Manipur Invokes RBI’s Riot Provisions

Why in News?

Recently, the Manipur government has invoked the Riot Provision of the **Reserve Bank of India (RBI)** in response to a **Grave Situation in the State** marked by riots and violence.

- The order acknowledged the **borrowers' inability to repay loans due to the crisis and sought relief measures** for the affected individuals.
- While typically applied in areas affected by natural calamities, this move **marks the first instance of its utilization** in response to a law-and-order situation.

What are the Provisions?

- **RBI Directions 2018:**
  - The Provisions are as per Chapter No. 7 of the **"Reserve Bank of India (Relief Measures by Banks in Areas Affected by Natural Calamities) Directions, 2018."**
    - Whenever RBI advises the banks to extend rehabilitation assistance to the riot/disturbance affected persons, the **aforesaid guidelines may broadly** be followed by banks for the purpose.
  - The Provisions specifically addresses **"Riots and Disturbances".**
  - The rules specify **several norms that must be followed for Restructuring the Loans,** providing fresh loans and other measures, including KYC norms.
  - According to the directions, all the short-term loans, except those overdue at the time of the occurrence of riots, will be eligible for restructuring.
- **Applicability:**
  - The provisions of these Directions shall apply to every Scheduled Commercial Bank (including Small Finance Banks (SFBs) and excluding Regional Rural Banks (RRBs) licensed to operate in India by RBI.
- **Crop Loans:**
  - In the case of crop loans, if the **loss ranges between 33% and 50%,** borrowers are eligible for a maximum repayment period of two years. If the crop loss exceeds 50%, **the repayment period can be extended up to a maximum of five years.**
  - Additionally, all restructured **loan accounts will have a moratorium period of at least one year.**
- **Long Term Agri Loan:**
  - If the crop is damaged without harm to productive assets, banks can **reschedule installment payments** for the affected year and extend the loan period by one year.
  - Additionally, banks have the **option to postpone interest payments by borrowers.** However, if productive assets are also damaged, a new loan may be required.
- **Fresh loans:**
  - Banks will evaluate borrowers' credit needs, **follow loan approval procedures,** and may offer collateral-free consumption **loans up to Rs 10,000** to existing borrowers without personal guarantees, even if the value of assets is lower than the loan amount.
- **Relaxation in KYC Norms:**
  - For the people who have lost their documents due to the calamity of riots, **the banks need to open new accounts for such people.**
  - This will be applicable where the balance in the account does not exceed Rs 50,000. The

total credit in the account should not exceed Rs 1,00,000.

What is Loan Restructuring?

- **About:**
  - Loan restructuring allows **businesses, people, and governments to avoid bankruptcy** by **negotiating lower interest rates** on their debts. When a debtor has trouble paying their bills, loan **restructuring is less expensive than going bankrupt.** It can help both the **debtor and the creditor.**
  - Companies can avoid bankruptcy by renegotiating their debt commitments' terms to acquire flexibility quickly and manage their overall debt load.
- **Benefits:**
  - The main goal **of debt restructuring is to save and keep** the business going.
  - It protects the business from creditors through the law.
  - If the company doesn't go bankrupt, creditors get back more money. When it comes to people who want to borrow money, a debt-restructuring personal loan helps **creditors get better results.**

UPSC Civil Services Examination Previous Year Question (PYQ)

Q. Which of the following statements best describes the term 'Scheme for Sustainable Structuring of Stressed Assets (S4A)', recently seen in the news? (2017)

(a) It is a procedure for considering ecological costs of developmental schemes formulated by the Government.
(b) It is a scheme of RBI for reworking the financial structure of big corporate entities facing genuine difficulties.
(c) It is a disinvestment plan of the Government regarding Central Public Sector Undertakings.
(d) It is an important provision in 'The Insolvency and Bankruptcy Code' recently implemented by the Government.

Ans: (b)

Source: TH