

A New Perspective on Dealing with 'Stressed Assets' In India.

Abhilasha Kumari & Jasleen Kaur Bindra

LL.B. (Hons.), 5th Year, College of Legal Studies, University of Petroleum and Energy Studies, Dehradun.

Abstract: *In an economy like India which is liberalized, Banking and Financial sector has assumed great priority nowadays. The Banking sector in India is facing the problem of Non-Performing assets. The NPAs affect the earning capacity and profitability of Banks to a great extent. Not only this, but the non-performance or non receipt of interest and principal money blocks the banks money in the form of funds and is not available for any further use of banking business which results in the decline of profit margin. Non-Performing Assets (NPAs) in the Indian banking system have assumed astronomical dimensions through the emergence of the concept of asset classification, income recognition and provisioning norms by Reserve Bank of India to gauge the credit risk of a bank. High level of NPAs in banks has attracted public as well as foreign financial institutions to look into and analyze the reasons for it. In this paper, an attempt has been made to find out the various inherent as well as emerging factors responsible for the huge NPAs. Further, the different types and characteristics of NPAs on the basis of industry are been discussed. The RBI initiatives like Corporate Debt Restructuring and Corporate Debt Restructuring and other measures taken by the Government are been discussed at length. The Judiciary has played a positive role in this regard to protect the interest of the Banks and Investors.*

Keywords- *Banking and Financial Sector, Non-performing assets, Corporate Debt Restructuring.*

Banking institutions across the world thrive upon the income generated by optimum use of funds or assets (capital and deposits) after settling the costs of deposits acquired from the customers and other administrative costs involved. These assets are termed as NPA when they stop contributing to the income. Presently, one of the biggest challenges that financial institutions are facing in India is that of bad debts (i.e. NPA in other words). The indicator most often cited as depicting the strength of the banking system is the proportion of non-performing assets (NPAs) to overall advances. The process of restructuring and recapitalisation

associated with the liberalisation i.e the post 1991 'reforms' had occasioned in a sharp decline in the proportion of total NPAs to total advances from 15.7 % for year of 1996-97 to 2.3 % for the year of 2008-2009, the year of the global financial crisis. Since then, there has been a turnaround in trend, with the ratio mounting to 3.4 % in the year 2012-13, 4.6 % in the year 2014-15 and 7.6 % in the year 2015-16. The Financial Stability Report of the RBI delivers a number of clarifications for this trend. One probability is that the boom era credit disbursal was related with less severe and stringent credit appraisal. The other could be the accelerated and enhanced credit growth, resulting from competitive credit disbursal exhilarated by the sharp drop in the statutory liquidity ratio (SLR) and the incline for infrastructure projects, many of which after sometime got into a logjam.

For any country, the health of the banking industry can be determined by examining the level of NPAs. Small number of NPAs indicates that the banks have established strong credit appraisal processes with time. On the other hand, increase in the number of NPAs result into decrease in the all-round profitability of the banks. The factors which result into increased number of NPAs include political interference, poor enforcement of law, old, primitive and outdated procedure, rules and regulations, corruption, unhealthy rivalry and competition between banks and other financial institutions, etc.

NPAs have been defined under the RBI Master Circular titled "*Prudential Norms on Income recognition, Asset Classification and Provisioning pertaining to the Advanced Portfolio*" dated July 1, 2015 as "*an asset, including a leased asset, becomes non performing when it ceases to generate income for the bank.*"¹

NPAs were initially given importance after the formation of *Narasimham* Committee Report (1991) which showed their impact on Commercial Banks' health. *Narsimham* Committee believed that the classification of assets under the Health Code System was not in consonance with the International standards. The Committee felt that the

system of Income recognition and provisioning of the same is of paramount importance to strengthen the banking system and make it more stable.

The committee submitted the summary of the report on November 8, 1991 and subsequently submitted the Final Report on November 16, 1991. It recommended that income recognition policy should be based on recovery and should be objective rather than on any other subjective consideration. The Committee in addition suggested that such rules and norms for "classification of assets" should be implemented and enforced which would guarantee regularity, equality, uniformity and consistency. These recommendations of the committee in consonance with salary recognition, asset classification and provisioning were hypothetically to be implemented and enforced by Reserve Bank of India in a periodic manner over a three – year period commencing from the year 1992-93. Since then, the RBI has issued several circulars and notifications with changing time pertaining to NPAs. This includes-

- *Income Recognition, Asset Classification and Provisioning Reporting of NPAs to RBI*, DBOD No. BP.BC.40/21.04.048/2000- 2001
- *Upgradation of loan accounts classified as NPAs*, DBOD BP.BC.No.69/21.04.048/2002-03ⁱⁱ
- *Additional Provisioning Requirement for NPAs*, DBOD No. BP.BC.99/21.04.048/2003-04ⁱⁱⁱ
- *Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Computation of NPA Levels*, DBOD.No.BP.BC.46/21.04.048/2009-10^{iv}
- *NPA Management – Requirement of an Effective Mechanism and Granular Data*-DBOD.No.BP.BC/42/21.04.048/2012-13, September 14, 2012^v
- *Framework for Revitalising Distressed Assets in the Economy – Refinancing of Project Loans, Sale of NPAs and Other Regulatory Measures* ,DBOD.No.BP.BC.97/21.04.132/2013-14 26.02.2014^{vi}
- *Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances*, DBR.No.BP.BC.2/21.04.048/2015-16 July 1, 2015.

The most recent and famed case of NPAs in India is that of Kingfisher Airlines. In a consortium of 17 banks the State Bank of India (SBI) had the major

exposure to Kingfisher Airlines, which is promoted by Vijay Mallya. The banks altogether have an exposure of about INR 9,000 crores to the airline company, of which, the exposure of SBI alone is of INR 2,000 crores. The airline company's loans from SBI became NPA (after 90 days non-payment of interest) on 31 December 2011. In the following month, five more lenders in the consortium classified the advances provided to Kingfisher Airlines as NPA too.

It is worth mentioning that a tag of wilful defaulter by bank to a company and its promoters can block all other funding channels for them. Theoretically, this is a powerful weapon. This concept of declaring a company and its promoters (who have the ability to pay back the loan or advances give to them) as wilful defaulters has been introduced by the RBI to take on such promoters. Such declaration will bar the promoters from borrowing from any financial institution or be part of a new set-up.

However, due to the intervention of Kolkata High Court, Mallya is again a free man even though United Bank presented cases to show that he indeed diverted funds for purposes other than the originally stated while applying for the advances.

On April 7, 2016 the banks rejected the two offers made by Vijay Mallya regarding payment of dues worth INR 9,000 crores. Furthermore, the Supreme Court passed an order asking him to file an affidavit on oath disclosing all the assets as on March 31, 2016 in India and abroad, not just under his name but also in those of his wife and children. This is still an awaited judgement.

According to the RBI Master Circular titled – “*The Prudential norms on Income Recognition, Asset Classification and provisioning pertaining to Advances*” dated July 1, 2015 the policy of income recognition has to be objective and should be based upon the record of recovery. Also, International practices recognize income from NPAs only when it is actually received rather than on accrual basis.^{vii} Thus, the banks should not charge and take into account interest of any NPA. This would be applicable to the Government Guaranteed Accounts as well.

However, provided ample margin is available in the accounts, it has been stated that interest on loans against term deposits, National Saving Certificates (NSCs), Indira Vikas Patras (IVPs), Kisan Vikas Patras (KVPs) and Life policies may be considered to income account on the due date of the financial.^{viii} Furthermore, commissions and fees that the banks earn after renegotiating or rescheduling outstanding debts have been recommended to be recognised on an accrual basis

over a time period of covered by the rescheduled extension lead or renegotiated of credit.^{ix}

NPAs can further be categorized into three categories depending upon the period for which the asset has remained non-performing and the realisability of the dues. The first category is **Substandard Assets**. These are those assets which has remained non-performing for a time period of less than or equal to twelve months. The characteristics of such assets are that it has well defined weakness that makes the liquidation of the debt vulnerable, due to which there is a possibility that banks will suffer some loss if the deficiencies are not rectified or omitted. Second category is of **Doubtful Assets** which means an asset which has been there in the substandard category for a period for a period of 12 months. Doubtful assets as to loan and advances will have all the flaws inherited as from substandard assets. Adding to the weakness of Substandard Assets there are flaws in collection of loans or in liquidation in full of any loan or advances. The condition and value of such assets is highly dubious and improbable.^x The third category is **Loss Assets**. These assets are identified as losses by the banks or by auditors which can be internal auditors of the bank or external auditors of the bank or can be identified by RBI inspection. Such assets amount is not written off in the books of accounts wholly. The value of these assets is so small that they become uncollectible and hence they become a non bankable asset even if they have some recovery value.^{xi}

As decline in asset quality has been a key area of alarm for the banking sector in general and Public Sector Banks in particular, quite a lot of regulatory measures to de-stress banks' balance sheets have been initiated in the past years. The vital Framework for Revitalising Distressed Assets in the Economy was one such step taken by RBI as released in January 2014. Following this, several regulatory measures were taken which were aimed at instituting a means for restructuring, recovering and recovery of stressed assets. This involved the preparation of a **corrective action plan by the Joint Lenders' Forum (JLF)** for distressed assets, intermittent refinancing and fixing a longer repayment schedule for long-term projects as piece of flexible structuring, extension of the date of commencement of commercial operations in the case of project loans to infrastructure sector without these loans being categorized as non-performing advances (NPAs) subject to certain conditions. Another method being the **Strategic Restructuring of debt** which involves the provision to convert debt into equity, issuing guidelines about classification of wilful defaulters

and non-cooperative borrowers, among others.^{xii} There are various other RBI initiatives also, the first being Corporate Debt Restructuring (CDR)^{xiii}. The purpose of the CDR framework is to ensure well-timed and transparent mechanism for restructuring the corporate debts to make it workable for viable entities facing glitches, outside the ambit of BIFR, DRT and other legal and statutory proceedings, for the advantage of all concerned. In specific, the framework will have the objective to preserve viable corporate that are disturbed by the determined internal and external factors and abate the losses to the creditors and other stakeholders through a methodical, orderly, coordinated and synchronised restructuring programme.^{xiv}

The eligibility criteria of Corporate Debt Restructuring is that the, structure will not be applicable to financial records and statements involving only a single financial institution or to one bank. The CDR mechanism will be applicable to only multiple banking accounts or to syndication or to consortium of books of accounts of corporate borrowers with outstanding account-based and non-fund based coverage of Rs.10 crores and above by banks and financial institutions.

The Class 1 CDR mechanism will apply only to books of accounts categorised as 'standard' and 'sub-standard'. There may be circumstances where a small percentage of debt by a bank might be categorised as doubtful. In that state, if the account has been categorised as 'standard'/'substandard' in the books of accounts, then at least 90% of creditors (by the value), the same would be considered as standard / substandard, only for the purpose of adjudicating the account as eligible for CDR, in the books of accounts the left 10% of creditors. There would be no requirement of the books of account or of the company being sick, being in default for a specified time period or NPA before reference to the CDR system. However, the priority will be given to the highly viable cases of NPAs. This system would provide the essential flexibility and ease out the timely intervention for debt restructuring. The amount of reserve made for Non Performing Assets, may be changed when the account is classified again as a 'standard asset'.

In case of conversion of principal amount and / or interest on the amount into equity, debentures, bonds, etc., such financial instruments should be treated as NPA ab-initio in the same asset category as the advances or loan if the loan's classification is substandard or doubtful on application of the restructuring array and provision should be made as per the rules and norms.

The banks have undertaken the method of 'Strategic Debt Restructuring' by converting loan dues to equity shares.^{xv} The objective behind this is to ensure more stake of promoters in stimulating the stressed accounts and provide banks with enhanced competences and capabilities with a view to confirm more stake of promoters of the company in reviving stressed accounts and provide banks with enhanced capabilities to begin the change of ownership in accounts which has failed to achieve the projected viability milestones. This scheme offer banks significant exemptions and relaxation from the RBI rules for 18 months in start. The feature of this scheme is that the loans restructured under this scheme are not treated as non-performing assets (NPAs), thereby enabling the banks to make low provisions of 5 per cent in most cases. Some of the outstanding features of SDR are as follows- the scheme cannot be given effect to without necessary approvals/authorisations (including special resolution by the shareholders) - the JLF has the duty to take the decision on invoking the SDR by converting the whole or part of the loan into equity shares within the time period prescribed i.e. within 30 days from the above review of the account. The JLF must approve the SDR conversion package within 90 days from the date of decision to undertake SDR. It is also required that post conversion of SDR, all the lenders under the JLF must jointly hold 51% or more of the equity shares of the company. It is pertinent to remember that the invocation of SDR will not be per se considered as restructuring for the purpose of asset classification and provisioning norms. The scheme allows banks to recognise interest accrued, but not due/paid as income. This enables banks to account lower NPAs and higher profits for 18 months.^{xvi}

The Reserve Bank of India had issued various guidelines from time to time with the main objective to stimulate the stressed assets present in the economy. To, provide further flexibility to deal with stressed assets in the country, RBI had already introduces the SDR Mechanism as already mentioned for the purpose of ensuring more stakes of promoters in the revival of stressed accounts and provide the banks with an option to initiate change of ownership, in cases where the borrower companies fail o meet the crucial conditions and viability milestones in the loan account. As a step ahead to deal with this issue, recently, on June 13, 2016 the RBI introduced '*Scheme for Sustainable Structuring of Stressed Assets*' popularly known as the S4A Scheme. The Stressed assets comprise of Non-Performing Assets, restructured loans and written off assets. The Scheme has been introduced by the RBI with an aim to strengthen the lenders' ability to deal with stressed assets and to place real

assets back heading in the right direction by providing an opportunity for reworking the financial composition of entities facing genuine difficulties.^{xvii} The Scheme envisages legal and statutory provisions to determine the sustainable debt level for a stressed borrower, and diverge the unpaid debt into sustainable debt and equity shares /quasi-equity shares which are predictable to provide benefit and rights to the lenders when the borrower turns around.

Recently, RBI had asked banks to get their balance sheets cleaned up by March 2017 and also to make provision for all the losses before the end of March 2016. A large part of the write off leads to a balance sheet management issue. Mitigating the fears on the system- wide bad loan stress ailing the banking system, prevention is better than cure.^{xviii} For the applicability of the Scheme, the account has to necessarily meet all of the following conditions like (i) there should be commencement of commercial operations, (ii) the aggregate exposure of all the Institutional lenders must be more than 500 Crores(this includes Foreign Currency loans/ECB; Rupee Loans) and (iii) the Debt should be sustainable.

To ensure transparency and to ensure that that the entire exercise is carried out in a prudent way, the scheme provides that the resolution plan will be prepared by reliable and credible professional agencies, which will be independently reviewed for reasonableness, rational, equality and adherence to the norms of the abovementioned guidelines by an Overseeing Committee (which will comprise of well-known experts), set up by the Indian Banks Association, in consultation with the RBI^{xix}.

Despite such a welcoming scheme, it suffers from some flaws like the scheme will be applicable only to projects which have started operations of commercial nature, the projects which have not been able to attain commercial operations as due to some issues would not get benefit under this scheme. Moreover, under this scheme, the RBI requires that for a debt to be sustainable in nature, the Joint Lenders Forum (JLF) and Consortium of lenders and bank should settle through independent and individual TEV that debt of that principal value without interest amongst the current funded and non-funded liabilities owed to institutional financial lenders can be serviced over the same theme as that of the existing facilities even if the future cash flows remain at their current level. Accordingly, to apply this Scheme, the borrower should have ability to repay a minimum of 50% of its funded liabilities.

The question that needs to be answered here is that whether banks are following the RBI guidelines in the True spirit. Normally, the Banks should sort an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter. A better glance at the way the banks and financial institutions declare the accounts as NPA depicts that the very fundamental principles as envisaged by RBI in their preamble which clearly mentions that the prudential norms for income recognition, asset classification and provisioning for the advances is a move for the banks to move towards greater transparency and consistency in the published accounts are being disregarded.

Further, as already discussed, the RBI expects that the policy of income recognition followed by banks should be entirely objective and based on record of recovery rather than on any subjective considerations. This is to ensure uniformity and consistency in the application of various norms by the banks. RBI exhorts the banks and financial institutions and urges them to ensure that while granting loans and advances, pragmatic repayment schedules should be followed based on the cash flows with borrowers. This would surely pave way to ease and prompt repayment by the borrowers and thus improving the record of recovery in advances. It is evident now that the core problem of recovery of loans in the banks and financial institutions lie on the norms and practices been followed by various banks and financial Institutions.

The RBI has introduced this Scheme with the objective of providing banks a greater suppleness to structure the stressed assets in the Indian economy. The ultimate purpose of this Scheme is to reduce the number of non-performing assets which is rising extensively. It is expected that this move would allow banks to manage dreadful loans and clean up their books more efficiently and effectively. In order to make sure that such an exercise is carried out in a transparent and prudent manner, the Scheme also envisages that the resolution plan will be prepared by credible professional agencies. It would require a substantial write down of debt and/or making large provisions for the same.

However, such Scheme is also not free from flaw. The major concerns under this Scheme that may be considered are that of its applicability for completed projects only. That means the projects which are under construction are not eligible for this Scheme. Furthermore, the determination of sustainable debt is also a cumbersome exercise that needs to be evaluated under this Scheme as such determination of debt should be accurately

ascertained. In addition to these, another major concern under this Scheme is valuation of cash flow to ascertain the level of sustainable debt. Notwithstanding such flaws or demerits, the Scheme is a well attempt to alleviate the situation of distress assets in the Country that should be welcomed by the banks as well as corporate in India. A large number of borrowers may be take benefit under this Scheme in order to restructure their stressed assets.

On one hand where RBI has been taking numerous steps to curb the stressed assets in India, the Judiciary in India has also welcomed this move. The Supreme Court of India in the case of **Mardia Chemicals^{xx}** has very truly quoted that the liquidity of finances and flow of money is indispensable for any vigorous and growth oriented economy. But again, what needs to be seen is that any such law should not be in derogation of the Fundamental Rights guaranteed to the people of India under the Indian Constitution. It should also not infringe the Human Rights and Principles of Natural Justice.

There are primarily two reasons which can be attributed to why the banks and Financial Institutions are failing in implementing the effective process of recovery, the first being their stance and approach towards financing and recovery particularly of SMEs and the second is the lack of full awareness about the law and practice of banking activities and also the violations of RBI directives through their circulars which are mandatory in nature to be followed by the banks and the financial institutions.^{xxi}

Various Judgements which has thrown some light on this aspect are discussed as follows. The Bombay High Court in *Kamal Jajoo and Anr vs Oriental Bank of Commerce and Ors* on 23 February, 2015 expressed its view that Banks should look forward to establish apposite internal systems to eliminate the tendency to delay or postpone the identification of Non Performing Assets, especially in respect of high value accounts.

The Court further in *Rita Bagga and 2 Ors. vs. Union of India and 6 Ors.* on 18 May, 2015 further held that from a reading of para 4.2.4 of the RBI guidelines, 2014, the classification of an account as NPA must be done by Bank based on the record of recovery and that the Bank could not classify an account as NPA merely due to the existence of mere deficiencies which are short-term in nature, for example the balance outstanding exceeding the maximum value temporarily. Also, that a notice can only be issued if a borrower commits default in the repayment of the security debt and his account in respect of such debt is classified as NPA. Unless

and until the account is declared as NPA, no notice under Section 13(2) of the SARFAESI Act, 2002 could be issued, even if there is a default.

For a better idea of this concept of dealing with the NPAs, we would also like to give a brief of how one can deal with the NPAs by writing them off. **Section 43(D) of the Income Tax Act 1961^{xxii}** is a special provision in case of public financial Institution, public companies etc. Sec 43D was introduced into the Act in the year 1991 to overcome the Supreme Court Judgement in the case of State bank of Travancore (reported in 155 ITR 430/1985). In the said case, the SC in clear words stated that for the purpose of recognizing income in respect of a debt, there was no distinction between an ordinary money lender and a banking or financial Institution. The Section now allows the Banks and Financial Institutions to derecognize interest income on sticky loans, which have been so classified as per the prudential norms for NPs prescribed by the RBI, and therefore such income is not chargeable to tax. Therefore, the banks should be advised to either make full provision for such advances as per the guidelines or write-off such advances and assert such tax benefits as are applicable, by evolving appropriate slant in consultation with their auditors/tax consultants.

Asset quality of banks and financial institution is one of the most important and significant indicators of their monetary health. Banks should, therefore put in place a robust Management Information System mechanism for prior detection of signs of distress of assets at individual level, company's account or at segment level (asset classification, market and industry, geography, size of product produced, demand and supply, etc.). Such early warning sign should be used for determining an effective precautionary and preventive asset quality management framework, including a transparent and a well-defined restructuring mechanism for viable accounts under distress within the prevailing regulatory and statutory framework, for preserving the economic and financial value of those entities in all the various segments.

The banks' and financial institutions Information Technology and Management Information System should be robust and able to generate reliable, consistent and quality data with regard to their asset quality for effective and quick decision making. There should be less inconsistencies between information furnished under regulatory and statutory reportage and the banks' own MIS reporting system. Banks should also have technology based generated reports which are divided segment wise and information on non-performing assets and restructured assets which

may also include data on the opening balances of the financial year, additions, reductions like up gradations, depreciation actual recoveries which were considered accrued, write-offs of losses etc.), closing balances of financial year, provisions held losses and contingencies, etc.

To conclude we would like to say that asset quality and quantity of banks and financial institutions is one of the most significant indicators of their financial health. Banks should, consequently put in place a robust Management Information System for precautionary detection of indication of distress at individual account level as well as at segment account level. The distress can be in the form of asset class, geographic, industry and size, etc. Such premature warning or signals should be useful for putting in place an operative, effective and preventive asset quality management structure, including a transparent restructuring framework for viable books of accounts under distress within the predominant regulatory framework, for preserving the financial value of those entities in all segments.

The bank's Information Technology and Management Information System should be able to make reliable and quality facts and information with regard to their asset quality for effective and clear decision making. There should be no inconsistencies between information furnished under regulatory and statutory reporting and the bank's own Management Information System reporting. Banks should also have computerised segment wise information on non-performing assets and restructured assets of the company which may comprise data on the opening balances of account, additions and reductions like depreciation, recoveries and write-offs etc., closing balances of accounts, provisions and reserves held by the company, technical write-offs, etc.

Besides ensuring better scrutiny of the credit proposals before sanction, banks need to watch closely and monitor the assets from the selection of borrowers. A continuous and consistent monitoring mechanism is a must for ensuring the best quality of the assets. Symptoms of any sickness should be addressed immediately and appropriate remedial action implemented. Despite the availability of various avenues of recovery in ultimate analysis it is the borrowers' willingness to repay rather than his ability to repay. The mindset of the borrowers from the beginning should be tuned in such a way that he is willing to repay rather than turn into a wilful defaulter.^{xxiii}

Looking At the burden of banks, the reduction of NPAs of the Banking sector should be treated as a national priority to make the Banking system

stronger, supple and geared to meet the challenges of globalization. The shove of the policies and initiatives of the Government, RBI and the Banks should be on how best to tackle existing NPAs, recovery of arrears, minimizing frequency of fresh NPAs, improving asset quality and preventing corrosion of assets.^{xxiv}

Stressed assets have grown exponentially in the Indian Financial System in the last few years. The very critical decision that any bank has to take is as to when to sell the NPA. A bank should ideally sell NPA from its books to asset reconstruction companies if it has remained NPA for at least two years. These sales are only on cash basis and the purchasing bank/ company would have to keep the 5 months accounts before it sells to any other bank. Once the NPA is purchased, it is classified as Standard for a pretty good period of 90 days. The S4A has allowed the banks to revise the stressed loans under the supervision of an external agency, thereby ensuring transparency while also protecting bankers from undue scrutiny by investigative agencies. Recognizing that reforms in the bankruptcy and insolvency regime are significant for improving the business environment and alleviating distressed credit markets, the Government has also passed the Insolvency and Bankruptcy Code, 2015. This Code is a welcome overhaul and the much indispensable reforms while focusing on creditor driven insolvency resolution.

ⁱ Para 2.1.1, “Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances”, RBI MASTER CIRCULAR No. DBR.No.BP.BC.2/21.04.048/2015-16 (01/07/2015). As per the Master Circular, “a NPA shall be a loan or an advance where;

- (i) Interest and/ or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan,
- (ii) The amount remains ‘out of order’ for a period of more than 90 days, in respect of an Overdraft/Cash Credit (OD/CC),¹
- (iii) The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- (iv) The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- (v) The instalment of principal or interest thereon remains overdue for one crop season for long duration crops,
- (vi) The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.

In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a

period of 90 days from the specified due date for payment.” Available at <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/101MC16B68A0EDCA9434CBC239741F5267329.PDF>, last seen on 19/09/2016.

ⁱⁱ *Upgradation of loan accounts classified as NPAs*, DBOD BP.BC.No.69/21.04.048/2002-03; available at <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=1063&Mode=0>, last seen on 19/09/2016.

ⁱⁱⁱ *Additional Provisioning Requirement for NPAs*, DBOD No. BP.BC.99/21.04.048/2003-04; <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=1704&Mode=0>

^{iv} *Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Computation of NPA*

Levels, DBOD.No.BP.BC.46/21.04.048/2009-10; <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=5290&Mode=0>

^v *NPA Management – Requirement of an Effective Mechanism and Granular Data-* DBOD.No.BP.BC/42/21.04.048/2012-13, September 14, 2012

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=7565&Mode=0>

^{vi} *Framework for Revitalising Distressed Assets in the Economy – Refinancing of Project Loans, Sale of NPAs and Other Regulatory*

Measures, DBOD.No.BP.BC.97/21.04.132/2013-14.26.02.2014;

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8756&Mode=0>

^{vii} Para 3.1.1, “Prudential norms on Income Recognition, Asset Classification and provisioning pertaining to Advances”, RBI Master Circular No.

DBR.No.BP.BC.2/21.04.048/2015-16 (01/07/2015), available at <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/101MC16B68A0EDCA9434CBC239741F5267329.PDF>.

^{viii} Para 3.1.2, Master Circular – “Prudential norms on Income Recognition, Asset Classification and provisioning pertaining to Advances” RBI Master Circular No. DBR.No.BP.BC.2/21.04.048/2015-16 (01/07/2015), available at

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/101MC16B68A0EDCA9434CBC239741F5267329.PDF>

^{ix} Para 3.1.3, “Prudential norms on Income Recognition, Asset Classification and provisioning pertaining to Advances” RBI Master Circular No.

DBR.No.BP.BC.2/21.04.048/2015-16 (01/07/2015), available at

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/101MC16B68A0EDCA9434CBC239741F5267329.PDF>, last seen on 19/09/2016.

^x Para 4.1.2, “Prudential norms on Income Recognition, Asset Classification and provisioning pertaining to Advances” RBI Master Circular No.

DBR.No.BP.BC.2/21.04.048/2015-16 (01/07/2015), available at

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/101MC16B68A0EDCA9434CBC239741F5267329.PDF>, last seen on 19/09/2016.

^{xi} Para 4.1.3, “Prudential norms on Income Recognition, Asset Classification and provisioning pertaining to

Advances” RBI Master Circular No.

DBR.No.BP.BC.2/21.04.048/2015-16 (01/07/2015), available at

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/101MC16B68A0EDCA9434CBC239741F5267329.PDF>, last seen on 19/09/2016.

^{xii} Report on Trend and Progress of Banking in India 2014-2015, available at

<https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/0FLTP577BF4E172064685A26A73A6BC9210EC.PDF>, last seen on 19/09/2016.

^{xiii} *Revised Guidelines on Corporate Debt Restructuring (CDR) Mechanism*, RBI Circular No. DBOD.No.BP.BC.45 / 21.04.132/ 2005-06 (10/11/2005), available at https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=2617, last seen on 19/09/2016.

^{xiv} Strategic Debt Restructuring Scheme, DBR.BP.BC.No.101/21.04.132/2014-15, (8/06/2016), available at

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=9767>, last seen on 19/09/2016.

^{xv} Strategic Debt Restructuring Scheme, DBR.BP.BC.No.101/21.04.132/2014-15, (8/6/2016), available at

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=9767#> last seen on 19/09/2016.

^{xvi} Scheme for Sustainable Structuring of Stressed Assets. DBR.No.BP.BC.103/21.04.132/2015-16, (13/06/2016) <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10446&Mode=0> last seen on 19/09/2016.

^{xvii} Asset quality problem more of a governance issue, RBI Deputy Governor S S Mundra. Available at; http://articles.economictimes.indiatimes.com/2016-02-12/news/70568833_1_governor-ss-mundra-gross-npas-private-banks, last seen on 19/09/2016.

^{xviii} Asset quality problem more of a governance issue: RBI Deputy Governor S S Mundra. Available at http://articles.economictimes.indiatimes.com/2016-02-12/news/70568833_1_governor-ss-mundra-gross-npas-private-banks.

^{xix} Strategic Debt Restructuring Scheme, DBR.BP.BC.No.101/21.04.132/2014 15, (8/06/2016), https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=37210, last seen on 19/09/2016.

^{xx} *Mardia Chemicals Ltd. etc. vs. Union of India & Ors* (2004) 4 SCC 311.

^{xxi} Available at

<http://www.allbankingsolutions.com/Banking-Tutor/NPA-overview.htm>, last seen on 19/09/2016.

^{xxii} Section 43D- *Special provision in case of income of public financial institutions, etc.*—Notwithstanding anything to the contrary contained in any other provision of this Act, in the case of a public financial institution or a scheduled bank or a State financial corporation or a State industrial investment corporation, the income by way of interest in relation to such categories of bad or doubtful debts as may be prescribed having regard to the guidelines issued by the Reserve Bank of India in relation to such debts, shall be chargeable to tax in the previous year in which it is credited by the public financial institution or the scheduled bank or the State financial corporation or the State industrial investment

corporation to its profit and loss account for that year or, as the case may be, in which it is actually received by that institution or bank or corporation, whichever is earlier.

^{xxiii} Dr. Chakraborty K.C., *Management of NPAs Trends and Challenges*, Chartered Financial Analyst P. 30 to 33, 2005

^{xxiv} Sharama R, *Non -Performing Assets*, State Bank of Bikaner Jaipur. P.5, 2002.