



Panel to Assess Impact of Waiving Loan Interest

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Why in News

Recently, the Union government has constituted an expert committee to measure the economic impact of waiving of interest and interest on interest on the **Covid-19** related **loan moratorium**.

Key Points

- **Chairmanship:** The expert panel will be **chaired by Rajiv Mehrishi**, former **Comptroller and Auditor General (CAG)** of India, and will **submit its report within one week**.
- **Task:** It will measure the impact on the national economy and financial stability of waiving of interest and Covid-19 related moratorium.
It will also give suggestions to mitigate financial constraints of various sections of society in this respect and measures to be adopted in this regard.
- **Background:** The move came as **various concerns** have been raised during the ongoing hearing in the **Supreme Court** in the matter regarding relief sought in terms of waiver of interest and waiver of interest on interest and other related issues.
 - The Court has extended its interim order that no account is to be declared **Non Performing Assets (NPA)** till further orders.
 - The Court granted two weeks to the Centre and the **Reserve Bank of India (RBI)** to file the affidavit and place before it the decisions taken in this regard.

Moratorium on Repayments of Loans

- A **moratorium** provides stressed customers extra time to repay without their accounts being labelled NPA or their credit score being affected.
It is **not a loan waiver** and does not offer any discount on interest payout.
- RBI had allowed banks to **defer payment of Equated Monthly Installments (EMIs)** on home, car, personal loans as well as **credit card dues till 31st August 2020**.

- The RBI had also allowed lending institutions, banks to **defer interest on working capital repayments**— a move aimed at addressing the distress among firms as production is down.

A working capital loan is a loan that is taken to finance a company's everyday operations.

- As the six-month moratorium on loan repayments ended on **31st** August, the RBI has released the **final loan restructuring guidelines** suggested by **K.V. Kamath Committee**.

Restructuring for corporate loans will be based on financial parameters set out in RBI rules, while for retail borrowers, lenders will put in place board-approved policies for recasting loans.

Source: IE