NARC or BBB

Why India needs a Big Bad Bank?

\n\n

\n
- The National Asset Reconstruction Company or the big bad bank as it is called is more about the principle of separating the good from the bad and not about wasting more good money on bad assets.
\n
- NARC will inspire confidence amongst banks& help PSBs to reduce their burden and concentrate in other banking activities, rather than debt recovery.
\n

\n\n

Why Public Sector Bankers hesitate to sell bad assets to private ARCs?

\n\n

\n
- Private ARCs will buy bad assets at higher discount, making it more taxing on the bank.
\n
- Banks also fear prosecution by state investigative agencies at a later date.
\n

\n\n

What are steps taken by RBI & Govt. so far?

\n\n

\n
- It recognized the bad loan mess, understood the extent of the malaise, and started addressing it.
\n
- These have been one at a time, and certainly did not lead towards a lasting solution to the mountain of a problem that non-performing assets are.
\n

\n\n

What the Stressed Assets Ratio pointing at?

\n\n

\n
- The stressed assets ratio is gross non-performing assets plus restructured standard advances of the banking sector.
\n
- It steadily rose from 10% in March 2014 to 12% in June 2016.
\n
- In PSBs, which account for roughly 70% of total banking assets, it was higher at 15.4% in June which means that out of every Rs 100 advanced by a state-owned bank, Rs 15.4 is restructured or bad loan.
\n

\n\n

What has to be done?

\n\n

\n
- Steps have to be taken to start the NARC, which will start the process of asset reconstruction.
\n
- It will also help the banks in this crucial phase of demonetized economy.
\n
- Be true to the expression – Good Economics is Good Politics
\n

\n\n

\n\n

Category: Mains | GS - III| Economy

\n\n

Source: The Indian Express

\n\n

\n\n

\n\n

\n\n

\n\n

\n\n

\n\n

\n\n

\n\n

\n\n

\n

