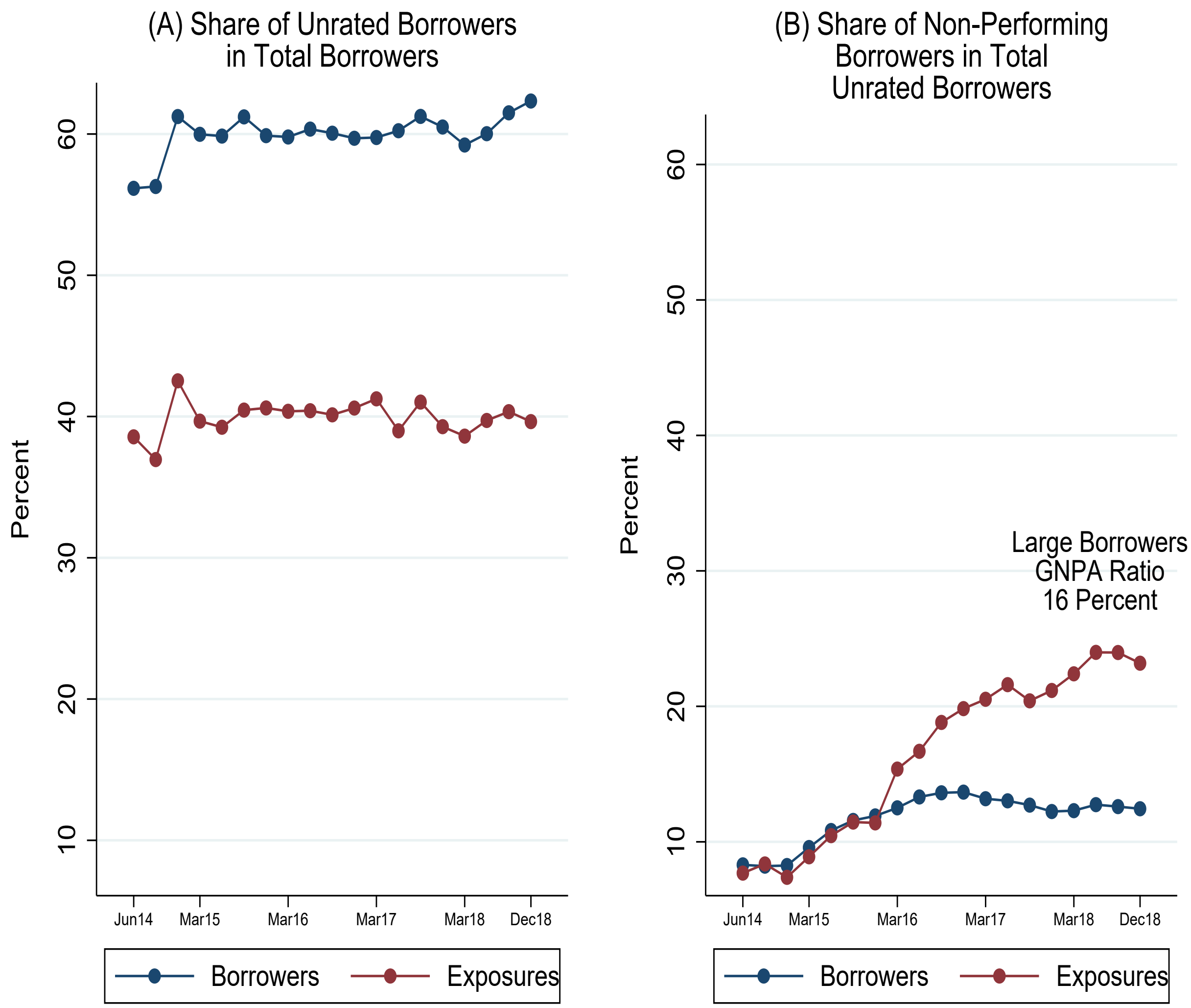
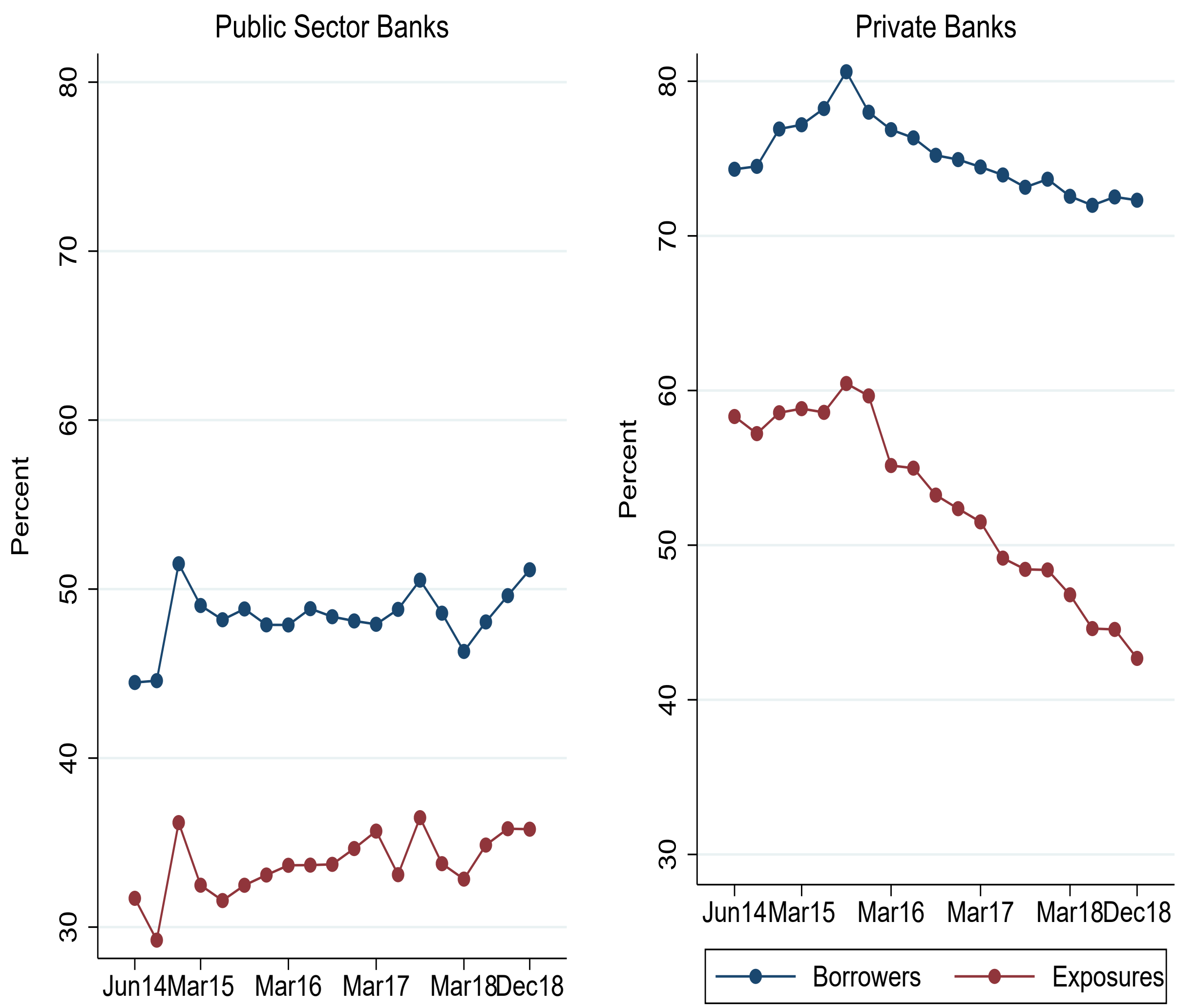
7 Figures

Figure 1: Quarterly Trends in Share of Unrated Borrowers and Gross NPA Ratio for Unrated Borrowers



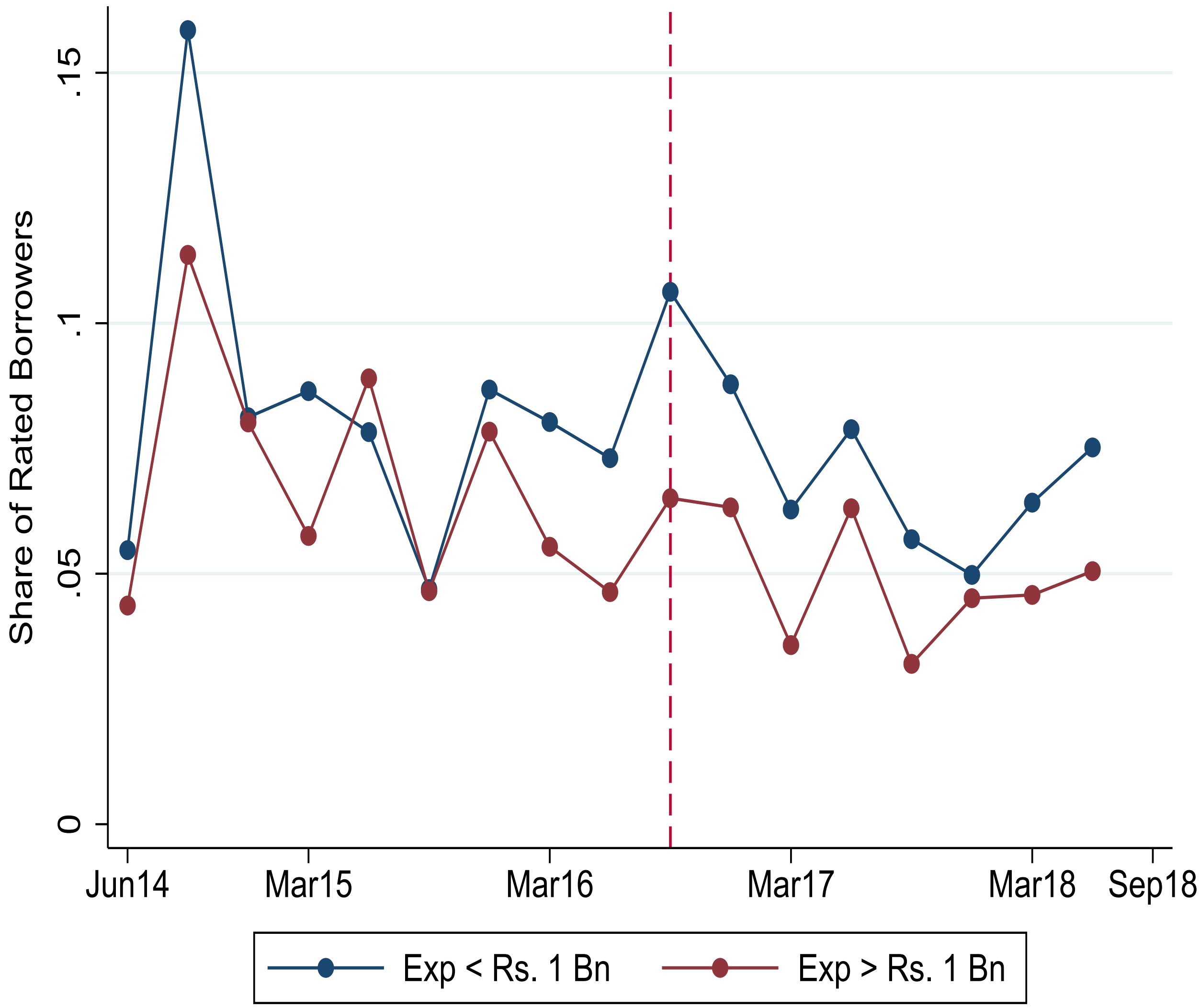
Note: This figure shows aggregate quarterly trends for unrated borrowers. The left panel shows the quarterly share of unrated borrowers in the database, both as per cent of total borrowers and total exposures. The right panel restricts the sample to unrated non-performing borrowers/exposure and computes their share in total unrated borrowers/exposure.
Source: Calculated using CRILC data.

Figure 2: Quarterly Trends in Share of Unrated Borrowers for Public and Private Sector Banks



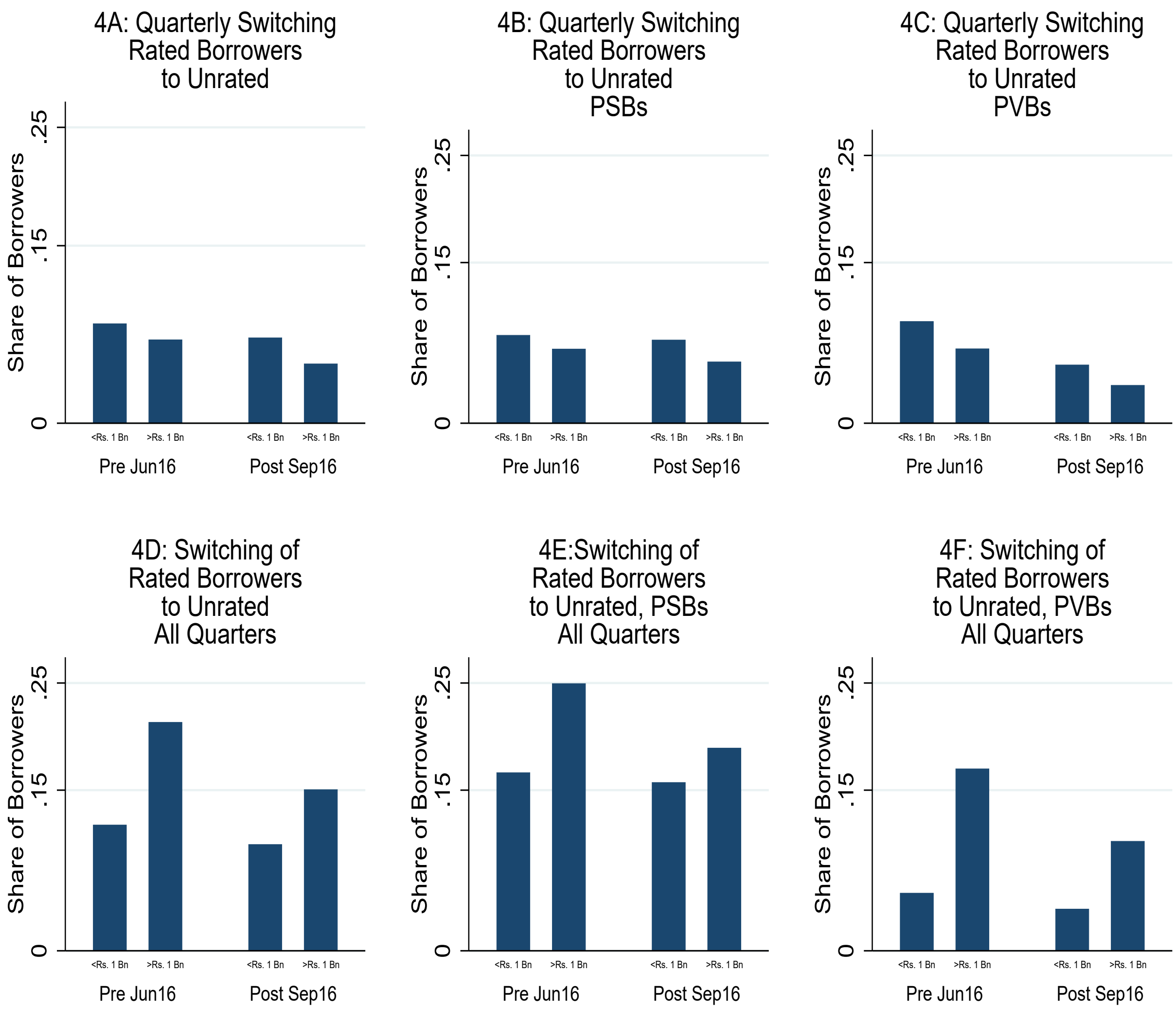
Notes: This figure plots the quarterly trends in the number and exposure of unrated borrowers across public and private sector banks.
Source: Calculated using CRILC data.

Figure 3: Quarterly trends in Rated-to-Unrated Switching Across the Policy Threshold



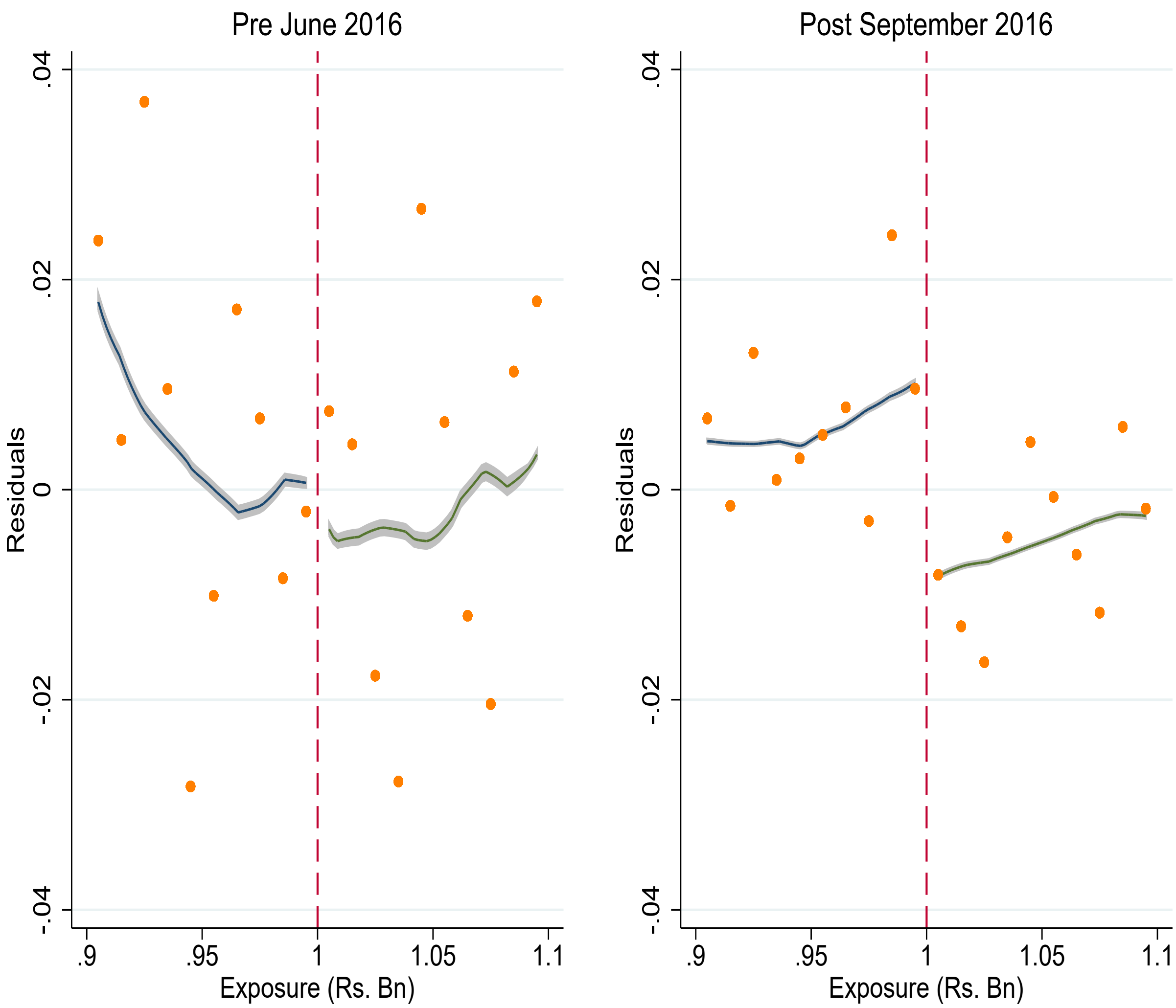
Notes: This figure plots the quarterly trends in borrowers' switching from the rated to unrated category. Each circle in the figure corresponds to the share of rated borrowers who have switched to the unrated category in that quarter. The red line depicts the onset of the policy raising the risk weight for borrowers in excess of Rs. 1 billion who switched from rated to unrated.
Source: Calculated using CRILC data.

Figure 4: Quarterly and Aggregate Difference-in-Difference Estimator across Bank Groups



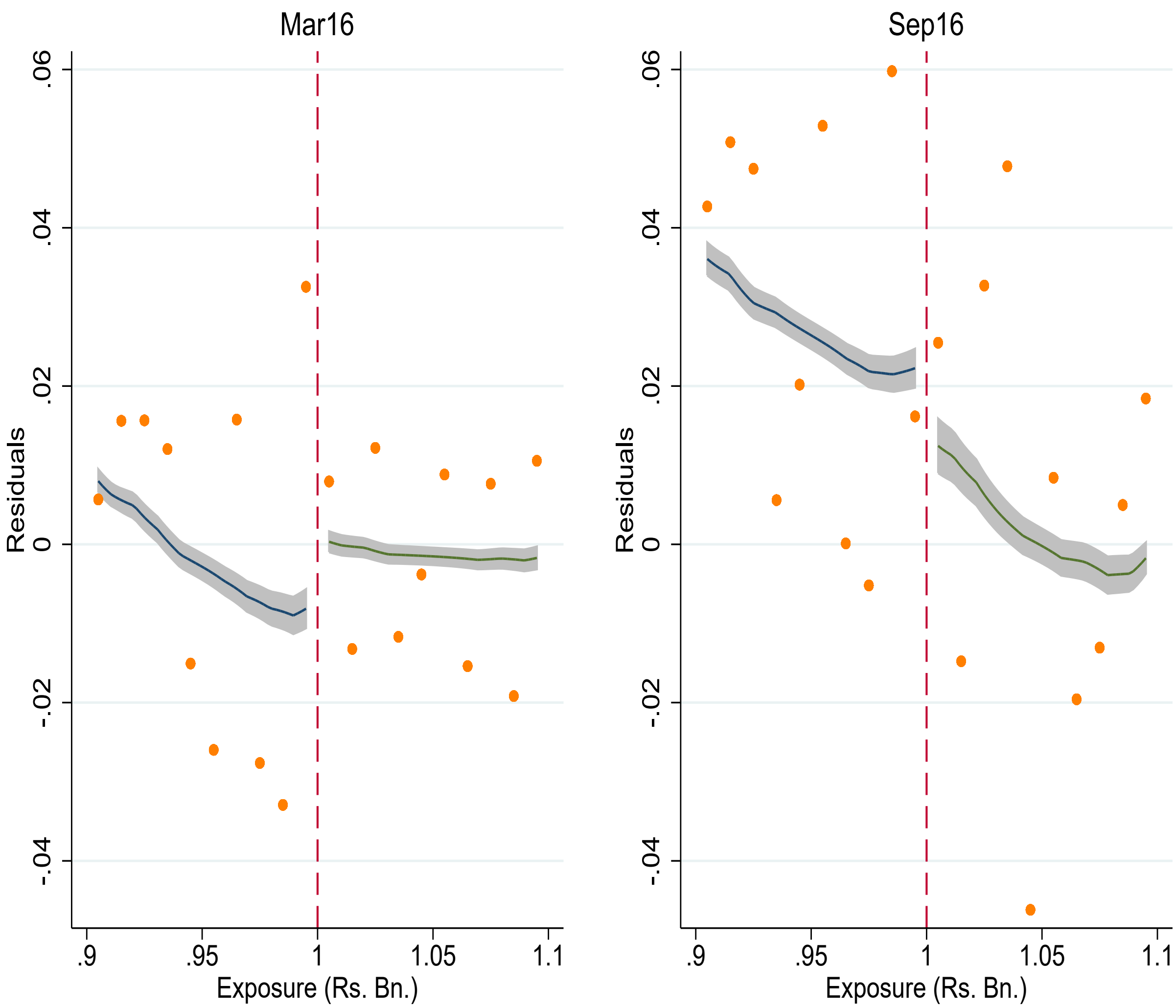
Notes: The above bar graphs compute the unconditional difference-in-difference (DiD) estimator based on the policy's timing and the treated (borrowers with exposures exceeding Rs. 1 billion) and control (borrowers with exposures of Rs. 1 billion and below) groups established by the policy. The DiD estimates are also calculated separately for bank groups. The top panel shows the average quarterly likelihood of borrowers switching from rated to unrated. The bottom panel calculates the aggregate likelihood of borrowers switching from the rated to the unrated category, irrespective of the quarter.
Source: Calculated using CRILC data.

Figure 5: Likelihood of Borrower's Switching from the Rated to Unrated Category: Aggregate RDD estimate



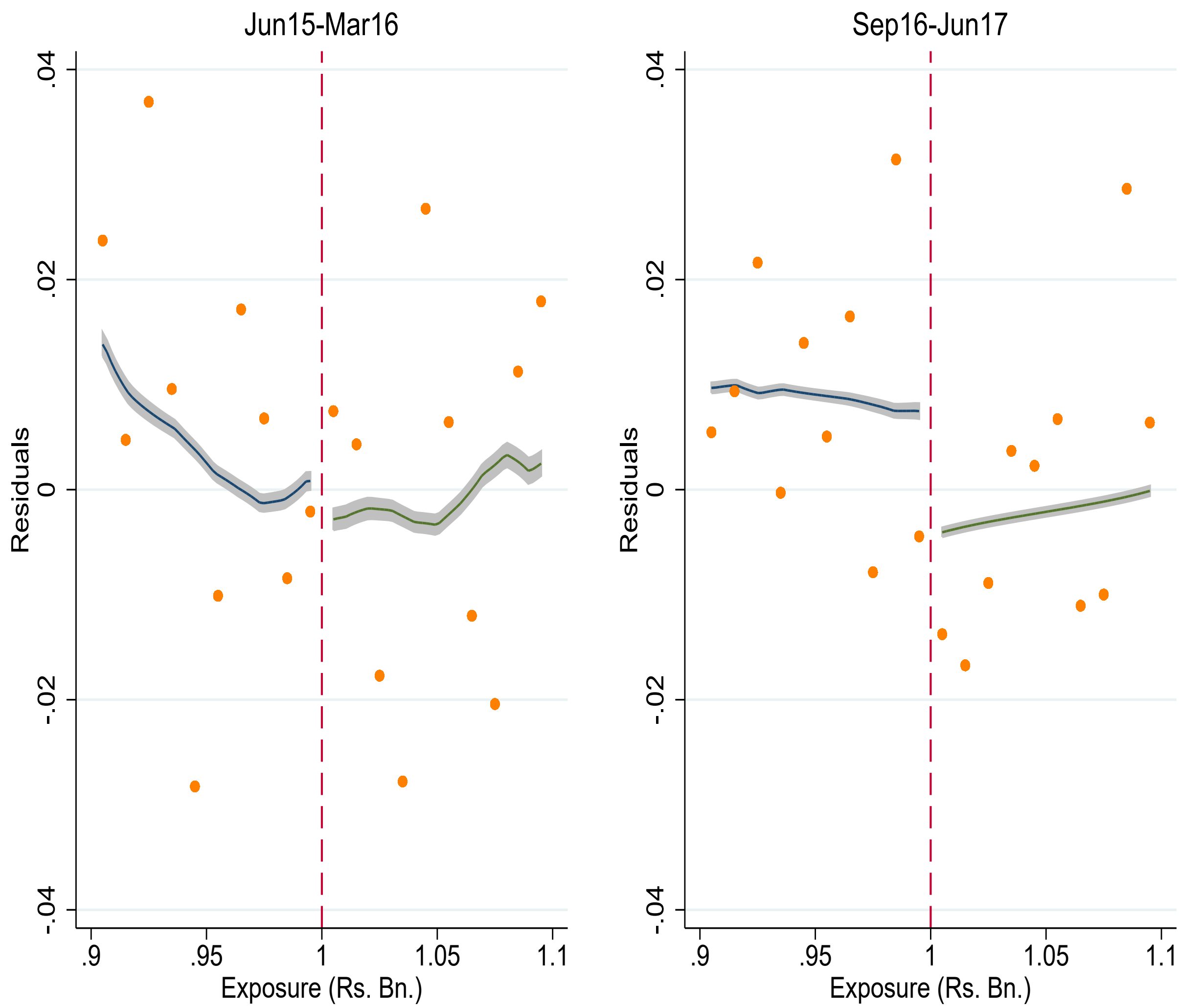
Note: This figure presents the regression discontinuity estimate of the likelihood of borrowers' switching in response to the policy within Rs. 0.1 billion bandwidth around the threshold of Rs. 1 billion. The x-axis is divided in 20 equally spaced bins of Rs. 0.01 billion based on the systemic exposure of borrowers. Each circle represents the average conditional likelihood of borrowers switching from rated to unrated, for borrowers with total exposures corresponding to that bin. The line represents a linear fit and the shaded area is the 95 per cent confidence interval. The left hand panel shows the pre-policy period; the right hand panel shows the post-policy period.
Source: Calculated using CRILC data.

Figure 6: Likelihood of Borrower's Switching from the Rated to Unrated Category - 1 Quarter Effect of the Policy: RDD Estimate



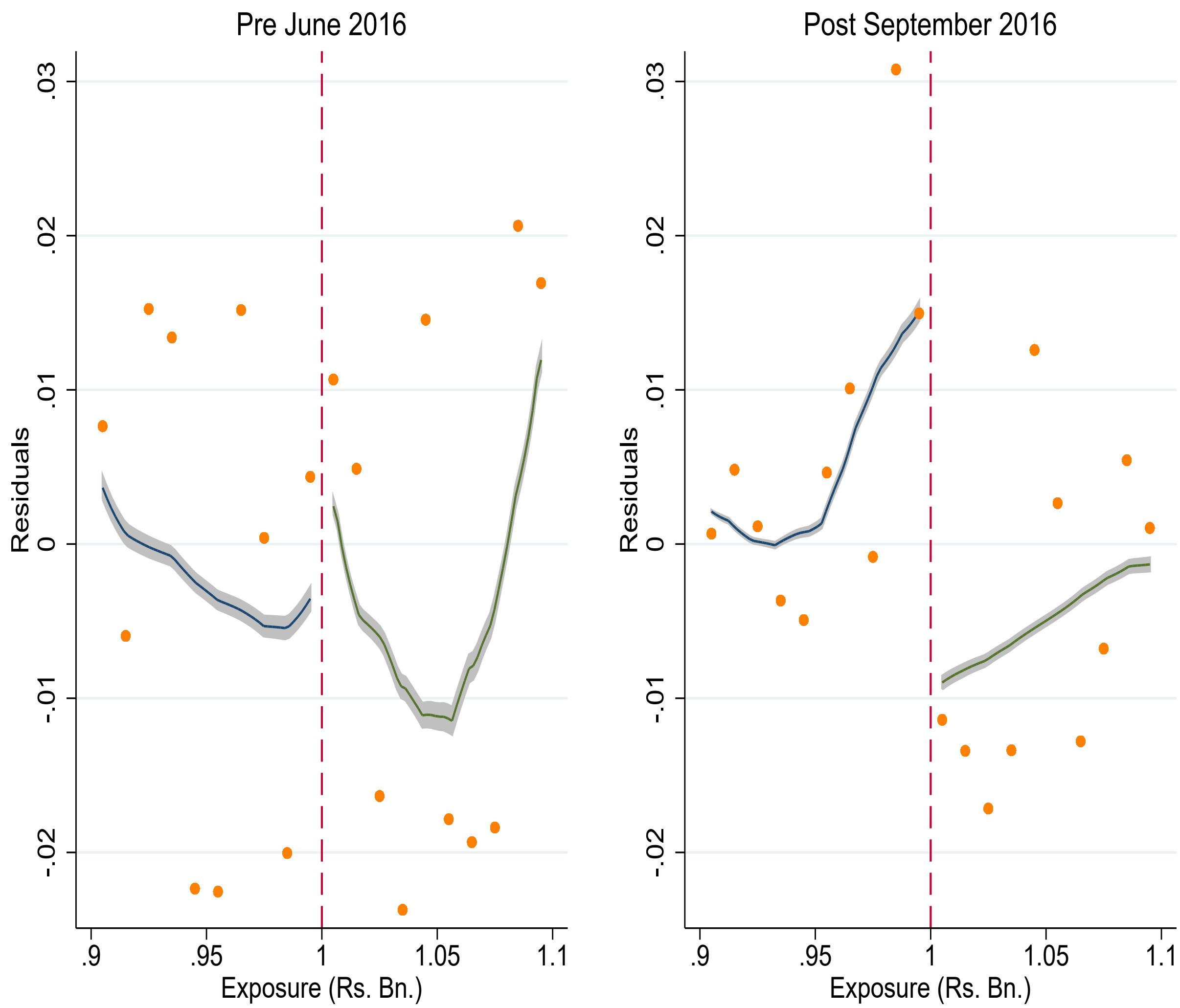
Note: This figure presents the short-run regression discontinuity estimate of the likelihood of borrowers' switching in response to the policy within Rs. 0.1 billion bandwidth around the threshold of Rs. 1 billion. The x-axis is divided in 20 equally spaced bins of Rs. 0.01 billion based on the systemic exposure of borrowers. Each circle represents the average conditional likelihood of borrowers switching from rated to unrated, for borrowers with total exposures corresponding to that bin. The line represents a linear fit and the shaded area is the 95 per cent confidence interval. The left hand panel restricts the sample to the March 2016 quarter (2 quarters before the policy); the right hand panel restricts the sample to September 2016 - the quarter the policy was implemented.
Source: Calculated using CRILC data.

Figure 7: Likelihood of Borrower's Switching from the Rated to Unrated Category - 1 Year Effect of Policy: RDD Estimate



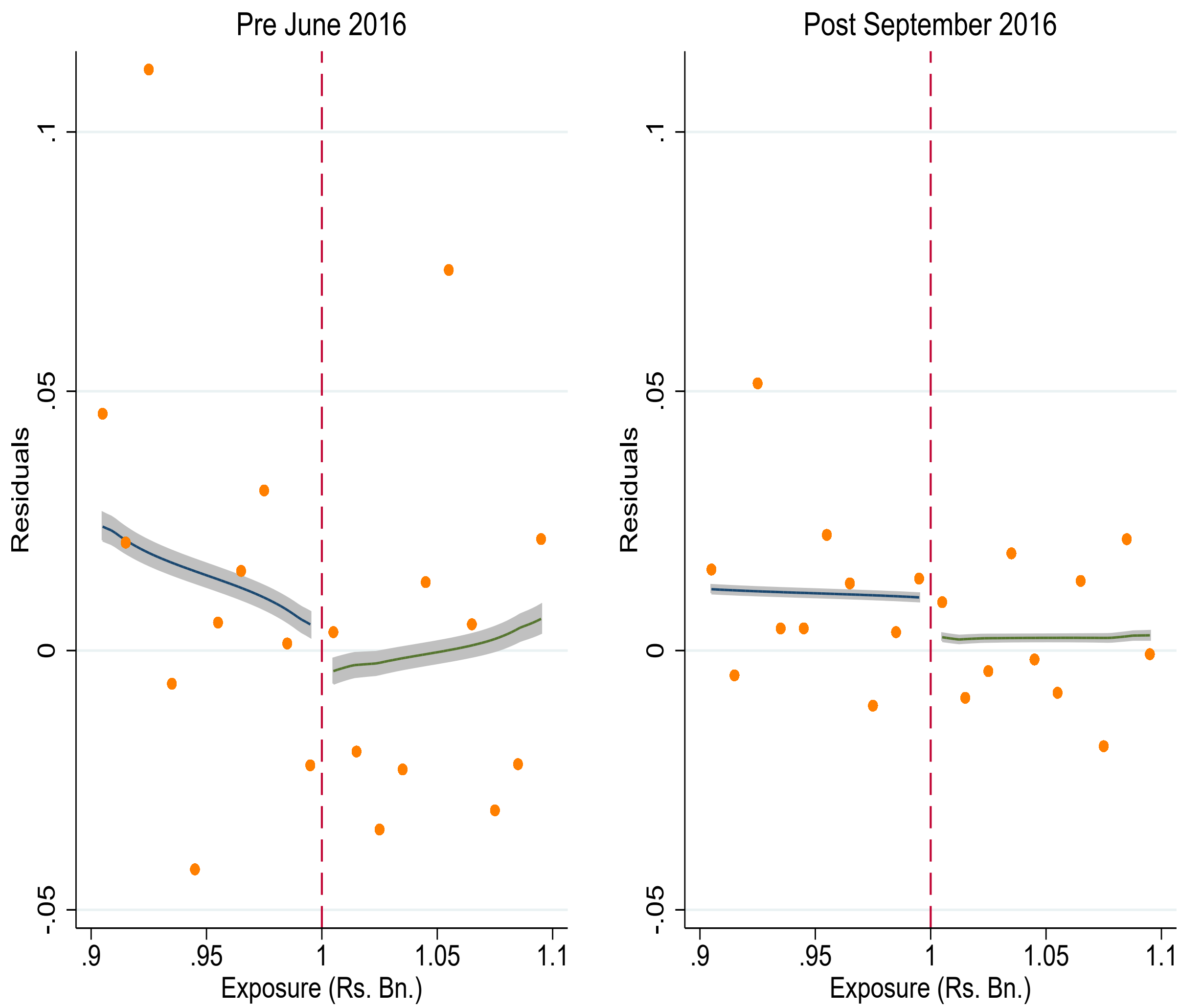
Note: This figure presents the medium-term regression discontinuity estimate of the likelihood of borrowers' switching in response to the policy within Rs. 0.1 billion bandwidth around the threshold of Rs. 1 billion. The x-axis is divided in 20 equally spaced bins of Rs. 0.01 billion based on the systemic exposure of borrowers. Each circle represents the average conditional likelihood of borrowers switching from rated to unrated, for borrowers with total exposures corresponding to that bin. The line represents a linear fit and the shaded area is the 95 per cent confidence interval. The left hand panel restricts the sample to four quarters prior to the policy; the right hand panel restricts the sample to four quarters after the policy.
Source: Calculated using CRILC data.

Figure 8: Likelihood of Borrower's Switching from the Rated to Unrated Category - Public Sector Banks: RDD Estimate



Note: This figure presents the regression discontinuity estimate of the likelihood of borrowers' switching in response to the policy within Rs. 0.1 billion bandwidth around the threshold of Rs. 1 billion. The x-axis is divided in 20 equally spaced bins of Rs. 0.01 billion based on the systemic exposure of borrowers. Each circle represents the average conditional likelihood of borrowers switching from rated to unrated, for borrowers with total exposures corresponding to that bin. The line represents a linear fit and the shaded area is the 95 per cent confidence interval. The left hand panel shows the pre-policy period; the right hand panel shows the post-policy period. The sample is restricted to borrowers in public sector banks.
Source: Calculated using CRILC data.

Figure 9: Likelihood of Borrower's Switching from the Rated to Unrated Category - Private Sector Banks: RDD Estimate



Note: This figure presents the regression discontinuity estimate of the likelihood of borrowers' switching in response to the policy within Rs. 0.1 billion bandwidth around the threshold of Rs. 1 billion. The x-axis is divided in 20 equally spaced bins of Rs. 0.01 billion based on the systemic exposure of borrowers. Each circle represents the average conditional likelihood of borrowers switching from rated to unrated, for borrowers with total exposures corresponding to that bin. The line represents a linear fit and the shaded area is the 95 per cent confidence interval. The left hand panel shows the pre-policy period; the right hand panel shows the post-policy period. The sample is restricted to borrowers in private sector banks.
Source: Calculated using CRILC data.