

More banks report tightening of credit standards, shows survey

'Insolvency and Bankruptcy Code has placed recovery process on fast track'

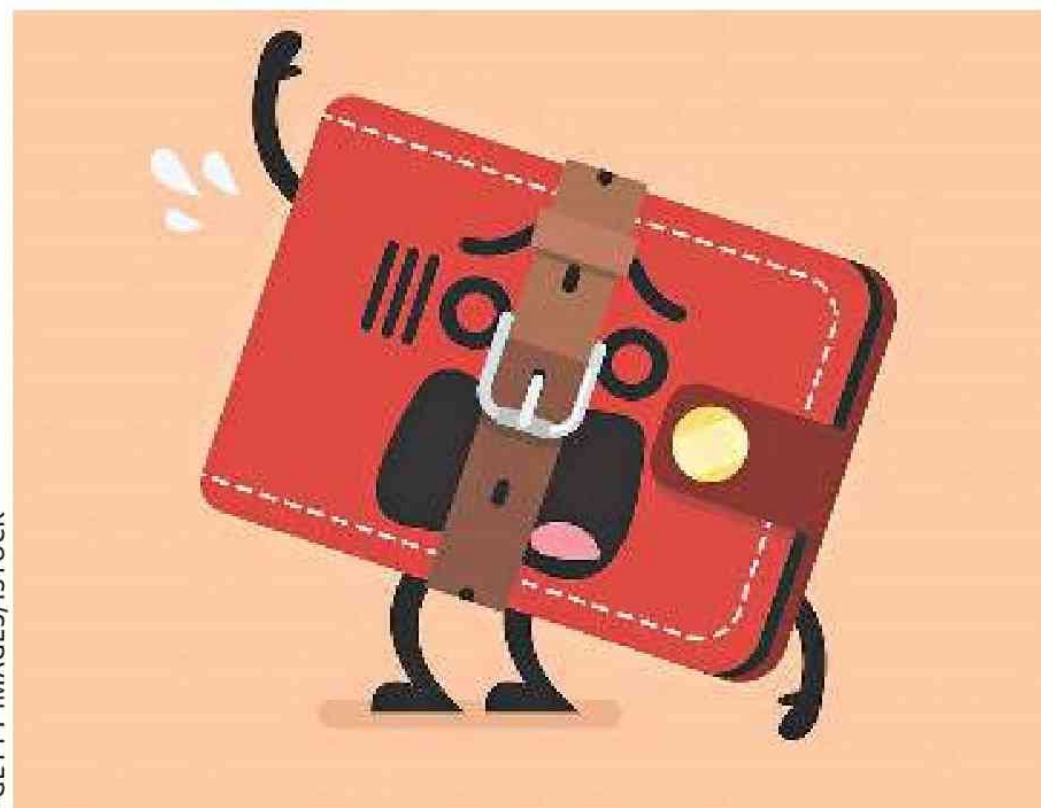
SPECIAL CORRESPONDENT

MUMBAI

A survey conducted by FICCI and Indian Banks' Association (IBA) showed more respondents claiming they had tightened credit standards during January-June 2018, the period in which survey was conducted.

"67% respondents among participating banks have reported tightening of standards, steeply increasing from 28% in the last round of the survey," the industry bodies said in a statement.

A total of 22 public sector, private sector and foreign banks participated in the survey, which is conducted twice a year. These banks together represent 64% of the banking industry, as classified by asset size. This round has been conducted at a time



■ GETTY IMAGES/ISTOCK

when NPAs have shot past the ₹10-lakh crore mark and continue to rise.

Cautious approach

The survey noted that with stressed assets rising, banks have generally adopted a

cautious approach in lending, to prevent fresh slippages.

As was the case in the previous round of the survey, 59% of the respondent banks reported a rise in NPAs in the current round of the survey.

"Infrastructure, metals and engineering goods were the key sectors reported with the highest NPAs," a statement said. "More than two-thirds of the respondents have cited these as sectors with high NPAs." At the same time, most participating banks agreed that the Insolvency and Bankruptcy Code (IBC) had made the recovery process faster and improved the recovery position of banks.

To improve the resolution rate, bankers suggested strengthening of the judiciary, enhancing capacity, empowerment of local level government officials, among other suggestions.

They also said that extension of the moratorium beyond 270 days for any reason should not be permitted.