

# *Banks should review loan policy towards MSMEs, says Thorat*

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The RBI on Thursday asked banks to review their loan policy towards micro, small and medium enterprises (MSMEs), badly hit by the economic slowdown. "One has to be sensitive to the sector and put in a revised policy," RBI deputy governor Usha Thorat said in her address at a conference here.

Noting that MSMEs were the "worst sufferers" when disaster strikes, she said there is need to provide spe-

cial relief to the sector on the lines of the National Equity Fund, recommended by the Chakraborty committee. MSMEs are facing a slump in demand for exports and services, besides a build-up of large inventory, delayed payments and slowdown in remittances, Thorat said. About 12.8 million MSMEs provide jobs to over 300 million people and account for 39% of the manufacturing sector output and 33 %of exports, she said. She said the RBI had taken 'unprece-

dent' measures to ensure liquidity and credit flow to MSMEs to help the sector during the recessionary period now and added that a special refinance facility under Section 17 (3B) was also extended to them. Thorat, speaking at a one-day conference 'Learning from recession, saving an economy: Towards an MSME agenda', said the central bank has also given in-principle approval to set up four credit information companies. She said the average annual

growth rate in the domestic economy in the last five years was 8.9% and it had slowed down to 6.7% in 2008-09.

"There has been decline in exports for five months in a row from October 2008 to February 2009 and subsequent figures also show a fall in exports," she said. Kerala has been affected by recent global events and all export areas -- spices, marine products and tourism - have been hit by the meltdown, Thorat said. PTT