

Regulatory forbearance for banks cannot be a sustained solution to overcome the various problem faced by banks. Elaborate.

Recently, Yes Bank, Lakshmi Vilas Bank and many banks have been privatised or merged with other banks due to failure of operation & inefficiency.

★ Problem faced by Bank:

⇒ Non-Performing Assets (NPA):

- Acc to report of RBI put bank face the problem of NPA
- There is a delay in repayment of bank or put borrower's.

⇒ Credit Distribution:

- IFA has been observed the delay or improper credit distribution
- also observed the misallocation of resource
- There is also lack of restructuring of asset due to failed NPAs

⇒ Qualitative Aspect:

- There is also a loss of qualitative aspect, from the bank

⇒ Lack of Staff:

- There also observed the lack of staff with proper training.

* Measures that can be used?

- policy makers should outlay threshold of economic recovery at which such measures will be withdrawn
- Asset Quality Review Committee to be set up.
 - evaluation or review to be done periodically
- Loan allocation to be based on the proper review of borrower assets.
 - review must be based on future market values
- legal infrastructure recovery need to be strengthened de facto.
- Need to have a proper scrutiny of working of borrower after providing loan in order to protect the investment.

* Conclusion:

Bank and Financial Institutions (FI) the Main source of income and development of market and economy in local and global point of view. Banks and FIs need to be strengthened so that the development may continue and progress fast.