

Nearly 75% govt banks miss MSME loan growth target

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NEWDELHI: Despite the NDA governments push on improving credit to the micro, small and medium enterprises (MSMEs) in the country, only seven out of India's 27 state-owned banks have achieved the loan growth target for the sector.

The finance ministry had asked banks to register a 10% annual growth in the number of enterprises while increasing their annual credit growth to the sector by 20% in the first half of 2016-17 -- or by September 30, 2016.

MSMEs employ over 100 million people, and account for 37% of the India's GDP and 40% of

the country's exports.

The seven banks include Indian Bank, Indian Overseas Bank, Bank of Maharashtra, Vijaya Bank, State Bank of Travancore, State Bank of Hyderabad and Bharatiya Mahila Bank. Bank of Baroda and Punjab National Bank have registered a decline in credit growth to this sector.

Lending to the MSME sector is also required under the priority sector lending norms at 7% of a bank's total loan book.

The lenders have been unable to meet the targets due to growing level of non performing assets (NPA), which stood at 11.24% of advances as on June 2016, and stringent rating norms for these units.

"Banks are not willing to give the MSMEs loans and this is choking the sector... A different scale of rating would help the MSMEs in getting easier loans from banks," Anil Bhardwaj, general secretary, Federation of Small Medium Enterprises (FISME) said.

Commerce and industry minister Nirmala Sitharaman has underlined the need to look into the problem. The government has also launched the Mudra Bank to facilitate funding to the micro entrepreneurs.

"Loans to MSME sector has gone down and the issue was also discussed with the finance minister (Arun Jaitley)," said a chairman of a public sector, seeking anonymity.

NOT FAST ENOUGH

Loan growth to MSMEs has been slower than govt target of 20%

■ Total outstanding loans* (in ₹ lakh crore) ■ Growth (in %, year-on-year)



*For all scheduled commercial banks in India