

Assocham Chief Urges RBI for Flexible NPA Norms

Sandeep Jajodia says NPA resolution will help clean the balance sheets of banks

Our Bureau

Hyderabad: Non-performing assets of Indian banking sector are among the biggest roadblocks to the country's economic growth, as evident from the GDP growth in the last quarter of 2016-17, trade lobby Associated Chambers of Commerce of India (Assocham) said, urging the Reserve Bank of India to make NPA norms flexible and pragmatic.

Addressing the media in Hyderabad on Thursday, Assocham president Sandeep Jajodia said lack of private sector investment is another big roadblock for India's economic growth that needs to be reviewed. Referring to the RBI's decision to leave key rates unchanged in its latest monetary policy review, Jajodia said the central bank missed yet another opportunity to help revive industrial and overall economic growth.

"Unless we bring a sustainable growth of at least 8-9% across the spectrum, we will not be able to generate jobs; so the stakes are high," he said. He urged the RBI and the government to "take a pragmatic approach while resolving the complex issue of NPAs so that banks can be nursed back to health and the biggest hurdle to growth is removed."

Assocham wants the terms of different schemes for resolution of the NPAs to be

Talking Points



POINTS ADDRESSED BY ASSOCHAM PRESIDENT

- **RBI should** make NPA norms flexible and pragmatic
- **Lack of** private sector investment should be reviewed
- **RBI should** help revive industrial and overall economic growth
- **There is** a need to bring down interest rates further
- **Teething troubles** for GST cannot be ruled out

ated sacrosanct because the moment an account becomes an NPA, all finance channels are choked," he said. He said NPA resolution will help clean up the balance sheets of banks and revive their health, leading to an uptick in private sector investment. The Assocham president said there is a need to bring down interest rates further since inflation at the retail level is below 3%.

"While the bulk of the deposits have been mobilised by the banks at the CASA (current account and savings account) of 3-4%, most of the borrowers are charged a double digit and plus rates. Such a large gap cannot be justified and is a big drain on the balance sheets which are under heavy leverage."

"flexible and liberal enough to be accommodative, rather than being rigid", he said. There are several incomplete projects, especially in real estate sector, where developers ran out of cash at a stage where the projects were near completion, Jajodia said. Helping completion such projects could be win-win for all stakeholders.

"For converting standard account into an NPA, the 90-day limit for non-payment of interest or principal should not be tre-

Assocham to petition Centre, RBI for flexible approach in resolving NPAs

'Emulate AP, TS in Ease of Doing Business'

OUR BUREAU

Hyderabad, June 8

The Assocham has called upon the government and the Reserve Bank of India to take a pragmatic approach while resolving the complex issue of non-performing assets in banks.

Reviewing the State of Economy here today, the Chamber executives said a flexible approach will help recover debt while also ensuring turnaround of companies saddled with debt.

Sandeep Jajodia, Assocham President, expressed concern that the RBI, in its credit policy review yesterday, has missed yet another opportunity to lower the policy interest rates and help revive the industrial and overall economic growth. "We will soon approach the government and RBI and petition them," he said.

Pragmatic assessment

Calling for a pragmatic assessment of NPAs and then seeking to address the issue would be



Sandeep Jajodia, President, Assocham

better than merely declaring them NPAs and going all out against the defaulter, who defaulted due to factors beyond his control, he said.

Jajodia said, "the terms of different schemes for resolution of the NPAs should be flexible and liberal enough to be accommodative, rather than being rigid." He mentioned how power projects tend to default when the Discoms delay payments.

"Once an account is turned into an NPA, the avenues for

working capital are choked which hastens the curtains on the enterprise. Thus, whatever chances are there for survival and revival of a stressed enterprise or a project, are gone once the working capital requirements are not met," he said.

Infra, realty projects

Referring to infrastructure and real estate projects which are close to completion but are unable to do so as they have run out of working capital, the chamber felt such projects need to get priority.

"For converting standard account into an NPA, the 90-day limit for non-payment of interest or principal should not be treated sacrosanct because, the moment an account becomes an NPA, all finance channels are choked," he said.

The Assocham Managing Committee, which met here today, felt the latest data of GDP for the fourth quarter of the previous fiscal shows the NPAs and the lack of private sector investment are the biggest road blocks for economic growth.

The Chamber wanted the gov-

ernment to be considerate to the businesses as the GST regime gets implemented addressing various issues of roll-out and the teething troubles.

Ease of doing business

Referring to recent rankings where Telangana and Andhra Pradesh have been jointly ranked No.1, the Assocham called upon various States to emulate the best practices adopted by these two States.

Calling upon the Centre and various states to consider online clearances for various projects, the Assocham executives said both these States have been fore-runners in terms of promoting ease of doing business which is reflecting on the ground with fresh investments.

Assocham mentioned about how the Centre has initiated several deregulation measures towards ease of doing business, which have boosted foreign investment.

Assocham Secretary General DS Rawat said India needed to improve its global ranking to attract investments while seeking to cut down transaction costs.

Telangana Today (Hyderabad)

9 June, 2017

Resolving bad loans key to growth: Assocham

Asks RBI and Centre to take pragmatic approach



GROWTH TALK: Assocham President Sandeep Jajodia (centre) with other members in Hyderabad.

BUSINESS BUREAU
Hyderabad

National industry lobby Assocham has impressed upon the government and the Reserve Bank of India (RBI) to take a pragmatic approach while resolving the complex issue of non-performing assets (NPAs) of the banks so that the same can be nursed back to health and the biggest hurdle to growth is removed.

Assocham president, Sandeep Jajodia expressed concern that the RBI, in its credit policy review on Wednesday, has missed yet another opportunity to lower the policy interest rates and help revive the industrial and overall economic growth.

"The national wealth is not segregated into private sector or public sector resources. Whatever the circumstances, most of which beyond the control of the promoters, might have been, all out efforts must be made to resurrect the stressed or non-performing assets. It will be only when a realistic assessment of the state of the stressed or NP assets is done and commercial decisions are taken by the banks or other intermediaries without fear of being haunted that the gigantic problem could be resolved," said Jajodia.

He said, "The terms of different schemes for resolution of the NPAs should be flexible and liberal enough to be accommodative, rather than being rigid."

"Once an account is turned into NPA, the avenues for working capital are choked which hastens

Unless a sustainable growth of at least 8-9 per cent across the spectrum is achieved then only jobs will be generated

the curtains on the enterprise. Thus, whatever chances are there for survival and revival of a stressed enterprise or a project, are gone once the working capital requirements are not met," said Jajodia. He said there are several incomplete projects, especially in the real estate sector, where the developers have run out of cash at a stage where the projects are almost near completion.

"With a little more cash, the projects can be completed and handed over to owners; it could be win-win for all the stakeholders - families or entities which booked the flats or commercial space, developers and the banks. But the banks need to be supportive and the government must encourage them," said the Assocham chief. He also said, for converting standard account into an NPA, the 90-day limit for non-payment of interest or principal should not be treated sacrosanct because, the moment an account becomes an NPA, all finance channels are choked."

The Assocham Managing Committee also said that as indicated by the latest data of GDP for the fourth quarter of the previous fiscal, the NPAs and the lack of private sector investment are the

biggest road blocks for the economic growth. "Unless we bring a sustainable growth of at least 8-9 per cent across the spectrum, we will not be able to generate jobs; so the stakes are high." Besides, the interest rates need to come down further with inflation at the retail level staying below three per cent. Moreover, full transmission of the policy rates should be ensured.

"While the bulk of the deposits have been mobilised by the banks at the CASA (current account savings account) of 3-4 per cent, most of the borrowers are charged a double-digit rates. Such a large gap cannot be justified and are a big drain on the balance sheets which are under heavy leverage."

The apex chamber also took note of the July 1 roll-out of GST. "While the GST would no doubt be a game-changer for the Indian economy over a medium and long term, the teething troubles cannot be ruled out. The tax authorities have so far been quite supportive and we hope that even after July 1 a friendly approach towards the tax-payers would be followed with a common objective of making GST a success. The unintentional lapses should be dealt with in a friendly manner rather than in an adversarial way."

Expressing optimism about monsoon Jajodia said, "Farmers should be equally helped for an overall development of the economy. The policy and fiscal support along with active involvement of the State would go a long way in improving the lives of farmers in India."

