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Retail loan is not a nirvana, former RBI deputy governor SS Mundra warns bankers

BY PTI | AUG 09, 2018, 06.34 PM IST

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MUMBAI: [SS Mundra](#), a former deputy governor of the Reserve Bank, today raised concerns over banks increasingly shifting their focus more onto retail loans than corporate loans.

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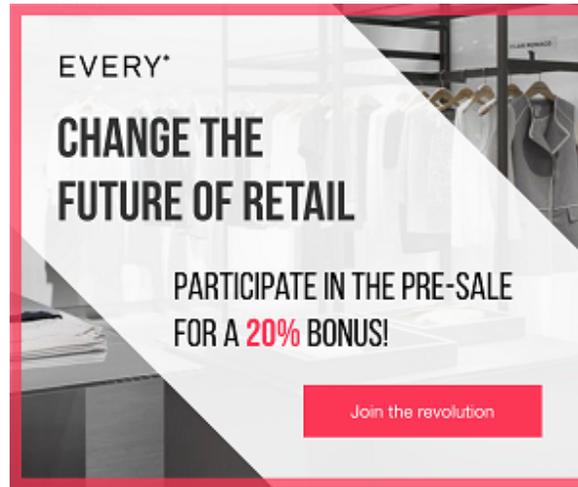
Banks have seen a good portion of their corporate loan books turning dud in the recent years, taking the overall bad loans close to 12 per cent of the system.

"If every banker is searching a [nirvana](#) in retail loans then I think a word of caution is needed," Mundra said at an Assocham event here today.

He said earlier two-thirds of the lending book consisted of corporate loans while one-third was retail loans, but the trend has now reversed.

"Today, it is reversed, with one-third is corporate book and two-thirds are retail book. Though this is a shift which has taken internationally, our system is still a work in progress in this regard," the former deputy governor said.

Calling for timely recognition of bad loan problem both by banks and borrowers, he noted that there have been instances where [bankers](#) have tried to to postpone the problem and even borrowers have hidden the issue in the fear that if it is made public then there will not be any supporting hand.



"For bankers and borrowers postponing of the the bad loan problem is not a good idea," he said.

Mundra said with all the recent measures taken and the right lessons learnt, at the first sign of an asset quality problem, it would be a good idea that stress in any account should be recognised and both the sides should sit together and find right solution.

"It would be important for all lenders to acknowledge and appreciate the fact that NPAs are the reality of a business cycle. An account becoming **NPA** is not a sin and no one should be afraid in telling that the account is tagged an NPA," he added.

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