

NARC or BBB

Why India needs a Big Bad Bank?

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- 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.

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- NARC will **inspire confidence** amongst banks & help PSBs to reduce their burden and concentrate in other banking activities, rather than debt recovery.

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

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- Private ARCs will buy bad assets at **higher discount**, making it more taxing on the bank.

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- Banks also **fear prosecution** by state investigative agencies at a later date.

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

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- It recognized the bad loan mess, understood the extent of the malaise, and started addressing it.

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- 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.

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What the Stressed Assets Ratio pointing at?

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- The stressed assets ratio is [gross non-performing assets plus restructured standard advances](#) of the banking sector.

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- It steadily rose from 10% in March 2014 to 12% in June 2016.

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- 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.

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What has to be done?

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- Steps have to be taken to start the NARC, which will start the process of asset reconstruction.

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- It will also help the banks in this crucial phase of demonetized economy.

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- Be true to the expression - [Good Economics is Good Politics](#)

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Category: Mains | GS - III| Economy

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Source: The Indian Express

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