

RBI Deputy Governor bats for umbrella law for public credit registry

This law can go a long way in resolving the deep data asymmetry in the financial system that in turn can help prevent bad loan pile-up

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Reserve Bank of India (RBI) Deputy Governor Viral V Acharya on Monday called for enacting a special law to enable the proposed public credit registry (PCR) to come into being, and said this can go a long way in resolving the deep data asymmetry in the financial system that in turn can help prevent bad loan pile-up.

With a low credit-to-GDP ratio of a modest 55.7 per cent, the country is still under-penetrated financially and the proposed PCR can help the system move towards more equitable and timely access to credit, especially to the underserved segments, and thus democratise and formalise the credit flow, he said.

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According to Q4 data of 2017, from the Bank for International Settlements, India's credit-to-GDP ratio stood at a low 55.7 per cent, against China's 208.7 per cent, Britain's 170.5 per cent and the US' 152.2 per cent. Norway lead the chart with 245.6 per cent credit-to-GDP ratio.

He also said those countries, which have PCRs or private credit bureaux have been the ratio of private credit to GDP in many countries by 7-8 percentage points over a five-year horizon as credit registries and bureaux do not just increase the amount of borrowing but also improve the quality of borrowing.