

RBI gets more power to crackdown on bad loans, NPAs as President signs ordinance to amend Banking Regulation Act

President Pranab Mukherjee on Thursday signed an ordinance giving more teeth to the Reserve Bank of India to deal with the growing problem of non-performing assets or bad loans, according to TV reports.

The ordinance means an amendment to the Banking Regulation Act. Finance Secretary Ashok Lavasa said on Thursday the amendments to the Act will help the RBI resolving the bad loans problem.

"It is not possible for me to put down a number on how this (NPAs) will go down, but certainly we feel that these changes will make the system more effective in handling the bad loans," he said in Delhi.

The secretary further said "we should be able to reach resolution in many of the cases" on the back of professionalism in the banking system and participation of promoters themselves.

Lavasa is confident that the amendments will allow RBI and banks to take effective steps to deal with the toxic assets.

Lavasa, however, did not disclose the details of the proposed amendments. He is of the view that there is enough appetite in the market to buy stressed assets.

"We should not judge the capacity that is there in the market because people do have appetite for investment in the Indian market. India is probably one of the best destinations for investment at this point of time," he asserted.

On Wednesday, the government cleared a package to resolve the persistent rise in non-performing assets that are menacing public sector banks and negatively impacting the credit growth.

The package includes an ordinance to modify the Banking Regulation Act of 1949 to give the Reserve Bank of India more power to act to check bad loans.

After a cabinet meeting chaired by Prime Minister Narendra Modi, Finance Minister Arun Jaitely declared that a major decision was taken related to the banking sector. However, he declined to comment on the contents of the resolution stating tradition.

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