Banking regulation amendment bill

Why in news?

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Recently, Banking Regulation (Amendment) Bill has been passed in the Rajya Sabha.

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What are the highlights of the bill?

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- The Bill, earlier passed by the Lok Sabha, will replace the Banking Regulation (Amendment) Ordinance, 2017.
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- It empowers the Reserve Bank of India to deal with stressed assets in the banking sector.
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- Primarily, the bill allows RBI to initiate insolvency and bankruptcy against wilful loan defaulters.
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- The RBI will also be empowered to issue other directions for resolution, appoint or approve for appointment, authorities or committees to advise the banking companies for stressed asset resolution.
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- Powers are being extended to the RBI on the rationale that it is not merely a regulator, but has also performed other functions like public debt management earlier.
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What is the purpose of this legislation?

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- Non-performing assets (NPA) are growing because of accumulated interests. Steel, Infrastructure, Power and Textiles are the sectors with most NPAs.
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- Public sector banks were hit the most as big industrial and infrastructure programmes were supported by them in the hope that there would be further expansion.
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- But with rising NPAs, the capacity of banks to lend money to small creditors is being impacted and as a result the overall growth is affected as well.
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- Earlier rules for debt recovery were time-consuming; IBC(Insolvency and Bankruptcy Code), 2016, the new parallel mechanism is more effective.
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- The present bill will further enable banks to start realising the money, assets will not be wasted, the companies will continue to function and the jobs that are there in the company will also be saved.
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Source: The Hindu

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