

## April 13<sup>th</sup>, 2019 Sample Current Affairs

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**1. India needs to bolster level of capitalisation of government-owned banks: IMF**

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- What's the status of NPAs in India?
- Why the level of non-performing loans in India remains high?
- What measures did RBI take to restructure the bad loans?

**GS paper 3 ( Indian Economy )**

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**What is the context about?**

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- The International Monetary Fund (IMF) believes that India should bolster the level of the capitalization of banks, particularly government-owned banks since the level of non-performing loans (NPLs) remains high in the country.
- **What's the status of NPAs in India?**  
In India, the level of non-performing assets remains high. Thus to deal with the issue of NPAs the level of the capitalization of government-owned banks, should be increased.
- As per estimates, bad loans fell by Rs 31,168 crore in April-December 2018-19 compared to NPAs worth Rs 8,95,601 crore at March-end 2018.

## Why the level of non-performing loans in India remains high?

### DAILY NEWS ANALYSIS

#### External factors

- **Ineffective Recovery Tribunal:** There are a number of ineffective recovery tribunals, which work ineffectively and in a careless manner due to which the bank suffers the consequences of non-recover.
- **Willful Defaults/Fraud:** There are borrowers who are competent to pay back loans but are intentionally withdrawing it.

### DAILY NEWS ANALYSIS

- **Industrial Sickness:** Inappropriate project handling, ineffective management, lack of adequate resources, lack of advanced technology, day to day changing government Policies produce industrial sickness. Therefore the banks that finance such mismanaged industries ultimately end up with a low recovery of their dues reducing their profit and liquidity.
- **Change on Government Policies:** With every new government, the banking sector gets new policies for its operation, so it has to cope with the changing principles and policies for the regulation of the rising of NPAs.

## DAILY NEWS ANALYSIS

### Internal Factors

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- **Inappropriate Technology:** Proper technology and management information system are not implemented in the banks, which leads to poor credit collection.
- **Improper SWOT Analysis:** The inappropriate strength, weakness, opportunity, and threat (SWOT) analysis is another MAJOR reason for the increase in NPAs.
- **Poor Credit Appraisal System:** Deprived credit appraisal is an additional factor for the increase in bad loans, due to poor credit appraisal the bank gives advances to those who are not able to repay it back.

## DAILY NEWS ANALYSIS

### What measures did RBI take to restructure the bad loans?

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- **Lok Adalats:** Established in 2001, Lok Adalats are helpful in tackling and recovery of small loans however they are limited up to 5 lakh rupees loans only by the RBI guidelines issued in 2001.
- **DRTs:** The Debts Recovery Tribunals (DRTs) set up under the Recovery of Debts Due to Banks and Financial Institutions (RDDBFI) Act, 1993, aims to help banks and other financial institutions to recover their dues speedily without being subject to the lengthy procedures of usual civil courts.
- **SARFAESI Act, 2002:** The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interests (SARFAESI) Act, 2002 went a step further than DRTs by empowering banks.