deterioration in their non-performing assets (NPAs) or bad loans due to the current economic conditions in the current fiscal year (2019-20). The gross non-performing assets (GNPAs) plus restructured standard advances in the banking system remained elevated at 12.1 percent of gross advances at end-March 2018. "Going forward, the stress tests carried out by the Reserve Bank suggest that under the baseline assumption of the current economic situation prevailing, the GNPA ratio of scheduled commercial banks (SCBs) may increase further in 2018-19." The aggregate gross NPAs of SCBs increased primarily as a result of this transparent recognition of stressed assets as NPAs, from Rs 3,23,464 Crore, as on March 31, 2015, to Rs 10,35,528 crore, as on March 31, 2018.

KEYWORDS: *NPA, Insolvency and bankruptcy code, recapitalization, Corporate Governance, Ind-AS and cybersecurity risks*

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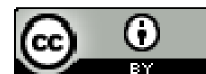


1. INTRODUCTION

In order to curb NPAs, RBI also put in place revised and harmonized guidelines for resolution of stressed assets during the year, replacing earlier schemes. A Parliamentary committee recently questioned RBI for failing to take preemptive action in checking bad loans in the banking system prior to the Asset Quality Review undertaken in December 2015. According to sources familiar with the report of the Standing Committee on Finance, RBI needs to find out as to why the early signals of stressed accounts were not captured before the AQR. The issue of rising NPAs is a legacy issue NPAs in public sector banks (PSBs) increased by about Rs 6.2 Lakh Crore between March 2015 and March 2018 which led to substantial provisioning of Rs 5.1 Lakh Crore. Empowered by the statutory power to issue directions to banks on resolution of stressed assets, the Reserve Bank consolidated in 2017-18 the stressed assets resolution framework, with the Insolvency and Bankruptcy Code as the lynchpin. Concomitantly, liquidity risk management practices of commercial banks were aligned with international standards. The move to allow voluntary transition of co-operative banks into small finance banks is likely to open newer growth horizons for them. In progressive alignment with the oversight framework for banks, the Reserve Bank strengthened regulatory requirements for government-owned non-banking financial companies.

Declogging the large overhang of stressed assets in the banking system has ascended the hierarchy of priorities in the conduct of policies to safeguard financial stability in India. In this context, the Reserve Bank has adopted a multipronged strategy consisting of recognition, provisioning and resolution of non-performing assets (NPAs). The rapid recovery of economic activity from the transient disruptions associated with demonetization and the implementation of the goods and services tax (GST) in an environment of macroeconomic stability provided tailwinds for an intensification of those efforts during 2017-18. Given this overarching priority, the Reserve Bank also reviewed and refined its regulatory and supervisory policies during the year in order to catalyze the banking system into scaling up the reach and quality of the financial intermediation needs of a digitizing economy. Financial inclusion and ongoing improvement in customer services remained concomitant goals. This presents an overview of the policy environment for the banking system that evolved during 2017-18 and 2018-19 so far in pursuit of these goals, with a focus on regulatory and supervisory policies.

2. Review of Literature

Adhikari, R. and Oh Soo Nam (1999) examined the banking sector reforms after the Asian financial crisis. The authors observed that in countries where not only the financial sector, but also the whole process of economic reform is not complete, the banking sector accumulated a huge financial burden. The NPA ratio in Indonesia was estimated around 80%, 60% in Thailand etc. The authors stressed the need for

financial sector reforms focused on resolving unviable banks (closure, merger, nationalization), recapitalizing viable banks (capital injection), resolving NPAs (restructuring, rescheduling, sale and swap), revamping the regulatory framework (regulation, supervision, reorganization), strengthen the bank management and credit culture (governance, foreign participation, no political interference) and strengthen the borrower repayment culture (exit laws, repayment of directed credits, reform of corporate sector).

Hoshino, Y. (2002) examined the trend in the movement of NPA of Japanese Banks during the period The authors examined the problems of NPA within Japanese banks from the viewpoint of both economic and accounting aspects. The author observed the existence of some constitutional problems in the banking system such as the convoy system.

Shih, V. (2004) examined the political constraints and financial policies in China dealing with NPAs. The study is conducted in the wake of political distress on account of the stagnation of economic reforms and higher levels of NPAs in the banking sector. The author evaluated the opinion that the politicians make policies based on both political and economic considerations. The framework is tested on three cases related to China s NPAs problem: the politicization of the NPAs problem, policies designed to slow the creation of NPAs and policies aimed at decreasing the pool of NPAs. The findings strongly supported the role of political considerations in shaping financial policies in China. Review of Literature the Swedish legal system allowed banks to secure their own defaulted loans in a fast and efficient way; the Italian is more unwieldy and doesn't give the banks any incentive to work out their NPA. The results also showed the necessity to adopt mechanisms that best adapt to the environment in which the bank exists.

Zuniga, J.D. and Espenilla, N.A. (2004) examined the trends and development in insolvency and risk management in the Philippines. Using statistics for the period, the study explained the risk management practices of the Philippines and the measures taken by regulatory authorities to curb NPA. They concluded the study stating that asset quality improvement using measures such as intensified collection efforts, restructuring, foreclosures and the sale of NPA reflected in the easing of NPA and NPA ratios.

Kakker, R. (2005) studied "Role of Asset Reconstruction Company in NPA Management". The author stressed the need for management of the NPA by stating that a high level of NPAs severely affects the economy in many ways. The study was concluded by stating that ARC's with statutory/ regulatory powers are likely to emerge as nodal resolution agencies coexisting with CDR mechanisms for management of NPA.

In a study of the determinants of the NPA in Indian PSBs, Biswas and Deb (2005) examined the random and non-random reasons for NPA in PSBs during 1995-2004. The authors underlined the shortfalls of existing system and the existence of a high degree of arbitrariness in defining NPA. A notable contribution of this research study is its conceptualization of random reasons for default in a simplified framework of a Poisson process. The study pointed out that while one set of policies granting greater autonomy to the PSB are proved quite effective in restricting formation fresh NPA, the other set of policies designed to recover loans, after default, has failed to deliver the goods. Finally, the authors concluded that the incidence of the NPA is as much due to the malfunctioning of the banking institutions as due to the external institutional environment.

Basu, P. (2005) in an exploratory study examined India's banking system with specific focus on a question "How distress is India's Banking System? Based on the review of major performance indicators during 2000-01 to 2003-04, the author observed that the banking system distress in India is considerable, both in absolute terms and when compared with the distress faced by many of the East African countries on the eve of their crisis. The study reiterated the significant linkage between asset quality and level of NPAs to financial vulnerability in the banking sector. The study recommended various banking reforms, integration of best practices from abroad and the development of capital market to counteract the threat of financial distress.

Rajeev and Mahesh (2010) in their exploratory paper examine the trends of NPAs in India from various dimensions. The study of trend in this paper has been examined on both GNPA, NNPA and sector wise distribution of NPA both on absolute figure of NPA as well as on ratio data with a time horizon of 2002-2009. The study observes that decline in NNPA is sharper than GNPA because of the increasing level of provisions. The study also observes that mere recognition of the problem and self-monitoring has been able to reduce it to a great extent. It also shows that PSBs in India, which function to some extent with welfare motives, have performed rather well in reducing NPAs as their counterparts in the private sector

In a theoretical and descriptive research article, Chaudhauri, T. (2005) explained the resolution strategies for maximizing value of NPA in India. Based on literature review, the study concluded that if a resolution strategy for recovery of dues from NPAs is not put in place quickly and efficiently, the impaired assets would deteriorate in value over time and little value would be realized at the end. The study recommended a State - Resolution – Mapping (SRM) framework to maximize recovery of NPA accounts. The literature, however, has not specifically discussed about the various resolution strategies that could be put in place for recovery from NPAs, and in particular, in which situation which strategy should be adopted.

3. Objectives

A. To study the Stressed assets situation in scheduled commercial banks of India.
B. To analyse the impact of Insolvency and Bankruptcy Code on recovery of Stressed assets.
C. To evaluate the stressed assets position after mergers of scheduled commercial banks of India.

4. Research Methodology

In this study analysis of Stressed assets position of merged Scheduled commercial banks are considered. The sources of secondary data were collected from trends and progress reports of RBI. The information for this study is gathered for the time of 2015-19 which is the period considered as Pre-merger and post merger of banks. In this study various national and international journals, periodic publications, working papers, books, articles, thesis, and dissertation work

on post merger performance of non performance assets of banks. For the purpose data analyze applied group or descriptive statistics and F-Test to known the significant relationship between two variables impact of Insolvency and Bankruptcy Code on recovery of Stressed assets and also to prove the hypotheses of the study to measure the reliability of data.

4.1. Analysis and Interpretation

Insolvency and Bankruptcy Code - Impact so far

Introduced in May 2016, the IBC is a game changer in the resolution of NPAs in India because it provides a framework for time-bound insolvency resolution (180 days extendable by another 90 days) with the objective of promoting entrepreneurship and availability of credit while balancing the interests of all stakeholders. The IBC represents a paradigm shift in which creditors take control of the assets of the defaulting debtors, in contrast to the earlier system in which assets remained in possession of debtors till resolution or liquidation.

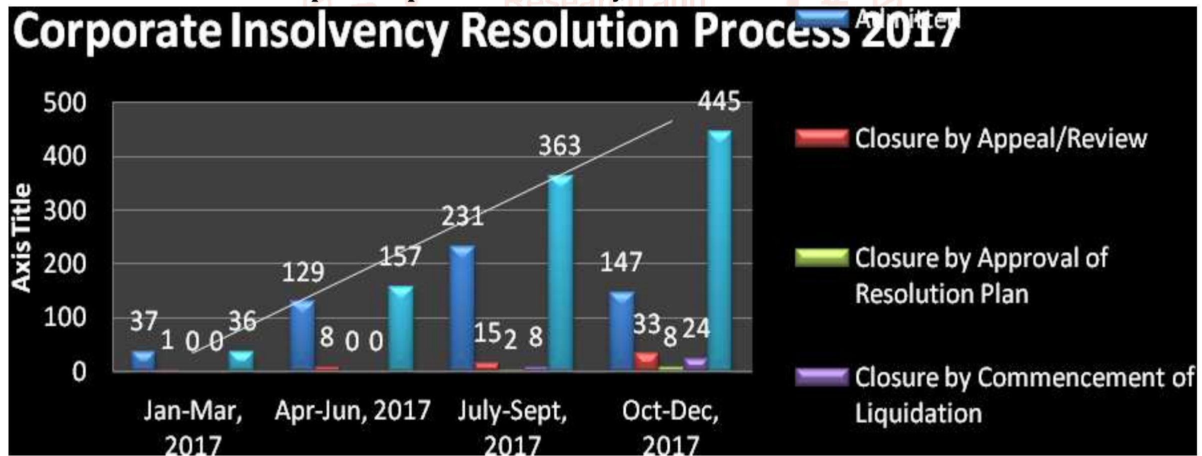
The experience so far has been encouraging with IBC providing resolutions to some large corporate debtors. Raw data suggests that the number of cases ending with liquidation is about four times higher than those ending with a resolution plan (Table 1). A granular analysis however reveals that more than three-fourth of the cases closed by liquidation (163 out of 212) was earlier under the Board for Industrial and Financial Reconstruction (BIFR) or defunct or both and thus, the intrinsic value of most of these assets had already eroded before they were referred to the IBC. Liquidation could be an efficient mode of resolution for debtors in default for long time.

Table1 Corporate Insolvency Resolution Process (CIRP)

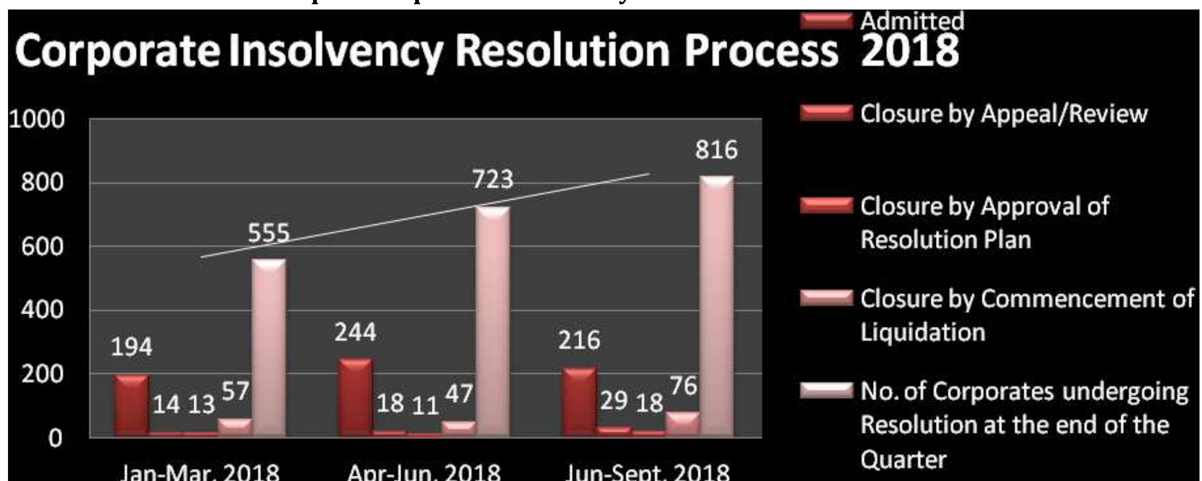
	No. of CIRPs at the beginning of the Quarter	Admitted	Closure by			No. of Corporates undergoing Resolution at the end of the Quarter
			Appeal/ Review	Approval of Resolution Plan	Commencement of Liquidation	
Jan-Mar 2017	0	37	1	0	0	36
Apr-Jun 2017	36	129	8	0	0	157
July-Sept 2017	157	231	15	2	8	363
Oct-Dec 2017	363	147	33	8	24	445
Jan-Mar 2018	445	194	14	13	57	555
Apr-Jun 2018	555	244	18	11	47	723
Jun-Sept 2018	723	216	29	18	76	816
Total --		1,198	118	52	212	816

Source: Insolvency and Bankruptcy Board of India (IBBI) Newsletter.

Graph1 Corporate Insolvency Resolution Process 2017



Graph 2 Corporate Insolvency Resolution Process 2018



Wherein the scope for revival of the enterprise is low and liquidation value exceeded resolution value. As such, the number of liquidation orders should be seen as a natural step towards efficient reallocation of resources rather than an adverse consequence of IBC itself. Operational creditors have filed the maximum number of CIRPs, followed by financial creditors. In May 2017, the Banking Regulation Act, 1949 was amended to empower the Reserve Bank to direct any bank to initiate insolvency resolution under the IBC framework in respect of a default, resulting in an increase in the number of cases initiated by financial creditors. On an average, financial creditors have received 1.9 times the liquidation value. The realization value as a proportion to admitted claims varies significantly across firms and sectors. The average recovery through mechanisms that existed before IBC *viz.,* the Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI) Act, Debt Recovery Tribunals (DRTs) and Lok Adalats has been declining over the years. The average recovery through IBC is greater than these mechanisms and is also improving gradually, pointing to the need and efficiency of such a channel. Reflecting this, India's insolvency resolution score and recovery rate improved substantially in the World Bank's Ease of Doing Business Index, after the introduction of IBC, 2016. Going forward, as the IBC process matures, the proportion of cases filed by corporate debtors is expected to rise. Various amendments in the IBC have been introduced in the recent period such as giving home buyers the status of financial creditors and exempting the resolution applicants of micro, small and medium enterprises (MSMEs) from Section 29A (c) and (h) of the IBC to allow the existing promoters of MSMEs to participate in resolution process. These amendments should strengthen the resolution process and release resources for investment.

As on September 30, 2018, around 30 percent of the ongoing resolution processes has exceeded the prescribed time limit of 270 days. Strengthening the infrastructure of insolvency resolution, including the proposed increase in the number of benches of National Company Law Tribunal (NCLT), should help reduce the overall time currently being taken for resolution under the IBC.

System-wide gross non-performing assets of banks rose to 11.2 percent or at Rs 10.39 trillion in FY18 from 9.3 percent a year ago, and the share of public sector banks stood at Rs 8.95 trillion, or at 14.6 percent, according to the Reserve Bank data released Friday. In FY17, system-wide gross NPAs stood at 9.3 percent and that of state-run lenders stood at 11.7 percent. "During FY18, the GNPA ratio reached 14.6 percent for state-run banks due to restructured advances slipping into NPAs and better NPA recognition," RBI said in its report on 'Trends & Progress of Banking in 2017-18'. In terms of the net NPA ratio, state-run banks saw significant deterioration at 8 percent in FY18 from 6.9 percent year ago. Private sector peers banks' GNPA ratio stood at a much lower level of 4.7 percent as against 4.1 percent in FY17. "Resolute efforts on the part of private sector banks to clean up their balance sheets through higher write-offs and better recoveries also contributed to their lower GNPA ratios," the report said. Asset quality of foreign banks improved marginally to 3.8 percent in FY18 from 4 percent in FY17.

In FY18, the share of doubtful advances in total gross NPAs increased sizeably to Rs 5.11 trillion or 6.7 percent of the system, driven up by state-run banks whose ratio stood at 9 percent. In fiscal 2018, share of sub-standard and loss assets in GNPAs of private banks declined to 1.1 percent and 0.2 percent, respectively due to aggressive write-offs. During the year under review, the fresh slippages rose for state-run lenders on account of restructured advances slipping into NPAs and a decline in standard advances. In the previous fiscal, the GNPA ratio of public sector banks arising from larger borrower accounts (exposure of Rs 5 crore and above) increased to 23.1 percent from 18.1 percent in the FY17.

Recovery of Stressed Assets

Recovery of stressed assets improved during 2017-18 through the IBC, 2016 and Securitization and Reconstruction of Financial Assets and Enforcement of Security Interests (SARFAESI) Act, 2002 (please see Box III.1 in Chapter III). Apart from vigorous efforts by banks for speedier recovery, amending the SARFAESI Act to bring in a provision of three months' imprisonment in case the borrower does not provide asset details and for the lender to get possession of mortgaged property within 30 days, may have contributed to better recovery. Recovery through Lok Adalats and Debt Recovery Tribunals (DRTs) declined alongside the number of cases referred partly indicative of growing clout of the IBC mechanism for resolution of stressed assets

Table2 NPAs of Scheduled Commercial Banks Recovered through Various Channels

NPAs of Scheduled Commercial Banks Recovered through Various Channels						
			(Amount in ` Billion)			
2014-15	1	No. of cases referred	2958313	22004	175355	3155672
	2	Amount involved	310	604	1568	2482
	3	Amount recovered*	10	42	256	308
	4	3 as per cent of 2	3	7	16	12
2015-16	1	No. of cases referred	4456634	24537	173582	4654753
	2	Amount involved	720	693	801	2214
	3	Amount recovered*	32	64	132	228
	4	3 as per cent of 2	4	9	17	10
2016-17	1	No. of cases referred	2152895	28902	80076	2261873
	2	Amount involved	1058	671	1131	2860
	3	Amount recovered*	38	164	78	280
	4	3 as per cent of 2	4	24	7	10

2017-18	1	No. of cases referred	35,55,678	32,418	199,352	3,787,485
	2	Amount involved	361	1,008	1,414	2,783
	3	Amount recovered*	23	103	259	385
	4	3 as per cent of 2	6.3	10.2	18.3	13.8
2018-19 (p)	1	No. of cases referred	33,17,897	29,551	91,330	3,439,477
	2	Amount involved	457	1,333	1,067	2,956
	3	Amount recovered*	18*	72*	265*	404
	4	3 as per cent of 2	4.0	5.4	24.8	13.7

Notes: 1. P: Provisional.

The government on announced the four major bank mergers, by consolidating Punjab National Bank, Oriental Bank of Commerce and United Bank to create India's second largest lender; merging Canara Bank NSE 2.46 % with Syndicate Bank NSE 0.89 % to create the fourth largest PSU lender, bringing together Union Bank of India, Andhra Bank NSE 0.55 % and Corporation Bank and Allahabad Bank NSE 0.88 % with Indian BankNSE 0.97 %.

After the merger, the number of India's public sector banks drops to 12 from 27 earlier. The first merger with PNB will create a banking mega moth with total business of Rs 17.9 lakh crore. The merged entity will have 11,437 branches. PNB will be the anchor bank in this merger.

In the second merger, Canara Bank will be the anchor lender and the consolidation will create the fourth largest public sector lender with total business size of Rs 15.2 lakh crore and 9,609 branches. It will be 1.5 times biggest that the current size of Canara Bank. Union Bank of India will be anchor lender in the third merger to create the fifth largest public sector bank with a total business size of Rs 14.59 lakh crore. The merged entity will be double the current size of Union Bank. The merger between Allahabad Bank and Indian Bank will result in the seventh largest banking behemoth with total business size of Rs 8.08 lakh. Earlier, in two rounds of bank mergers India's largest lender State Bank of India (SBI) had merged five associate banks and Bharatiya Mahila Bank with itself while Dena Bank, Vijaya Bank were merged with Bank of Baroda earlier this year.

Profitability of Merged Public Sector Banks Will Remain Weak, Says ICRA

The proposed merger of 10 public sector banks into four large state-run entities will lead to better-capitalized banks with greater solvency and asset quality, according to ICRA Ltd., but their profitability will remain weak in the medium term.

All four merged public sector banks will be able to keep their net non-performing assets below 6 percent while achieving the minimum regulatory capital requirements, the ratings agency said in its report on the performance and outlook for the banking sector. The merged Punjab National Bank entity will be the second-largest state-run bank with a 7.1 percent market share and will be comparable to State Bank of India's current and saving accounts ratio, the ratings agency said, adding that it will benefit from lower cost of funds. The merged Union Bank of India entity will have the largest quantum of gross non-performing assets on its book, followed by the merged Punjab National Bank entity. ICRA said that due to the lack of capital infusion into Syndicate Bank, the merged Canara Bank entity will have the weakest capital base.

Table3 Key Financials for The Four Merged PSBs

In Percent

Parameter	PNB-M	Union-M	Canara-M	Indian-M
Operating Profits	1.33-1.34	1.71-1.72	1.32-1.34	1.53-1.55
Credit Provisions	1.5-1.6	2.0-2.2	1.6-1.7	1.0-1.3
GNPA	13.3-13.6	13.6-13.8	9.6-9.8	10.9-11.0
NNPA	4.1-4.3	3.2-3.4	4.0-4.1	2.8-3.0
CET 1	8.9-9.2	9.1-9.5	8.3-8.7	10.6-11.0
Tier-1	9.7-10	10.3-10.7	9.5-9.8	10.7-11.2

Estimates based on 10 PSB financials
Source: ICRA Research

External Benchmark-Linked Loans

After the introduction of external benchmark-linked loans from Oct. 1 onwards, there could be significant volatility for borrowers in terms of their equated monthly installments, ICRA said. While it is good to link lending rates to an external benchmark from a transparency and transmission perspective, the likelihood of further cuts is lower when the repo rate is at its lowest in the last decade at 5.40 percent, said Anil Gupta, vice president and sector head of financial sector ratings at ICRA. Since the introduction of the marginal cost of funds-based lending rate in April 2016, banks have cut their one-year MCLR by 92 basis points against a 110 basis-point cut in the repo rate. However, when the repo rate was hiked between April 2018 and January 2019, ICRA estimates that the one-year MCLR was increased by 33 basis points. Despite a 110 basis-point cut in the repo rate since February 2019, banks have passed on a 20 basis-point cut in their one-year MCLR, ICRA said. "In our view the repo rate has been more volatile compared to the MCLR, which could pose hardship for borrowers as and when rates go up," Gupta said. "We will need to see the pricing offered by the banks and the pace at which they will change lending rates compared to changes to the repo, before quantifying the impact on the banks' margins. Whether it will be a direct link to the external benchmark or indirectly linked."

According to Karthik Srinivasan, senior vice-president and group head of finance sector ratings at ICRA, it is too early to quantify the impact of external benchmark-linked loans on the net interest margins of banks, although the banks would alter their spread so that their current yields are not impacted.

Asset Quality and Slippages

Gross NPAs for all banks stood at Rs 9.3 lakh crore as of June 2019, with PSU banks exposed to Rs 7.9 lakh crore of all bad loans in the system. The total GNPA in the banking system stood at Rs 9.2 lakh crore or 9.5 percent as of FY19. PSU banks will have to provide Rs 1.5-1.6 lakh crore against their bad loans, while private banks will need to park Rs 60,000-70,000 crore against the same in FY20. The rating agency expects fresh gross slippages to be between 3.2 percent and 3.6 percent of standard advances or between Rs 2.8 lakh crore and Rs 3.2 lakh crore in FY20. Fresh slippages for all banks grew by Rs 86,000 crore in the first quarter of FY20, compared to Rs 3.18 lakh crore in FY19 and Rs 5.36 lakh crore at the end of FY18. Most of the stress is likely to emerge from defaults or non-repayment of dues from entities in the real estate, automobile and MSME sectors. The stress could emanate from the retail segment as well, the stock of GNPAs are unlikely to decline even though banks have been growing their advances. ICRA expects credit growth to bring down the banking sectors' GNPAs to 8.6-8.7 percent by the end of March 2020. Capitalization And PSU Bank Mergers The government has budgeted Rs 70,000 crore for capitalizing the public sector banks in FY20, of which Rs 59,800 crore has been infused into IDBI Bank Ltd. as of August 2019. This leaves around Rs 10,200 crore available with the government for further infusion, if required.

Table4 Bank-Wise Capital Infused By Government

In Rs Crore

Bank	FY2018	FY2019	FY2020	Total
IDBI Bank	12,471	21,624	9,300	43,395
Punjab National Bank	5,473	14,155	16,000	35,628
Bank of India	9,232	14,724		23,956
Union Bank	4,524	4,112	11,700	20,336
Bank of Baroda	5,375	5,042	7,000	17,417
Central Bank of India	5,158	6,588	3,300	15,046
UCO Bank	6,507	6,406	2,100	15,013
Indian Overseas Bank	4,694	5,963	3,800	14,457
Corporation Bank	2,187	11,641		13,828
Allahabad Bank	1,500	11,740		13,240
Canara Bank	4,865		6,500	11,365
Oriental Bank	3,571	6,686		10,257
United Bank	2,634	4,998	1,600	9,232
State Bank of India	8,800			8,800
Bank of Maharashtra	3,173	4,703		7,876
Andhra Bank	1,890	5,275		7,165
Syndicate Bank	2,839	3,963		6,802
Dena Bank	3,045			3,045
Indian Bank			2,500	2,500
Punjab & Sind Bank	785		750	1,535
Vijaya Bank	1,277			1,277
Total	90,000	127,620	64,550	282,170

Source: ICRA Research

With the proposed PSU bank mergers, all public sector banks will have to maintain a minimum Tier-1 capital ratio at 9.5 percent and CET-1 ratio at 8 percent by the end of March 2020. ICRA expects that the entire state-run banking system to require between Rs 16,555 crore and Rs 30,340 crore worth of additional capital. This could be raised either through further bank recapitalization, raising funds through markets by issuing Tier-I bonds or divestment of non-core assets. For private banks, ICRA expects that they will need to raise between Rs 32,006 crore and Rs 51,709 crore of additional capital between FY20 and FY22.

5. Findings

An improvement in FY18 during the first half, NPAs in large borrower accounts of state-run banks and private sector banks declined to 21.6 percent and 7 percent, respectively. The gems & jewellery sector saw a significant increase in GNPAs during FY18 with unearthing of frauds at PNB, which bore the brunt of Rs 14,000 crore scam by Nirva Modi and his uncle Mehul Choksi. Frauds have emerged as the most serious concern in the management of operational risks, with 90 percent of them located in the credit portfolio of banks. A large value frauds involving Rs 50 crore and above constituted about 80 percent of all the frauds during 2017-18. Nearly 93 percent of the frauds worth Rs 10 lakh or more occurred in state-run lenders while private banks accounted for just 6 percent. A continuous monitor on asset quality as well as resolution of stressed assets with a focus on implementation of the new resolution framework, implementation of Ind-As, corporate governance in banks and a revised framework for securitization is required. The central bank also intends to issue revised prudential regulations including guidelines on exposure/investment norms, risk management framework and select elements of Basel III capital framework, it said

Bad Loan Divergence Disclosures Continue Four years after the Reserve Bank of India conducted an asset quality review to flush out bad loans not appropriately classified as nonperforming assets, the problem of under-reporting has not completely gone away.

At least eight banks have reported divergence in their assessment of gross NPAs versus that of the regulator. These lenders have also reported provision levels below the regulatory requirement. According to disclosures made to stock exchanges, these eight banks have reported a cumulative divergence of Rs 9,363 crore in bad loan reporting Giving approximate estimates for PSU bank recapitalization, the Finance Minister said PNB will be given Rs 10,000 crore, Union Bank of India Rs 11,700 crore, BoB Rs 7,000 crore, Canara Bank Rs 6,500 crore, Indian Bank Rs 2,500 crore, IOB Rs 3,800 crore, Central Bank Rs 3,300 crore, Uco Bank Rs 2,100 crore, United Bank of India Rs 1,600 crore and PSB Rs 760 crore

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