

# Nirmala Sitharaman Highlights: Bad Bank is born, to take on Rs 2 lakh cr bad loans; FM OKs Rs 30k cr govt guarantee

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**Finance Minister Highlights:** Finance Minister Nirmala Sitharaman today announced that the government will back guarantees worth Rs 30,600 crore for the National Asset Reconstruction Company, which will take over bad loans worth Rs 2 lakh crore from banks.

**FM Nirmala Sitharaman Highlights:** Finance Minister Nirmala Sitharaman today announced the Union Cabinet's approval for a government guarantee of Rs 30,600 crore for securities receipts issued by the National Asset Reconstruction Company (NARCL). "NARCL will pay up to 15 per cent of the agreed value for the loans in cash and the remaining 85 per cent would be government-guaranteed security receipts," Finance Minister announced. The Finance Minister, addressing the media, added that guarantees can only be invoked by banks on resolution or liquidation of the said assets. The NARCL will take up bad loans from lenders worth Rs 2 lakh crore, of which Rs 90,000 crore will be transferred in the first phase.

## **Bank credit growth to pick up**

**Brickwork Ratings (BWR) views that measures by the GOI and RBI have always been proactive in enhancing credit growth to support the business cycle across segments. The AA system will enable the much needed improvement in the credit flow based on the borrower's past track record, especially in the SME segment, with less reliance on the collateral. While the advances to industry continue to grow slowly, the measures of vaccination and unlocking of services will surely assist in its revival with supportive measures from the regulator for this segment as well. The business community also seems to be better prepared to accept the pandemic and resume their business activities, under the ongoing pandemic scenario. Considering the existing asset quality levels, a likely increase is expected over the medium term; however, BWR views that maintaining healthy capitalisation levels shall assist banks in enhancing their appetite for credit risk.**

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