



Small loans could turn bad: Rajan

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Highlights

- Former RBI Governor Raghuram Rajan has cautioned that the next crisis in India's banking sector could come from loans given to the unorganised micro and small businesses, called MUDRA loans, and credit extended through the Kisan credit card.
- MUDRA loans are offered under the **Prime Minister Mudra Yojana or PMMY**, launched in 2015 by the NDA government.
- A total of Rs.6.37 lakh crore has been disbursed under the scheme by public and private sector banks, regional rural banks and micro-finance institutions till date, as per the data from the **Micro Units Development and Refinance Agency (MUDRA)** website.

Credit Targets

- In a note on bank non-performing assets (NPAs), prepared at the request of Murli Manohar Joshi, Chairman of the Parliament Estimates Committee, Dr. Rajan said the government should refrain from setting ambitious credit targets or waiving loans.
- "Both MUDRA loans as well as the Kisan Credit Card, while popular, have to be examined more closely for potential credit risk," Dr. Rajan wrote in his 17-page note.

'Growing liability'

- He also flagged the Credit Guarantee Scheme for MSMEs, run by the Small Industries Development Bank of India, calling it "a growing contingent liability" that needs to be examined with urgency.
- He pointed out that most of the bad loans were created during 2006-08, a period that coincides with the first term of the UPA when economic growth was strong .

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- The former RBI Governor also revealed that he had shared a list of high-profile fraud cases with the Prime Minister's Office in order to "coordinate action to bring at least one or two to book" but he did not mention whether it was done during the UPA's time or the NDA's. "This is a matter that should be addressed with urgency," he said in the note.
- He defended the RBI against accusations that it created the NPA mess. "The RBI is primarily a referee, not a player in the process of commercial lending," he pointed out.