PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

Business Standard, New Delhi
Friday, 14th December 2018; Page: 1
Width: 22.69 cms; Height: 26.92 cms; a3; ID: 14.2018-12-14.10

Govt banks seek easing of loan recast norms

In their meeting with new RBI governor, PSB chiefs urge him to review provisions of Feb 12 circular

ABHIJIT LELE
Mumbai, 13 December

Reserve Bank of India (RBI) Governor Shaktikanta Das moved swiftly into his new job on Thursday by holding discussions with chiefs of Mumbai-based public sector banks (PSBs), who wanted rules for recognising bad loans to be eased.

They discussed liquidity in the system, credit growth, financial support to micro, small and medium enterprises (MSMEs), and the state of finance companies.

"In keeping with a well-articulated consultative approach, the governor had free-flowing discussions on important issues like liquidity, credit offtake, and conditions of MSMEs and finance companies," said a senior banker aware of the deliberations.

During the discussion, bank chiefs sought a relook at provisions of the RBI's February 12, 2018, circular on a revised framework for resolving stressed assets. A key bone of contention is the rule recognising loan default from day one and initiating steps for resolution.

The Indian Banks' Association has highlighted the pain points in the circular, bankers said.

The chairman of State Bank of India and managing director, and chief executives of six public sectors banks including Bank of Baroda, Central Bank of India and Union Bank of India attended the meeting. The governor will hold discussions with the chiefs of PSBs outside Mumbai in the next few days. This will be followed by interactions with the heads of private sector banks.

Bankers gave an assessment of the liquidity situation in the busy and festive season and fund requirements, and the impact of the RBI's liquidity management operations, bankers said.

Turn to Page 6 ▸

PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

Business Standard, New Delhi
Friday, 14th December 2018; Page: 1
Width: 5.37 cms; Height: 28.84 cms; a3; ID: 14.2018-12-14.10

Govt banks seek easing of loan recast norms

In the post-monetary policy media interaction last week, RBI Deputy Governor Viral Acharya said since the Monetary Policy Committee (MPC) meeting in October, the weighted average call rate (WACR) continued to remain soft and, on average, below the policy rate. This has been possible due to deploying a variety of liquidity tools. The WACR traded below the repo rate, on average, by 5 basis points in October, 9 basis points in November, and 16 basis points in December.

There was a large currency expansion in October and especially during the festive season in November.

The RBI has injected durable liquidity through open market operations (OMOs) of ₹1.36 trillion in the current financial year. The pace of OMOs has increased with the injection of slightly over ₹1 trillion in the last three months.

The RBI has provided a liberal infusion of liquidity through term repos in addition to the usual provision via the liquidity adjustment facility.

Based on an assessment of durable liquidity needs, the RBI has announced an OMO purchase programme of ₹400 billion for December. It says an increased frequency and amount of OMOs may be required until the end of March 2019. Referring to credit expansion, the RBI has said there has been significant acceleration in investment and high-frequency indicators suggest it is likely to be sustained.

Credit offtake from the banking sector has continued to strengthen even as global financial conditions have tightened. On a year-on-year basis, non-food bank credit grew at 15.3 per cent as of November 23,

PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

Business Standard, New Delhi
Friday, 14th December 2018; Page: 1
Width: 5.47 cms; Height: 7.23 cms; a4; ID: 14.2018-12-14.10

2018. This is faster than the growth of nominal gross domestic product (GDP). Moreover, the flow of bank credit has become increasingly broad-based with even credit to industry emerging out of contraction since November 2017.

Inclusive of banks' investments in commercial papers, shares, bonds and debentures, adjusted non-food bank credit increased by 15.6 per cent, according to the RBI data.