



# IAS PARLIAMENT

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A Shankar IAS Academy Initiative

## NARC or BBB

### Why India needs a Big Bad Bank?

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- The [National Asset Reconstruction Company](#) or the big bad bank as it is called is more about the principle of separating the good from the bad and not about wasting more good money on bad assets.
- NARC will [inspire confidence](#) amongst banks & help PSBs to reduce their burden and concentrate in other banking activities, rather than debt recovery.

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### Why Public Sector Bankers hesitate to sell bad assets to private ARCs?

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- Private ARCs will buy bad assets at [higher discount](#), making it more taxing on the bank.
- Banks also [fear prosecution](#) by state investigative agencies at a later date.

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### What are steps taken by RBI & Govt. so far?

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- It recognized the bad loan mess, understood the extent of the malaise, and started addressing it.
- These have been one at a time, and certainly [did not lead towards a lasting solution](#) to the mountain of a problem that non-performing assets are.

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## **What the Stressed Assets Ratio pointing at?**

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- The stressed assets ratio is [gross non-performing assets plus restructured standard advances](#) of the banking sector.
- It steadily rose from 10% in March 2014 to 12% in June 2016.
- In PSBs, which account for roughly 70% of total banking assets, it was higher at 15.4% in June which means that out of every Rs 100 advanced by a state-owned bank, Rs 15.4 is restructured or bad loan.

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## **What has to be done?**

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- Steps have to be taken to start the NARC, which will start the process of asset reconstruction.
- It will also help the banks in this crucial phase of demonetized economy.
- Be true to the expression - [Good Economics is Good Politics](#)

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**Category: Mains | GS - III| Economy**

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**Source: The Indian Express**

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