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Change Management in Working of Consortium Finance in India: analytical survey study

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Abstract: *Recently Chairman of a major public sector bank (SBI) has called for review of consortium and multiple lending model of banks that delays decision making and increases risk which needs to be put in order. As each member bank has discretion for asset classification in the consortium, taking no objection certificates from every member takes time which in turn depends on their balance sheet management. There are many gaps in monitoring of such accounts as most of the banks end up having similar loan books when it comes to big project loans. Inter creditor agreements to make it binding on all members to fall in line with the resolution plans (if 66% members agree)is being mooted by SBI but it will apply only when it is a stressed asset. But it is the day to day working of a consortium or multiple banking accountswhich leaves much scope for improvement and change. There are cases of even 38 banks in a single consortium or 17 banks in Kingfisher consortium. In this context, this paper based on survey study with senior and experienced bankers explores changes in management of consortiums tracing evolution and challenges faced by them to suggest seamless solution which would going beyond account aggregation as envisaged by Central Repository of Information on Large Credits (CRILC) initiated in 2014 by Reserve Bank of India or the proposed Public Credit Registry (PCR) financial architecture. The paper proposes a technology based solution with capabilities of integrated and joint monitoring of day to day business transactions for tracking drawing power, diversion, round tripping, defaults and system identification of non-performance of such assets to enable transparent, quick decision making and implementing.*

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I. Introduction

History and definition of consortium lending: India has a long history of consortium finance wherein a single borrower takes a large loan from two or more banks with a common application against joint deed of hypothecation or pledge of security. Evolution of consortium finance regulation has been striving towards ensuring smooth flow of credit to borrowers with necessary prudential framework for credit risk management.

Consortium lending is a mechanism whereby a borrower takes a large loan from two or more banks by making a common application. Barring the rate of interest, all the terms and conditions set out in the consortium's contract are common. A common loan agreement and joint deed of hypothecation are used when loan is provided by a consortium of lenders. Many large borrowers prefer having multiple banking relationships, whereby they have independent arrangement with each lending institution, the security offered to each institution is separate and no formal understanding exists between different lenders financing the same borrower. In such an arrangement, lenders usually sanction loans on different terms and conditions. And, borrowers get an opportunity to play one bank against the other to wangle the best deal. Under consortium financing, several banks (or financial institutions) finance a single borrower with common appraisal, common documentation, joint supervision and follow-up exercises and may relatively be a much better route for financing large borrowers as it spreads the risks. It prevents banks from overexposure to a single borrower, preventing lenders from taking rash individual decisions.

Theory of consortium finance and development of consortium finance in India

Consortium Banking was popular in the late 1970s when a number of major banks would combine to form a Merchant-Banking or Finance-Company offshoots. Like many of Australia's Merchant Banks were formed as consortia with European, Asian and US Banks teaming with Australian Banks. Broad meaning of consortium in finance is coalition of institutions like banks and corporations, which are set up to fund ventures requiring large capital resources. It is supposed to be an association of two or more individuals, companies, or institutions with the objective of pooling their resources for achieving a common investment. Though they are not common now, earlier consortium of banks were working assubsidiary banks, owned by several different banks in different countries where each had equal share so that no bank is the majority shareholder, useful when a project involved multiple currencies, created to finance a specific project and dissolving once the project was completed. Internationally, consortiums are banking syndicates formed by multiple banks, often from different countries, for the singular purpose of financing a specific project that is too large for any individual bank to finance on its own and which is disbanded on completion of the project. Here consortium of banks itself is a community of interest and members bring in their resources in certain fixed percentages to form a common pool, where its shares of the security interest in common.

RBI's role in development of consortium finance in India: No definite guidelines on formation of consortium of Banks, however, existed in past (before 1970s) and it was generally left to the borrower to decide this issue. The first attempt in this regard was made by Reserve Bank of India while it constituted a study group in December, 1973, headed by G. Lakshminaryanan, which submitted its report in July, 1974 which was accepted. Subsequently, Mahadevan Committee (April 1988) and J V Shetty Committee (Jan 1993) were set up to achieve single window concept for lending and various instructions were issued during past few years for liberalising and minimizing delay and inconvenience to the borrowers. There were a spate of improvements continually thereafter through various directive circulars. The current regulatory framework of applicable for the consortiums are covered under Master Circulars on Loans & Advances, Exposure Norms and IRAC norms. In the current framework, Reserve Bank of India has permitted the banks to decide modalities of the functioning of consortium and they decide on all issues including rates of interest, allocation of limits, sharing pattern, sanction of ad hoc limits etc. in the consortium meeting.

Consortium financing entails taking wholesome view of entire operations of bigger borrowers for assessing credit requirement (working capital and/or term loan) with flexibility in operations based on joint security and agreement for exchange of critical information amongst banks and lenders. Members have the freedom to independently classify their share of asset based on record of recovery.

Uniformity in respect of documentation is achieved by using common templates prescribed by Indian Banks Association (IBA) which include (i) resolutions to be passed by the borrower's Board of Directors authorising the borrowing company to borrow under the consortium arrangement (ii) working capital consortium agreement (iii) joint deed of hypothecation (iv) revival letter for purposes of limitation (v) letter of undertaking from the borrower for creating a second mortgage on the fixed assets (vi) agreement to be signed with the lead bank who signs on behalf of itself and on behalf of other member banks.

Footnote: The current regulatory framework: The current regulatory framework of instructions and guidelines applicable for the consortiums are covered by Master circular on Loans & Advances, Exposure Norms and IRAC norms. (i) Master Circular on Exposure Norms (DBR No Dir. 12 of July 1, 2015 section 2.1.1.8) (ii) Prudential Guidelines on Income Recognition Asset Classification (IRAC RBI/DBR.No.BP.BC.2/ 21.04.048/2015-16, July 1, 2015) and (iii) Master Circular on Loans and Advances-Statutory and other Restrictions on Lending under Consortium Arrangement (DBR.No.Dir.BC.10/13.03.00/2015-16, July 1, 2015 sec 2.3.16)

In multiple banking or syndication of loans, different banks provide finance and different banking facilities to a single borrower without having a common arrangement and understanding between the lenders. The practice of multiple banking has increased tremendously during the last years. This is due to the increasing competition and the bankers desire to grow in a short span of time. Large borrowers may sometimes prefer having multiple banking relationships for considerable operational flexibility with the benefit of independent arrangement with different banks and separate security interests without any formal common understanding for exchanging any critical information.

However, multiple banking may go against the spirit of regulatory intentions which seem to be relatively better served under consortia due to avoidance of overexposure to a single borrower and spreading the risks as compared to working in silos.

Critical observations on consortiums: Consortium finance is intended to help in spreading risks and prevent banks from overexposure to a single borrower in cases of large projects because if such loans turn sour, earnings of even stronger banks can be seriously impacted because of overexposure to a single borrower. Consortium lending has the potential to prevent lenders from taking rash decisions because of the consultative approach in the group. However, experience with consortium finance has raised several concerns and adverse issues like lack of communication, ineffective monitoring, differential treatment to members, lack of timely exchange of vital information, inability to control unscrupulous behaviour of borrowers such as diversion, round tripping, arm twisting by bigger lenders, non-creation of assets out of loans, differential asset classification (NPAs) with a view of balance sheet management, issues in recovery and resolution, management information system (MIS) issues, leveraging the gaps in group monitoring by borrowers etc. Member banks with meager share have neither incentive nor any information to independently assess consortium proposal resulting in falling in line with the members with bigger share.

Though Consortia are expected to be better structures for large scale financing compared to multiple banking, backed by operational instructions for proper and cautious management by the regulators,a contrary picturehas emerged in the economy. Recently SBI Chairman (ET Dt August 21, 2018) has blamed the consortium lending model also to be responsible for the mess of the NPA crisis currently being faced by the entire Indian banking system because of the delays it causes in decision making due to the need of taking no objection certificates from all the members which sometimes exceeds even more than 28 banks for any decisions. He has expressed the need of putting in order and relook at the consortium or multiple banking model as the Indian banking system is dominated by state run banks with nearly three fourths of the market share weighed down by bad loans. Most of the banks have similar loan books when it comes to big project loans and even smaller banks who do not have wherewithal to evaluate the project risks end up cutting cheques because of consortium models. SBI is streamlining its loans away from consortium lending by pulling out of some or taking more share of loans from some banks so that the number of banks is reduced in consortiums. More than a dozen of lenders led by SBI have signed inter creditor agreements to deal with speedy resolution stressed assetsenabling binding a resolution plan on all lenders if 66% of the lenders agree and a dissenting creditor could sell its loan at a discount of 15% of the liquidation value to other lenders or buy the entire loan at 125% of the resolution plan agreed to by other lenders. He said that lending in consortium is a hindrance in small ticket loans and that the banks need to come together to deal with stressed loans and large project loans to counter the internal problems in consortium monitoring. Coming together of consortium members at the time of resolution stage of stressed assets is limited to damage control and not preventive in nature. Such admission by largest bank of the country suffices to hint at the enormity of the issue for banks. Therefore, monitoring of consortiums for is a complex issue and requires focused attention at banks. An assessment of size of consortiums would throw light on the enormity of the problem.

Alarmed by a numberoffrauds involving consortium/multiple-banking arrangements, Central Vigilance Commission, Government of India had expressed concerns on the working of consortium lending and multiple banking in the light. It had attributed these frauds mainly to lack of effective sharing of information mechanism for credit history and the conduct of the consortium borrowers account among member banks.

The current regulatory framework of consortia: The key points of the current regulatory framework of RBI guidelines insofar as they relate to consortium finance are set out as below:

(i) The lenders have to comply with a single or a group borrower exposure limits prescribed according to which banks' exposure to a single borrower cannot exceed 15 per cent capital funds (20% for infrastructure projects) and 40 per cent to a group borrower (50 per cent for infrastructure project). The capital funds for the purpose will comprise Tier I and Tier II capital as defined under capital adequacy standards. Such exposure includes credit exposure (funded and non-funded credit limits) and investment exposure (underwriting and similar commitments) as well as certain types of investments in companies. The sanctioned limits or outstanding, whichever are higher, are reckoned for arriving at exposure limit. Non-fund based exposures are reckoned at 100% of the limit or outstanding. Loans and advances granted against the security of bank's own term deposits are excluded from the purview of the exposure ceiling.

For Letter of Credit (LC) bills, if discounting/purchasing/negotiating bank is different from LC issuing bank, it will be treated as exposure on LC issuing bank. If they are part of the same bank, the exposure is on the borrower.

(ii)Consortiummember banks are allowed to classify their respective share of loan limits according to their record of recovery and other aspects having a bearing on the recoverability of the advances. Where the remittances by the borrower under consortium lending arrangements are pooled with one bank (leader of consortium) and/or where it is not parting with the share of other member banks, the account will be treated as not serviced and be treated as NPA (substandard/doubtful or loss asset) by such member banks of the consortium and make provisions accordingly in their books. The banks participating in the consortium have to get their share of recovery transferred from the lead bank or get an express consent from the lead bank for the transfer of their share of recovery, to ensure proper asset classification in their respective books. Thus, it has been prescribed by the Reserve Bank that each member bank will classify the account on its own keeping in view the relevant guidelines.Asset classification should be based on the record of recoveryoftheindividualmemberbanks. From April 1, 2015, a standard account on restructuring (for reasons other than change in date of commencement and commercial operation) would be immediately classified as sub-standard on restructuring as also the non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per the extant asset classification norms with reference to the pre-restructuring repayment schedule. Banks are expected to adopt principle-based approach instead of rule-based approach. Classification should be on the basis of objective criteria and with uniform &consistent application of the norms. Arealisticre payment schedule to be decided on the basis of cash flows and repayment capacity of borrowers.

(iii) Banks are encouraged to strengthen their critical information back up about borrowers under consortium arrangements, keeping in view the concerns expressed by Central Vigilance Commission (CVC) regarding

frauds inthe working of Consortium Lending and Multiple Banking Arrangements. All such instructions issued from time to time by RBI have been collated under the Master Circular as detailed below.
(a) Banks are advised to strictly adhere to the instructions regarding sharing of information relating to credit, derivatives and unhedged foreign currency exposures among themselves and put in place an effective mechanism for information sharing. Any sanction of fresh loans / ad hoc loans / renewal of loans to new / existing borrowers should be done only after obtaining / sharing necessary information. Non-adherence to the above instructions by banks are viewed seriously by the Reserve Bank and the defaulting banks would be liable to action, including imposition of penalty, wherever considered appropriate
(b) At the time of granting fresh facilities, banks may obtain declaration from the borrowers about the credit facilities already enjoyed by them from other banks in the format prescribed. All the banks may seek a declaration from their existing borrowers about their lenders and introduce a system of exchange of information.
(c) Exchange information about the conduct of borrowers' accounts with other banks in the specified format at least at quarterly intervals. The format specified in the circular was finalised in consultation with Indian Banks' Association.
(d) Obtain regular certification by a professional, preferably a Company Secretary, Chartered Accountant or Cost Accountant, regarding compliance of various statutory prescriptions that are in vogue.
(e) Make greater use of credit reports available from a Credit Information Company, which has obtained Certificate or Registration from RBI and of which the bank is a member.
(f) Incorporate suitable clauses in the loan agreements in future (at the time of next renewal in the case of existing facilities) regarding exchange of credit information so as to address confidentiality issues.
Thus,consortium member banks have to strictly adhere to sharing of information relating to credit, derivatives and unhedged foreign currency exposures among themselves and put in place an effective mechanism for information sharing in the prescribed formats at least at quarterly intervals. Obtain declaration from the borrowers about credit facilities from other banks, certification for compliance to statutory prescriptions, credit reports from credit information bureaus, incorporate suitable clauses in the loan agreements for exchange of credit information to address confidentiality issues. Non-adherence any of the above instructions by banks would be viewed seriously by the Reserve Bank and they would be liable to action, including imposition of penalty, wherever considered appropriate.

Sizinglarge loans and consortiums with their share of NPAs:
As on March 31, 2016, based on offsite surveillance data, almost 25% of total loans and advances belong to consortiums and the share of consortiums loans. The share of consortium loans was almost 56 percentage of the total gross non-performing loans. (Table 1.1)

Table 1.1: Consortium loans and NPAs as on March 31.03.2016 (Rs in billion)

	All SCBs	As on March 31, 2016	Percentage
A	Total Gross Bank Loan & Advances	68,738	-
B	Total Consortium Advances	17,157	24.95 (B as percentage of A)
C	Total Gross NPAs	5,504	8 (C as percentage of A)
D	Total NPAs relating to Consortiums	3,113	56.55 (D as percentage of C) 4.52 (D as percentage of A)

Source: Based on OSMOS data

As on March 31, 2017, total credit exposure under consortium lending was around 35 per cent the total outstanding loans. The share of SBI as lead bank in consortium finance is estimated to be roughly from 40 to 42 percentage and private banks share is said to be not more than 3 to 4 percentage. The share of multiple banking arrangements was around 33 percent and Sole banking proportion was around 26 percentage of the total outstanding loans respectively. The hybrid combinations of sole, multiple and consortium are said to contribute roughly around 5 to 6 percentage of total outstanding loans. (Table 1.2)

Table 1.2: Exposure under consortium lending as on 31.03.2017

Sr. No	Banking Arrangement (31.03.2017)	Share (percentage)
1	Consortium	35
2	Multiple Arrangement	33
3	Sole	26
4	Multiple Arrangement and Consortium	4
5	Sole & Consortium	1
6	Sole & multiple Arrangement	1

Source: DBS presentation during CAFRAL on Integrated Risk Management

In March 2018, large borrowers accounted for 54.8 per cent of gross advances and 84.5 per cent of Gross Non-Performing Assets (GNPAs). The top 100 large borrowers accounted for 15.2 per cent of gross advances and 26 per cent of GNPAs (chart 2.3 of FSR June 2018), contributing to the malaise (Chart 1.1). Most, all these are consortiums. It corroborates the observations at Table 1.1 above.

Conclusion:

Consortium finance has been an important element of bank lending in India. Large corporates have been financed largely through consortium financing as it helps distribute the risk. However, in actual practice, several deficiencies of consortium finance have also been observed. Main concerns in functioning of consortiums relate to monitoring day to day transactions monitoring as well as system identification of NPAs. The underlying reason for these deficiencies is the manual methods for monitoring interbank data relating to consortium finance even as significant technological tools and solutions are available. Hence the challenge is to maximize the benefits of consortium finance by addressing the associated deficiencies.

II. Need of the study and methodology

Need of technology based solution for management of NPAs: The requirement of IT infrastructure for management of stressed assets was clearly pointed out by G Gopalakrishna committee report of 2011 (Working Group on Information Security, Electronic Banking, Technology Risk Management and Cyber Security constituted by RBI under Chairmanship of G Gopalakrishna produced its Report in 2011) as under;

"Critical functions or applications dealing with financial, regulatory and legal, MIS and risk assessment/management, (for example, calculation of capital adequacy, ALM, calculating VaR, risk weighted assets, NPA classification and provisioning, balance sheet compilation, AML system, revaluation of foreign currency balances, computation of MTM gains / losses, etc.,) needs to be done through proper application systems and not manually or in a semi-automated manner through spreadsheets. These pose risks relating to data integrity and reliability. Use of spreadsheets in this regard should be restricted and should be replaced by appropriate IT applications within a definite timeframe in a phased manner"

DBS circular issued in its wake during August 4, 2011 advised banks for such system based identification of NPAs and generation of returns as under;

"Since most banks have migrated to CBS platforms it should be possible for them to have in place systems / processes for identification of NPA accounts, collation and extraction of the data, preparation of all statistical statements / returns seamlessly from the data base in CBS / data warehouse, without manual intervention, to ensure the integrity and reliability of the data both for regulatory reporting and banks' own MIS requirements. Banks are therefore advised to have appropriate systems in place for such system based identification of problem / NPA accounts and generation of returns / data"

How much identification can be system driven: Differences in identification of NPAs in consortium limits distributed in the books of member banks has become a serious issue. As NPA identification is a sensitive issue, many banks have either partly automated or not automated the system of identification of NPAs. Sometimes there is inability to implement such solution or either lack of desire to do it. A large number of banks moved to system based classification by either directly adapting Core Banking Solution (CBS) environment or through secondary customised IT system mapped with CBS. A large number of banks are still under manual or semi-manual IT enabled environment. There is still subjectivity involved around governance framework for NPA identification. The inadequacy in governance framework is in terms of delegated authority for decision making to lower level functionaries. For consortium, decisions are taken either on the basis of individual members experience with the borrowers or suitability of such action for their own balance sheets.

Main concerns in functioning of consortiums relate to monitoring day-to-day transactions and system identification of NPAs. Consortium accounts work simultaneously at multiple banks in the form of separate limits, which is distinct from the way single bank advances work. Hence, it is necessary to envisage distinct and differentiated IT and MIS mechanism encompassing all the limits for consortium. Lack of availability and adequate processing of information and uncoordinated action amongst leader and members banks has also created scope for siphoning, diversion, round tripping of funds and leveraging for their advantage by the borrowers. At present there is manual or rudimentary technology framework in place to present an integrated picture for meaningful control.

Context of research study: During the Seminar on System Identification of NPAs held by Department of Banking Supervision (DBS) and Centre for Advanced Research & Learning (CAFRAL) on February 9, 2017, where banks like SBI, HDFC, ICICI etc. made presentations on their systems with different approaches of identification of NPAs, these deficiencies leading to divergence in identification of non-performing assets especially for consortium were discussed.

With this background and context, based on survey study with senior and experienced bankers explores measures required for changing and improving the working of consortiums applying technological solutions (fintech) enabling dynamic shared monitoring consortium accounts leading to quick decision making. Benefits arising from such change in handling consortium (and even multiple banking accounts with common creditor agreements) are given in the form of recommendations. It intends to assess functioning consortium finance in India and suggests measures to improve it.

Significance of the study: This study is important in the current context for several reasons: (i) many of large borrowers have been financed by way of consortia accounts (ii) consortia accounts constitute bulk of NPAs (iii) existing methods of manual and Information Technology based NPA identification methods are insufficient as they work in single bank silos (iv) unless a new technology solution is discovered urgently which can work in interbank space, it will be difficult to prevent further slippages of consortia accounts into NPAs.

Against this introductory background, the study is organised into three sections. Section I: Development of and working of Consortium Finance in India Section II The current regulatory framework of consortia: Section III Changes required to improve consortium finance summing up key findings of the study.

Department of Banking Supervision (DBS) and Centre for Advanced Research & Learning (CAFRAL) held a Seminar on System Identification of NPAs on February 9, 201, in the light of Asset Quality Review (AQR) findings on deficiencies in identification of NPAs by banks.

During the key note address and other sessions in the Seminar, many bankers who were apprehensive about functioning and management of consortiums, either as members or as leaders of consortiums. Sensing the concerns expressed by the bankers about lack of sufficient wherewithal for improving the behavior of consortium borrowers as well member banks, the author was inspired to compile complaints and deficiencies along with positive suggestions for improving the working of consortium accounts.

Methodology: The methodology followed for the study is based on exploratory survey study with a questionnaire. The study was taken up with monkey survey tool soliciting responses from respondents for improvement in management of consortium accounts. The survey tool was questionnaire consisting of twelve (12) questions covering all aspects of consortium accounts. It was designed by taking inputs from various presentations and deliberations in the Seminar on System Identification of NPAs held by Department of Banking Supervision (DBS) and Centre for Advanced Research & Learning (CAFRAL) on February 9, 2017 with the broad objective of addressing the supervisory gaps, deficiencies and divergence in identification of NPAs by the banks, in the light of Asset Quality Review (AQR) findings. Challenges in functioning and management of consortia were highlighted due to their large chunky NPAs.

The exploratory survey study was taken up with the participants of the program for comprehensive understanding of issues and possible solutions. Discussions with Infosys and D2K Technologies who made presentations on system identification of NPAs along with implementing banks (ICICI & HDFC teams) and presentation of CGM, DBS (Shri Baliar Singh) on AQR findings was useful for framing questions for the questionnaire about expectations from the information technology solution. The discussions with participants and presenters were helpful to understand various shortcomings and need of drastic change within or without the existing framework with likely robust technology based solution empowering plugging the shortcomings, avoid asymmetry of information and action which unduly benefits the borrowers.

III. Conclusion and Recommendations

A common automated reporting platform with engines for tracking transactions would be able to provide preventive controls and transparency providing controls for integrated credit discipline, smart system identification of NPAs and strengthen overall credit risk management of consortia or multiple banking. Such seamless solution would change the behavior and performance of lenders as well as borrowers and go beyond what is envisaged under PCR.

The automated consortium portal would strengthen the treatment of NPAs because of the capabilities of tracking and alerting system wide early warning signals, overdues, diversion, round tripping which will reduce tendency and scope for ever greening by consortium members. It would enable ssystem identification of NPAs on the basis of predefined triggers and impart efficiency various NPA related activities like restructuring of assets, provisioning, recovery, timely classification of non-cooperative borrowers as wilful defaulters, sale to Asset Reconstruction Companies (ARCs), write-offs, prompt invoking and formation joint lenders' forums (JLFs), adoption of corrective action plans (CAPs) etc.

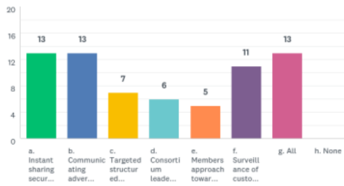
T

he recommendations deducted from the survey can help in building the suggested technological solution for management of consortiums. Specific benefits arising from such common automated reporting platform with engines for tracking transactions would be able to provide preventive controls and transparency providing controls for integrated credit discipline, smart system identification of NPAs and strengthen overall credit risk management of consortia or multiple banking. Such seamless solution would change the behavior and performance of lenders as well as borrowers.

A common portal for hosting all the consortia in the banking system enabled by automated engines with daily updating of transactional data owned by the regulator appears to be a promising solution. This would be able to plug the cracks and build efficiencies to vitalize the sector and afford better control in the hands of bankers financing corporates.

Key findings of survey and emerging from the survey study: The survey covered questions regarding perceived limitations of present system to monitor and identify consortia NPAs, preference for suitable technological solution, and capabilities and features desired in the technological solution. Aspects about structure, advantages and ownership of such solution were also covered. The findings of the survey were supplemented by presentations and discussions during the DBS CAFRAL seminar.

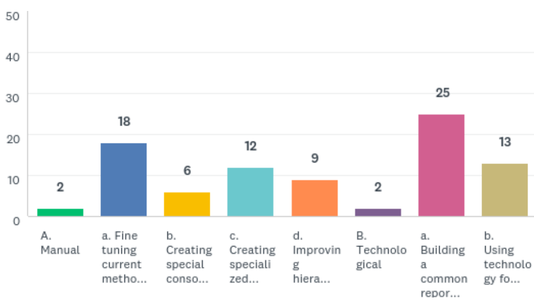
Q1: Working of consortium account: Which areas of the present system of consortium working arrangements need improvement (Choose as many)
Dissatisfaction with present system of monitoring consortiums: Timely sharing information, leaders approach, members involvement, ineffective meetings, complexities of distributed limits, lack of accountability, arm-twisting by the stronger leaders, concerns of balance sheet management weighing high. NPA being sensitive issue, systems leave scope for mediating.



ANSWER CHOICES	RESPONSES	
a. Instant sharing security information for DP (1)	50.00%	13
b. Communicating adverse developments (2)	50.00%	13
c. Targeted structured periodic meetings (3)	26.92%	7
d. Consortium leaders approach towards members and visa vis (4)	23.08%	6
e. Members approach towards consortium borrower (5)	19.23%	5
f. Surveillance of customer limits for round tripping (6)	42.31%	11
g. All (7)	50.00%	13
h. None (8)	0.00%	0
Total Respondents: 26		

BASIC STATISTICS				
Minimum	Maximum	Median	Mean	Standard Deviation
1.00	7.00	4.00	3.91	2.24

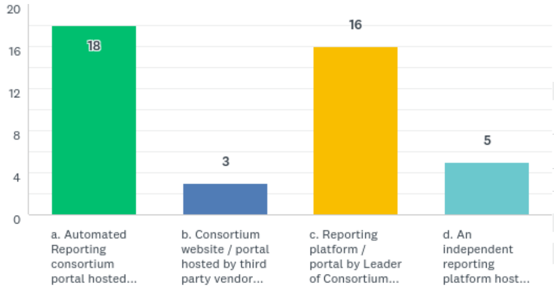
Q2: Tools for Improvements: How would the management of consortium account improve? By Manual methods or IT based enabling solution? (Choose as many) Manual versus Technological: First choice for technology-based solution for transparent exchange of information with decision support system. Second choice for improving manual procedures with structured agendas, follow up of decision, specialized training modules and reducing the hierarchy of decision making.



ANSWER CHOICES	RESPONSES	
A. Manual (1)	7.69%	2
a. Fine tuning current methods like structured agendas, periodical meetings, following up implementation of decisions in consortium meetings (2)	69.23%	18
b. Creating special consortium management cells at members banks (3)	23.08%	6
c. Creating specialized training modules for officials handling managing consortium accounts- Red flags, EWS (4)	46.15%	12
d. Improving hierarchy of decision making (5)	34.62%	9
B. Technological (6)	7.69%	2
a. Building a common reporting platform for transparent exchange of information (7)	96.15%	25
b. Using technology for decision support system (8)	50.00%	13
Total Respondents: 26		

BASIC STATISTICS				
Minimum	Maximum	Median	Mean	Standard Deviation
1.00	8.00	5.00	5.06	2.27

Q3: Type of IT based enabling solution for improving working of consortiums: Which of these IT based solutions types are practical and will be easily adopted by consortium members? (Choose as many) Type of technology solution-options: Preference for automated reporting portal hosted by regulator, as single point access of library of categorized content with search navigation, notification, information, analytics for task management, collaboration, business intelligence and application integration.

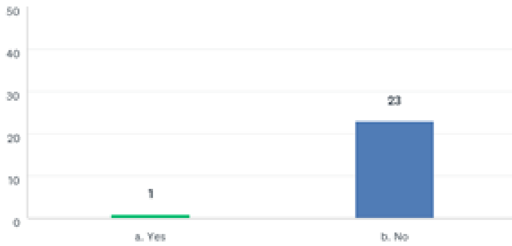


ANSWER CHOICES	RESPONSES	
a. Automated Reporting consortium portal hosted by regulator (like Credit Registry, CRILC) (1)	69.23%	18
b. Consortium website / portal hosted by third party vendor with voluntary adoption option (2)	11.54%	3
c. Reporting platform / portal by Leader of Consortium for members (3)	61.54%	16
d. An independent reporting platform hosted by (4)	19.23%	5
Total Respondents: 26		

BASIC STATISTICS

Minimum	Maximum	Median	Mean	Standard Deviation
1.00	4.00	2.50	2.19	1.12

Q4: Privacy Issues: Would such reporting application platform breach member banks privacy'?Risk of privacy breach: with agreement to share information on automated consortium platform, there seems to be no risk.

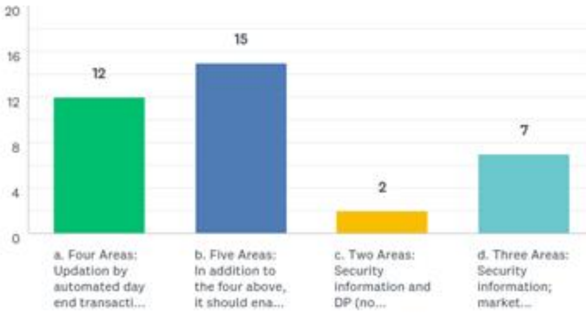


ANSWER CHOICES	RESPONSES	
a. Yes (1)	4.17%	1
b. No (2)	95.83%	23
Total Respondents: 24		

BASIC STATISTICS

Minimum	Maximum	Median	Mean	Standard Deviation
1.00	2.00	2.00	1.96	0.20

Q5: Architecture of the consortium portal: Which functionalities should be served by the reporting portal? (Choose as many) Five essential design features for automation of the reporting portal: (i) end of the day updation of transactions & balances of all loans (ii) tracking round tripping, red flags & EWS (iii) sharing drawing power, security, stocks, debts etc.(iv) continuous flow of market intelligence (v) trigger based online meetings.



ANSWER CHOICES	RESPONSES	
a. Four Areas: Updation by automated day end transaction files from members; Engine for tracking round tripping, Red Flags and EWS; Security documentation like stocks, book debts etc.; and Market intelligence Analysis (1)	46.15%	12
b. Five Areas: In addition to the four above, it should enable online meetings on triggers (2)	57.69%	15
c. Two Areas: Security information and DP (no transaction day end files) (3)	7.69%	2
d. Three Areas: Security information; market intelligence; Day end transaction files (4)	26.92%	7
Total Respondents: 26		

BASIC STATISTICS

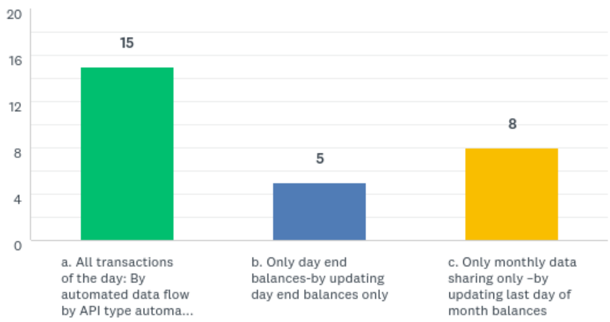
Minimum	Maximum	Median	Mean	Standard Deviation
1.00	4.00	2.00	2.11	1.07

Q6: Updation of the consortium portal: How should Updation of the portal be enabled? (Choose as many) Updation: Through Application Program Interfaces (APIs) neutral to any Core Banking Solutions (CBS) platform. (APIs are clearly defined methods of communication between various software applications including legacy systems).

ANSWER CHOICES	RESPONSES	
a. All transactions of the day: By automated data flow by API type automated transaction files at the end of each day, neutral any type of CBS (1)	57.69%	15
b. Only day end balances-by updating day end balances only (2)	19.23%	5
c. Only monthly data sharing only –by updating last day of month balances (3)	30.77%	8
Total Respondents: 26		

BASIC STATISTICS

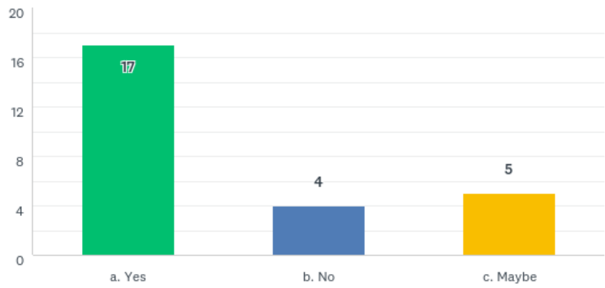
Minimum	Maximum	Median	Mean	Standard Deviation
1.00	3.00	1.00	1.75	0.87



Q7: Running automated engine for tracking round tripping entries and red flags: For tracking round tripping, diversion, red flags and early warning signals, should the portal enable running of automated engine (application) on the day end updated transaction files updating at the portal?Automated engines: Algorithmic data analytics applications for connecting transaction data for tracking movement of funds and goods, diversions, round tripping, red flags, payments, receipts, detection of early warning signals of incipient sickness and triggering online meetings. Paradigm shift in monitoring of consortiums Artificial intelligence and machine learning features.

ANSWER CHOICES	RESPONSES	
a. Yes (1)	65.38%	17
b. No (2)	15.38%	4
c. Maybe (3)	19.23%	5
Total Respondents: 26		

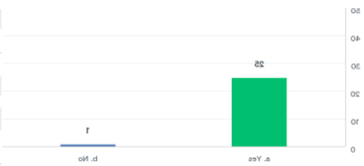
BASIC STATISTICS				
Minimum	Maximum	Median	Mean	Standard Deviation
1.00	3.00	1.00	1.54	0.80



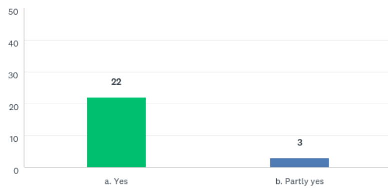
Q8: Market Intelligence: Would populating automated market intelligence (stock market performance, broker sites, Reuters, D2K, Bloomberg, whistleblower signals, news, social media, audit reports, quarterly performance etc.) feeds benefit the monitoring the consortium account?Structured market intelligence from multiple sources like brokerages, rating agencies, international and national exchanges, Reuters, Bloomberg, D2K, local news, social media, e-commerce data, audit reports, trade magazines, and directors with whistleblowers policy.

ANSWER CHOICES	RESPONSES	
a. Yes (1)	96.15%	25
b. No (2)	3.85%	1
Total Respondents: 26		

BASIC STATISTICS				
Minimum	Maximum	Median	Mean	Standard Deviation
1.00	2.00	1.00	1.04	0.19



Q9: Security Information sharing: Would it be beneficial to all members if uploading latest stocks statements, book debt balances, other security information, directors, subsidiaries etc. is done on the common portal for controlling drawing power? Security valuation information: populating dynamic security valuations information.

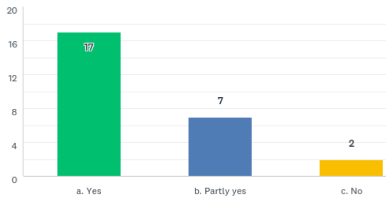


ANSWER CHOICES	RESPONSES	
a. Yes (1)	88.00%	22
b. Partly yes (2)	12.00%	3
Total Respondents: 25		

BASIC STATISTICS				
Minimum	Maximum	Median	Mean	Standard Deviation
1.00	2.00	1.00	1.12	0.32

Q10: Enabling online/virtual meeting: Would the common consortium reporting portal enable to hold virtual meetings as and when required and save on the logistics?

Enabling virtual meetings on the portal: On the basis of system generated triggers, calling virtual meetings as and when necessary, which are quicker and with dashboard of necessary information, without elaborate preparation. Would also help for consensus on filing for bankruptcy without delay.

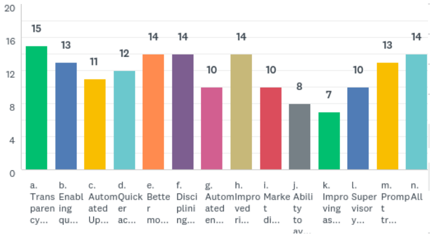


ANSWER CHOICES	RESPONSES	
a. Yes (1)	65.38%	17
b. Partly yes (2)	26.92%	7
c. No (3)	7.69%	2
Total Respondents: 26		

BASIC STATISTICS				
Minimum	Maximum	Median	Mean	Standard Deviation
1.00	3.00	1.00	1.42	0.63

Q11: Advantages of having a common consortium reporting portal for all the consortiums of SCBs: Which do you think would be the most common advantages of having a common consortium reporting portal with member access rights? (Choose as many)

Overall advantages of automated common consortium reporting portal hosted by regulator: Greater interoperability between lenders. Transparency in operations of consortium instead of working in silos. Improved risk management. Quicker decision making. Segregated market intelligence feeds. Tracking round tripping. Enabling forensic audits. Prompt tracking of diversion. Ensuring use of funds. Inculcating discipline in borrowers and banks. Supervisory advantage with availability of interbank processed information for Risk Based Supervision (RBS). It will deter invisible interventions and system identification of NPAs.



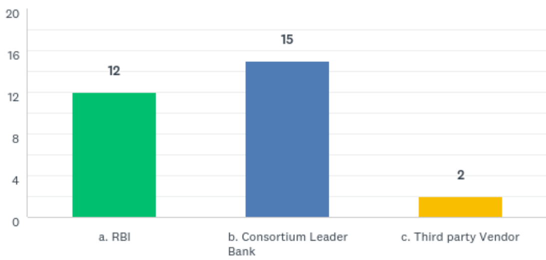
ANSWER CHOICES	RESPONSES	
a. Transparency in operations across the member limits (1)	57.69%	15
b. Enabling quicker decision making system (2)	50.00%	13
c. Automated Updation instead of compliance mode reporting (3)	42.31%	11
d. Quicker access to market intelligence (4)	46.15%	12
e. Better monitoring of the affairs of the borrower (5)	53.85%	14
f. Disciplining and alerting the borrowers for leveraging members working in silos (6)	53.85%	14
g. Automated engines tracking round tripping and giving forensic audit trails (7)	38.46%	10
h. Improved risk management (8)	53.85%	14
i. Market discipline (9)	38.46%	10
j. Ability to avoid external influences due to tracking (10)	30.77%	8
k. Improving asset classification (11)	26.92%	7
l. Supervisory advantage for RBS (12)	38.46%	10
m. Prompt tracking of diversion to subsidiaries (13)	50.00%	13
n. All (14)	53.85%	14
Total Respondents: 26		

BASIC STATISTICS

Minimum	Maximum	Median	Mean	Standard Deviation
1.00	14.00	7.00	7.21	4.16

Q12: Ownership of the common consortium reporting portal: With whom the ownership rest?

Ownership: Participants vacillated between consortium leader ownership and regulatory ownership but scales weighed in favour of regulatory ownership for hosting the portal on the basis of overall responses.

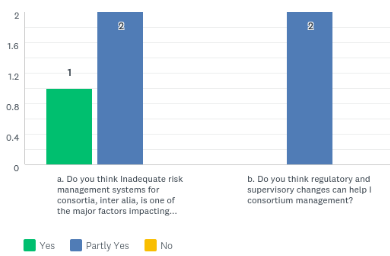


ANSWER CHOICES	RESPONSES	
a. RBI (1)	46.15%	12
b. Consortium Leader Bank (2)	57.69%	15
c. Third party Vendor (3)	7.69%	2
Total Respondents: 26		

BASIC STATISTICS

Minimum	Maximum	Median	Mean	Standard Deviation
1.00	3.00	2.00	1.66	0.60

Q13: Can Regulatory and Supervisory Changes help in consortia management:

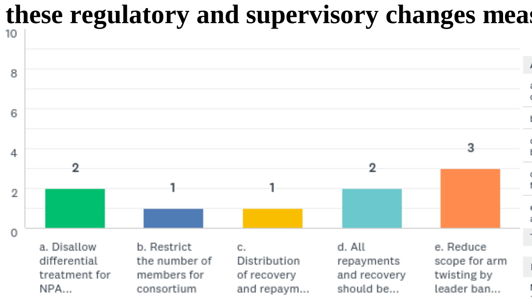


	YES (1)	PARTLY YES (2)	NO (3)	TOTAL
a. Do you think Inadequate risk management systems for consortia, inter alia, is one of the major factors impacting loans turning into NPA?	33.33% 1	66.67% 2	0.00% 0	3
b. Do you think regulatory and supervisory changes can help I consortium management?	0.00% 0	100.00% 2	0.00% 0	2

BASIC STATISTICS

	MINIMUM	MAXIMUM	MEDIAN	MEAN	STANDARD DEVIATION
a. Do you think Inadequate risk management systems for consortia, inter alia, is one of the major factors impacting loans turning into NPA?	1.00	2.00	2.00	1.67	0.47
b. Do you think regulatory and supervisory changes can help I consortium management?	2.00	2.00	2.00	2.00	0.00

Q14: Which of these regulatory and supervisory changes measures can help?



ANSWER CHOICES	RESPONSES	
a. Disallow differential treatment for NPA classification by consortium members depending on their individual repayment experience (1)	66.67%	2
b. Restrict the number of members for consortium (2)	33.33%	1
c. Distribution of recovery and repayment of installment from consortium borrowers should not be left to the choice of leader bank (3)	33.33%	1
d. All repayments and recovery should be routed through an escrow account for fair distribution (4)	66.67%	2
e. Reduce scope for arm twisting by leader bank by using better governance and automation (5)	100.00%	3
Total Respondents: 3		

BASIC STATISTICS

Minimum	Maximum	Median	Mean	Standard Deviation
1.00	5.00	4.00	3.33	1.56

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