

RBI pulls up banks for laxity in SME finance

ENS ECONOMIC BUREAU
MUMBAI | FEBRUARY 4

RESERVE Bank of India Deputy Governor KC Chakrabarty on Saturday pulled up banks for showing laxity in financing small and medium enterprises (SMEs) in the country.

"As much as 92.7 per cent of SMEs are self-financed. I don't think all of them require finance ... they require working capital. The problem is that smaller people are not getting finance," he said while addressing the SME banking conclave here.

"Your commitment should be passed on to them (branch managers and others down the line). Can any bank give me branch-wise details of MSME advances?" he said. "When bank manage-



"As much as 92.7% of SMEs are self-financed. I don't think all of them require finance ... The problem is that smaller people are not getting finance

KC Chakrabarty,
Deputy Governor, RBI

ment starts monitoring the targets, the branch manager will know that the bank is serious."

He said the banking sector is doing well because 20 per cent of branch managers in this country are functioning. "80 per cent of the branches are not doing anything," Chakrabarty said.

Pulling up the venture

capital sector for not boosting the SME sector, the RBI Deputy Governor said, "How many SMEs have got finance from venture capital firms?"

Saying that many SMEs don't have the expertise in financial management, Chakrabarty said, "why

don't you start financial management advisory consultancy services."

Regarding the lack of transparency in disclosure of interest rates, he said, "I request banks to disclose segment wise interest rates they are charging."

"There're 7 crore non-frills accounts which have not even given Rs 7 lakh. I will be happy if Rs 70,000 is given. Top bank officers say we're sensitive, we're compassionate, we will do this... and that. Convert this into action. Pass on your commitment down the line. The moment this is passed on to them, they will know the management is serious."

On the Factoring Regulation Bill, which was passed

by Parliament recently, he said, "I don't see much enthusiasm among banks and financial institutions (FIs) to boost factoring. What's the status of factoring services started by various banks? I have no idea."

The object of the factoring law is to address the problem of delayed payments to small business entities by large businesses for purchase of goods and services.

Asking banks not to depend too much on insurance, he said, "premium will then be more than the amount of the finance. No message should go that as an insurance scheme is available... your appraisal standards should not go down."

Central Power Research Institute

(A Govt. of India Society, Ministry of Power)



ASSAM