

Bank lendings to SMEs and infra under govt lens

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NEW DELHI: Amid a liquidity crunch in banks in the backdrop of an industrial slowdown, the government is monitoring credit to various sectors especially the small and medium enterprises (SMEs) and infrastructure segments.

Bank lending to the priority sector has dropped in the current fiscal year, though a public sector bank chairman who did not wish to be identified told Hindustan Times that it was due to a re-classification of the segment.

“To get back to a high growth path, availability of credit is crucial and this needs to be ensured and monitored,” a senior government official said.

Senior finance ministry officials including financial services secretary DK Mittal have started attending the board meetings of the public sector banks to assess and review their

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performances including the growth in credit and deposit besides studying the audit reports.

Finance minister Pranab Mukherjee has indicated that the economic slowdown was due to the Reserve Bank of India's (RBI) tight monetary policy which has impacted investment and consumption.

The central bank, which has increased the interest rates 13-times since March 2010 with a view to rein in inflation, indicated that it would lower the rates once the inflation eases to boost growth.

Banks have become wary in providing credit with an increase in their level of bad assets.