

ALL INDIA BANK OFFICERS' CONFEDERATION



(Registered under the Trade Unions Act 1926, Registration No.3427/Delhi)
6th Floor, E-Block, Samriddhi Bhavan, 1, Strand Road, Kolkata -700 001
c/o State Bank of India Officers' Association (Bengal Circle)
Phone: 2210-1234, Fax: (033) 2210-2210



e-mail: aiboc.sectt@gmail.com
soumyadatta.aiboc@gmail.com
website: www.aiboc.org
[@aiboc_in](https://twitter.com/aiboc_in)

Circular No. 2021/ 67

Date: 17.09.2021

To All Affiliates (Please Circulate)

Dear Comrade,

AIBOC ISSUES PRESS STATEMENT ON FORMATION OF NARCL (BAD BANK)

We reproduce below the text of the press release issued by AIBOC on the captioned subject for your information.

#BankBachaoDeshBachao

With revolutionary greetings,

Yours Comradely,

(Soumya Datta)
General Secretary

Text of Press Release dated 17.09.2021

PRESS RELEASE

Bad Bank (NARCL) unlikely to resolve India's Bad Loans Crisis, says AIBOC

All India Bank Officers' Confederation (AIBOC), the apex organisation of supervisory officers in the banking industry, does not consider the formation of the National Asset Reconstruction Company (NARCL) or the 'bad bank' as an adequate step to mitigate India's bad loans crisis, which has assumed very serious proportions.

Following the Union Cabinet's approval, the Hon'ble Finance Minister has announced yesterday that the Government will guarantee security receipts issued by the NARCL to the tune of Rs. 30600 crore. As per the government's projection, the NARCL will acquire non-performing assets (NPAs) totalling Rs. 2 lakh crore from the banks against a payment of 15% as cash and the rest in security receipts.

The government guarantee, valid for 5 years, is meant to meet the shortfall between the amount that will actually be recovered from the acquired NPAs and the face value of security receipts issued for those NPAs by the NARCL. The Government expects the public sector asset reconstruction company, NARCL, along with the asset management company, India Debt Resolution Company Ltd. (IDRCL), to improve NPA recovery and lead to a resolution of the bad loans crisis.

The record of the present government in addressing the problem of burgeoning NPAs, particularly in the public sector banks, does not evoke much confidence. While the Insolvency and Bankruptcy Code was set up with much fanfare in December 2016, actual recovery of NPAs through the IBC mechanism so far has been grossly inadequate. Data disclosed by the Insolvency and Bankruptcy Board of India shows that till June 2021, in 396 resolved cases with admitted claims amounting to Rs. 6.82 lakh crore, recovery was only around Rs. 2.45 lakh crore, i.e. 36% of total claims. The recovery rate has fallen to 25% in April-June 2021 quarter, implying massive haircuts being inflicted on the creditors.

Hon'ble Finance Minister claimed yesterday that over Rs. 5 lakh crore worth of NPAs have been recovered by the banks in the last six years. What she has failed to mention is that NPAs worth Rs. 10 lakh crore have also been written off by the banks from 2015-16 to 2020-21, as per RBI data. While legacy NPAs from big ticket loans extended before 2014, which were revealed through the Asset Quality Review in 2015, form a substantial part of the bad loans problem, fresh slippages in NPAs have remained significant even under the present regime.

Moreover, NPA reduction under the present government has occurred more through write-offs than actual recoveries, which have caused massive losses for the public sector banks (PSBs) in the past six years. The recapitalisation of PSBs by the union government to the tune of Rs. 3.36 lakh crore in the last six years has actually acted as bail-outs for delinquent corporate debtors and defaulters.

The stock of NPAs for the scheduled commercial banks stood at around Rs. 8.7 lakh crore in March 2021; 78% of these NPAs were unpaid loans by large borrowers and around 75% of the NPAs were with the PSBs. The NARCL taking Rs. 2 lakh crore worth of NPAs away from the banks may make their balance sheets look better in the short-term but if actual NPA recoveries fail to improve, the bad loans problem will persist. The PSBs as well as the central exchequer will have to bear the burden imposed by corporate loan defaults and crony capitalism will continue to flourish.

AIBOC is of the considered view that in order to plug this drain of resources from the banks and the public exchequer to the crony capitalist defaulters, the need of the hour is an overhaul of the legal regime with regard to debt recovery and bankruptcy, facilitating speedy acquisition and auction of the defaulters' assets by the public sector banks and/or the government. The government clearly lacks the political will to initiate reforms in this direction.

AIBOC feels that unless these legal and judicial reforms are put in place, the extent to which the NARCL will succeed in expediting actual NPA recovery will remain limited.

Sd/-
(Soumya Datta)
General Secretary