



drishti

K.V. Kamath Committee on Restructuring of Loans

 drishtias.com/printpdf/k-v-kamath-committee-on-restructuring-of-loans

Why in News

The **Reserve Bank of India (RBI)** has set up a committee headed by **K.V. Kamath on restructuring of loans** impacted by the **Covid-19 pandemic**.

Key Points

- **Objective:** The Committee is tasked to **recommend parameters for one-time restructuring of corporate loans**.

The Committee will formulate sector-specific resolution plans for all accounts with total loan exposure of Rs.1,500 crore and above.

- **Deadline:** It will **submit its recommendations to RBI in 30 days**.
- **Background:** In the recent **Monetary Policy report**, RBI has allowed banks to restructure loans **to reduce the rising stress on incomes and balance sheets** of large corporates, **Micro, Small and Medium Enterprises (MSMEs)** as well as individuals.
- **Reasons:** A large number of firms that otherwise maintain a good track record are facing the challenge as their debt burden is becoming disproportionate, relative to their cash flow generation abilities.

This can potentially impact their long-term viability and pose significant financial stability risks if it becomes widespread. It may also lead to an increase in **Non-Performing Assets**.

- **Eligibility: Only those borrowers will be eligible for restructuring whose accounts were classified as standard and not in default for more than 30 days** with any lending institution as on 1st March, 2020.
 - All **other accounts** will be considered for restructuring under the **Prudential Framework** issued by the RBI in 2019, or the relevant instructions as applicable to specific categories of lending institutions where the prudential framework is not applicable.
 - The restructuring efforts **may or may not include a moratorium on instalment repayments**. RBI has left the decision of moratorium on banks, with an eye on averting such loans from slipping into non-performing assets.

Source: TH