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Bank Write-offs: Clarification

RESERVE BANK OF INDIA

We refer to the article published in today's (February 9, 2016) Indian Express under the headline '₹ 1.14 lakh crore of bad debts: The great government bank write-off'.

Though based on our response to an RTI query, the news item lacks right perspective and does not bring out all the facts involved in such writing off of loans.

'Writing off' of non-performing assets is a regular exercise conducted by banks to clean up their balance sheets. Substantial portion of this write-off is, however, technical in nature. It is primarily intended at cleansing the balance sheet and achieving taxation efficiency. In 'Technically Written Off' accounts, loans are written off from the books at the Head Office, without foregoing the right to recovery. Further, write offs are generally carried out against accumulated provisions made for such loans. Once recovered, the provisions made for those loans flow back into the profit and loss account of banks.

The data published in the above news item is the total write-off made by banks, which includes a large portion of technically written off accounts where the recovery efforts continue as usual.

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