

Capital crunch hits SMEs

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LIKE many sectors, SMEs in India are also feeling the heat due to the global financial crisis. Low demand and capital crunch in the domestic market has further hit a bulk of SMEs. The industrial production (IIP) is sliding, having touched 0.4 in October 2008, the lowest in the last 13 years. Exports have also registered a negative growth recently. There are four critical challenges that affected

accessing the required funds in view of recent reversals, antithetical regulations of NPAs and restructuring norms in banking, which have become irrelevant in the crisis situation. The policy response needs to be seen in the context of these challenges. The RBI has taken measures to ease liquidity and direct flow of funds. It has also issued guidelines for banks to be 'sensitive' to

SMEs' needs and take decisions on case-to-case basis.

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