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IDBI Bank Streamlines NPA Account Management with SASF

Managing stressed assets has always been one of the toughest challenges for banks, especially when legacy systems and outdated processes stand in the way of efficiency. For IDBI Bank, this challenge was particularly critical, leading to the creation of the Stressed Assets Stabilisation Fund (SASF).

In this edition of our newsletter, we look at how IDBI, with the support of CredenTek, transitioned from an outdated legacy system to a modern, centralized SASF platform for NPA Account Management.

The Rise of IDBI and the Burden of NPAs

The Industrial Development Bank of India (IDBI) was established in 1964 by the Government of India as a development financial institution (DFI). Its primary role was to provide long-term finance for large industrial projects.

By the late 1990s, a large share of IDBI's loan portfolio had turned into non-performing assets (NPAs). These were often concentrated in big-ticket industrial loans, where recovery was slow and complicated due to legal challenges, weak bankruptcy mechanisms, and lack of collateral enforcement at that time.

At the same time, global and domestic financial sector reforms demanded that Indian banks and financial institutions meet stricter norms for capital adequacy, provisioning, and asset quality. This created a huge problem: IDBI, saddled with bad loans, could not meet these requirements. Its gross NPAs swelled to about ₹9,000 crore by 2004, severely eroding its financial strength.

Turning Point: Creation of SASF in 2004

As of March 2004, IDBI's NPAs were approx ₹9,000 crore. It was under these circumstances that the Government of India set up the Stressed Assets Stabilisation Fund (SASF) in September 2004.

636 stressed/NPA accounts with net loan outstanding of ~₹9,004 crore were transferred to SASF in exchange for special securities from the Government of India, which were redeemable in 20 years. IDBI was able to clean up its books and move forward as a commercial bank (IDBI Ltd, later merged with IDBI Bank).

CredenTek Steps In to Build the Foundation for a Centralized SASF System

Before the creation of SASF, IDBI Bank was not only burdened with mounting NPAs but also with technological challenges. The stressed assets were being tracked and managed through an older Informix-based system, which had been in place for years. Over time, this legacy platform became increasingly obsolete and the version of Informix being used had gone out of support, and no vendor or service provider was able to upgrade, customize, or maintain it effectively.

This was the context in which CredenTek entered the picture. Understanding the urgency, CredenTek developed and deployed a custom SASF System built to replace the outdated Informix platform.

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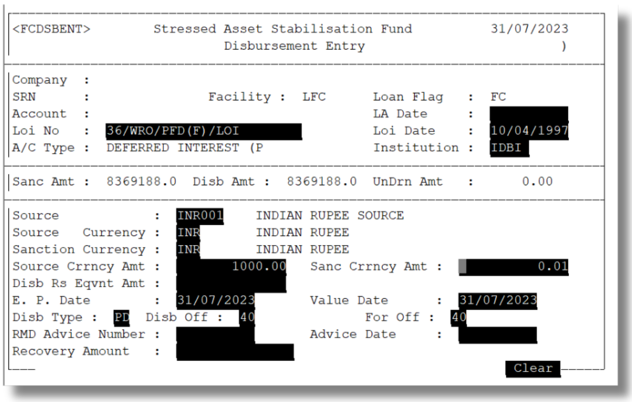
The Challenge of Technology Migration

One of the biggest challenges in operationalizing SASF was technology migration to Oracle. The transition was not as simple as installing a new system. Informix and Oracle had different data models, storage structures, and query handling mechanisms. CredenTek took on this task, carrying out the complex migration and building a modern SASF platform around it.


<FCDSBENT> Stressed Asset Stabilisation Fund 31/07/2023
Disbursement Entry)

Company :
SRN : Facility : LFC Loan Flag : FC
Account : LA Date : [redacted]
Loi No : 36/WRO/PFD(F)/LOI Loi Date : 10/04/1997
A/C Type : DEFERRED INTEREST (P Institution : IDBI

Sanc Amt : 8369188.0 Disb Amt : 8369188.0 UnDrn Amt : 0.00

Source : INR001 INDIAN RUPEE SOURCE
Source Currency : INR INDIAN RUPEE
Sanction Currency : INR INDIAN RUPEE
Source Crrncy Amt : 1000.00 Sanc Crrncy Amt : 0.01
Disb Rs Eqvnt Amt : [redacted]
E. P. Date : 31/07/2023 Value Date : 31/07/2023
Disb Type : PD Disb Off : 40 For Off : 40
RMD Advice Number : [redacted] Advice Date : [redacted]
Recovery Amount : [redacted]
Clear

The Salient Features of SASF System

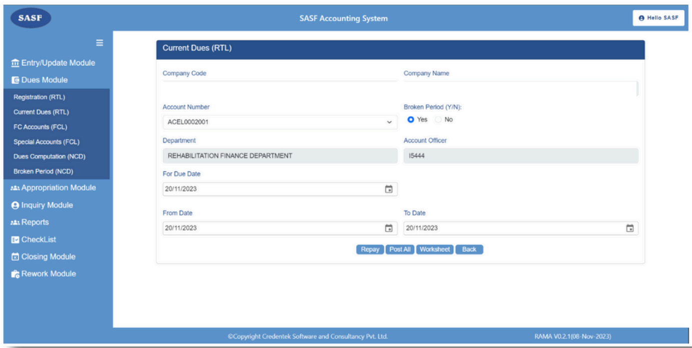
Centralized Platform: The SASF System provided IDBI Bank with a single, unified platform to manage all stressed assets. It brought together dedicated modules for Rupee Term Loans, Foreign Currency Loans, and Non-Convertible Debentures, ensuring that every type of account was handled with the same consistency, accuracy, and visibility across the institution.

Masters for Accuracy: To maintain clean and reliable records, the system introduced Company, Account, and NCD Certificate Masters. These acted as the backbone of data management, ensuring details like company names, account numbers, and certificate information were auto-populated and validated, reducing manual errors and saving significant time during data entry and reporting.

Loan Lifecycle Management: Every stage of the loan lifecycle from initial disbursement to repayment and closure was centralized. The system calculated dues, posted receipts, appropriated payments, and computed interest with precision.

Modern & Scalable: One of the most critical achievements was the migration from the outdated Informix system to a robust Oracle-based platform. This not only ensured long-term sustainability but also gave SASF the flexibility to scale as requirements evolved, transforming a legacy bottleneck into a future-ready foundation for asset management.

Reports & Checks: Reports generated for different purposes which include Ledger Reports, Disbursement & Receipt Reports, Appropriation Reports, URA & Overdue Reports, Checklist / Error Reports.



This intervention was a turning point. By overcoming the legacy IT roadblock, CredenTek not only stabilized IDBI's ability to manage SASF but also ensured that the recovery process became transparent, auditable, and efficient. In many ways, it was as critical as the financial restructuring itself, because without a functioning, modern system, SASF would not have been able to operate at scale.

The implementation of the SASF System marked a turning point for IDBI Bank in its journey of managing stressed assets. By moving away from an outdated legacy platform and adopting a modern, centralized solution, the bank gained the ability to manage complex accounts with greater efficiency, accuracy, and transparency.

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