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RBI FIRM ON NEW BAD LOAN RESOLUTION FRAMEWORK

Reserve Bank of India Deputy Governor N S Vishwanathan on Wednesday defended the new debt resolution framework, including the one-day default norm, stating that banks should swing into action before any such default takes place and that companies should not take the covenants of a loan contract casually. "The debt contract embedded in bank loans in India has been losing its sanctity, especially where the borrowing is large. There is a need to change this and restore the sanctity of the debt contract, lest bank debt becomes subordinate even to equity," Vishwanathan said. He indicated that the RBI was in no mood to move from its stance on the strict framework.



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