The number and value of bad loan accounts in the Kishore category of the Pradhan Mantri Mudra Yojana (PMMY) for a dozen public sector banks including State Bank of India, Canara Bank and Bank of Baroda, have jumped 107 per cent and 71 per cent, respectively, as on September 30, 2019 compared with March 31, 2019.

Prelims focus: about MUDRA scheme, NPA

Mains focus: The rising NPA crisis and its impact on overall performance of various sectors of the Indian economy

NPA under different categories of MUDRA

- **Kishore** loans have a ticket size of Rs 50,000-plus to Rs 5 lakh. Under PMMY, the other two categories are: **Shishu**, which has the smallest ticket size of up to Rs 50,000, and **Tarun**, which extends loans from Rs 5-lakh plus up to Rs 10 lakh.

- The Kishore category made up just over 30 per cent of the total number of loan accounts for the 12 banks as on September 30, according to disaggregated data obtained individually from these banks under the RTI Act. But in terms of value, the category accounted for a much larger chunk of 43 per cent of the total loans sanctioned in September.

- The cumulative data for all 12 banks also reveals that in the topmost Tarun loan category, NPAs by value has risen sharply 45 per cent to Rs 3,425 crore in September from Rs 2,353 crore in March. The number of bad loan accounts has, however, shown a modest 13 per cent increase during the six-month period.

- In a note to the Lok Sabha Estimates Committee in September last year, ex-RBI Governor Raghuram Rajan had warned the government to “focus on sources of the next crisis”. “Credit targets are sometimes achieved by abandoning appropriate due diligence, creating the environment for future NPAs. Both Mudra loans as well as the Kisan Credit Card, while popular, have to be examined more closely for potential credit risk,” he had said in his notes to the Parliamentary Estimates Committee.

- The data from the 12 banks shows that in a relative sense, Shishu, the category with the smallest ticket size accounting for over 60 per cent of all loan accounts but just 10 per
cent of loans sanctioned, has been the best performer. The **number of Shishu bad loan accounts has increased by about 18 per cent, but since the ticket size is small, the NPAs in value has increased by just about 17 per cent, between March and September this year.** The share of Shishu NPAs in the total NPAs dropped during the six-month period from 12.85 per cent in March to 9.64 per cent in September.

- The data for the dozen PSU banks also reveal that the **number of Kishore bad loan accounts as a percentage of total bad loan accounts under the Mudra scheme (all three categories put together) has increased from 42 per cent in March 2019 to almost 56 per cent in September 2019.** In terms of value too, Kishore NPAs as a percentage of total NPAs has jumped to 61 per cent in September this year from about 56 per cent in March.

- The **share of Tarun NPAs in total NPAs, though still high, has marginally dropped during the six-month period from 33.61 per cent in March to 29.1 per cent in September.**

- The **12 banks** which provided information under RTI are SBI, Bank of Baroda, Canara Bank, IDBI Bank, Indian Overseas Bank, Punjab and Sind Bank, Central Bank of India, Corporation Bank, Syndicate Bank, Oriental Bank of Commerce, Bank of Maharashtra and Allahabad Bank.

**Conclusion:**

Setting ambitious credit targets also requires banks to closely monitor such loans. Mudra loans, a flagship programme of the government, has been a remarkable success in terms of lifting people out of poverty. But lack of due diligence at the appraisal stage and poor monitoring during the life cycle of loans has started hurting now.