

IBC Mechanism Being Used Actively to Resolve NPA Problem, Asserts Economic Survey

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The Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley tabled the Economic Survey 2017-18 in Parliament today. The survey reviews the Monetary Management and Financial Intermediation. Here are the highlights:-

- Monetary policy remained steady with only one policy rate cut in August, during 2017-18 (till January). Monetary policy during 2017-18 was conducted under the revised statutory framework, which became effective from August 5, 2016.
- In the third bi-monthly Monetary Policy Statement for 2017-18 in August 2017, the Monetary Policy Committee decided to reduce the policy Repo Rate by 25 basis points to 6.0 per cent. It kept the rates unchanged in both October and the latest meeting held in December.
- In tandem with the re-monetisation process, from November 17, 2017, as a favourable base effect set in, the Y-o-Y growth of both Currency in Circulation and M0 turned sharply positive and higher than their respective growth rates in the previous year.
- After demonetisation in early November 2016, the Reserve Bank had scaled up its liquidity absorption operations using a mix of both conventional and unconventional instruments.
- Liquidity conditions remain in surplus mode even as its magnitude moderated gradually with progressive remonetisation. Weighted Average Call Rate in recent months has drifted to the middle of the policy corridor.
- The performance of the banking sector, Public Sector Banks in particular, continued to be subdued in the current financial year. The Gross Non-Performing Advances (GNPA) ratio of Scheduled Commercial Banks (SCBs) increased from 9.6 per cent to 10.2 percent between March 2017 and September 2017.
- Non Food Credit (NFC) grew at 8.85 per cent Y-o-Y in November 2017 as compared to 4.75 per cent in November 2016. Bank credit lending to Services and Personal Loans (PL) segments continue to be the major contributor to overall NFC growth.
- The NBFC sector, as a whole, accounted for 17 per cent of bank assets and 0.26 per cent of bank deposits as on September 30, 2017. The consolidated balance sheet size of the NBFC sector increased by 5 per cent (September 2017 over March 2017) to Rs.20.7 lakh crores, as against an increase of 14.2 per cent between March 2016 and March 2017.
- The year 2017-18 (April-November) witnessed a steady increase in resource mobilisation in the primary market segment as compared to the corresponding period in the last financial year.
- The 10 year G-sec yield, meanwhile, has hardened since September 2017. The G-sec yield as on January 11, 2018 stands at 7.26 per cent.

- An ecosystem for the new insolvency and bankruptcy process took shape in 2017-18. The IBC mechanism is being used actively to resolve the NPA problem of the banking sector. A major factor behind the effectiveness of the new Code has been the adjudication by the Judiciary. The Code prescribes strict time limits for various procedures under it. In this process, a rich case-law has evolved, reducing future legal uncertainty.

- The stock markets also hit record highs this financial year.

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