

Q Explain the measures that are required to be taken by the govt. of India to make good assets with help of bad bank.

Soln

Bad Bank are known as Asset Reversal function Company (ARC) which helps to.

recover the Non performing Assets/NPA's

Recently in Budget 2021 Ministry of Finance announced to make ARC to recover NPA's.

★ Good Assets from Bad Bank:

⇒ NPA's recovery

→ help to reduce the NPA and recover the amount

⇒ ⇒ help to NPA's tracking

→ help to the bank to track the NPA or company performance based on the amount

→ help or advice bank to provide loan to company based on performance of company.

⇒ Regulation & Rules for loan provisioning

→ help the bank to form / frame rules and policies to manage the Money

→ help to maintain the balance sheet and also the image

bank in its workings

* Steps/Measures to be taken by Govt:

⇒ Foreign Investment:

→ Govt should allow foreign investment upto 100% with some freedom to state of same rule.

⇒ Merge small ARCs:

→ Can merge small ARCs to form a big to reduce ARCs to a

→ help to reduce the loss and debt ~~total~~ with some required changes

⇒ Big ARCs:

→ Can provide support to small & big ARCs to manage debt

⇒ Govt can provide support & and some fund of approx. 5 to 6% in the recovery of NPA.

⇒ Govt can also provide back support to frame rule with RBI

⇒ Govt can also protect investment

Conclusion:

→ The recovery is more important and difficult if a comparative recovery becomes very amount. The recovery becomes very difficult if the amount is high and more over a separate dept is required to perform such fast difficult task