



# 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](#)

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