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RBI cautions government over NPA spike in MUDRA loans

BY IANS | UPDATED: JAN 13, 2019, 07:17 PM IST

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The Reserve Bank of India (RBI) has raised a red-flag on the spike in non-performing assets (NPAs) under the government's flagship scheme to support micro enterprises in the country -- the Pradhan Mantri Mudra Yojana.

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According to Finance Ministry sources, RBI has cautioned the ministry that the scheme might turn-out to be the next big source of NPAs, which have plagued the banking system.

The central bank has flagged that bad loans under PMMY have risen to Rs 11,000 crore.

As per the annual report of PMMY, 2017-18, total disbursements under the scheme stood at Rs 2.46 trillion in FY 18.

Out of this, 40 per cent were disbursed to women entrepreneurs and 33 per cent to social categories. More than 4.81 crore micro borrowers have benefited through PMMY during the year FY2017-18.

The PMMY was launched on April 8, 2015. Under the scheme, banks are required to finance micro and small entrepreneurs for up to Rs 10 lakh. Loans can be granted under three categories - up to Rs 50,000 under 'Shishu'; Rs 50,001-Rs 5 lakh under 'Kishore' and between Rs 5,00,001 and Rs 10 lakh under 'Tarun' category.

In addition, RBI's caution comes at a time when the country's financial system in reeling under sevier stress due to the IL&FS crisis which continues to hurt banks with impairments, the most recent case being IndusInd Bank.

On January 9, IndusInd Bank in its latest quarterly earnings result statement without naming the IL&FS Group, said: "Advances granted to various companies and SPVs belonging to a Group in the infrastructure sector against certain identified cash flows and pertaining to specific assets are 'Standard' as at December 31, 2018 on the basis of the conduct of the accounts till date.

"Since October 1, 2018, certain governance and management changes have taken place in the Group and measures to turn it around through a Resolution Plan are underway."

The bank said it was monitoring the developments and implications of the 'Resolution Plan'.

"In the interim, as a prudential measure, the bank has made a contingent provision of Rs 255 crore on these 'Standard' assets during the quarter ended on December 31, 2018, in addition to an amount of Rs 275 crore made during the quarter ended on September 30, 2018. Total provisions attributable to this exposure is Rs 600 crore," the statement added.

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