



Panel to Assess Impact of Waiving Loan Interest

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](#)

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