



# Taking a loan? RBI has a message for you

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Since the last few days, the Reserve Bank of India (RBI) has been advising individuals, to stay cautious while borrowing. By putting ads through posters, and videos, the central bank is trying to raise financial awareness and urging borrowers to take a loan according to their repaying ability, pay EMIs on time and use the loan amount only for the purpose for which it has been borrowed.

To caution borrowers, RBI's slogan for this campaign is "Vittiya anushasan, chinta mukt Jeevan", which translates to "financial discipline leads to a worry free life." The campaign also urges people not to borrow without any reason.

## **Are people taking loans to invest in stock market?**

Experts believe that people are taking loans to invest in equities, so that they can make the most of bull run, which is a huge risk for lenders, especially on unsecured loans.

According to noted economist Arun Kumar, wooed by the rich valuations of stock market, people are borrowing money to invest. However, the financial markets do not mirror India's economic report card, Kumar said quoting the RBI governor. So, in the given scenario, the risk is even bigger.

Vishal Dhawan, director, PlanAhead Wealth Financial Advisors, says, "The loan interest rates are at a very low level. In such a situation, people feel that the loan taken now is going to be very cheap. However, most of the loans are at floating rate and in such a time when the rates will increase, people will have to pay more money."

## **Rising risk of NPAs**

Most people took advantage of the moratorium period announced during covid-19 outbreak and stopped paying EMIs and expected banks to waive the interest on EMIs. Also, a lot of small businesses came under financial pressure and the risk of default increased. Compelled by such instances, the RBI is making an attempt to raise awareness among borrowers.