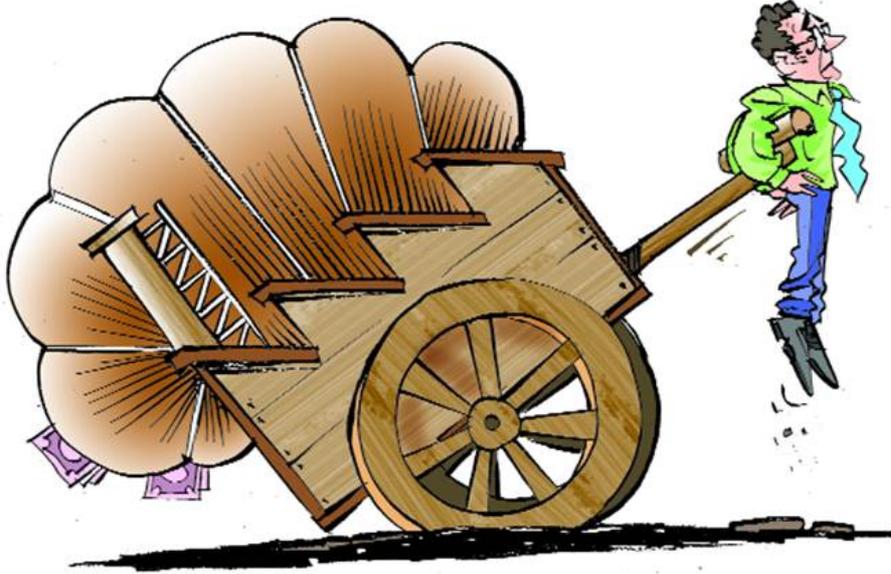


Fresh lending by weak PSUs will worsen India's NPA problem, says Oxford economist

By: [Bloomberg](#) | Updated: March 22, 2019 1:53 PM

Of the 11 banks which were put under Prompt Corrective Action by RBI, five have recently been allowed to resume fresh lending.



Indian central bank Governor Shaktikanta Das's decision to allow some weak state-run banks to resume lending is a "short-sighted" approach in Oxford Economics Ltd.'s view.

The decision risks building up bad debts with renewed vigor, Priyanka Kishore, head of India and Southeast Asia economics at Oxford, wrote in a note.

Das, who took over as Reserve Bank of India governor after Urjit Patel resigned in December, has eased curbs on weak state lenders to support credit and economic growth ahead of a general election starting in April. Of the 11 banks on whom tough restrictions were placed since 2014, five have recently been allowed to exit the regulator's so-called Prompt Corrective Action sanctions.

"The short-term palliative comes at a long-term cost," she wrote. "Pushing back full resolution of stressed bank balance sheets is only likely to prolong India's investment malaise."