

No collateral for loans up to Rs 5 lakh to SMEs: RBI

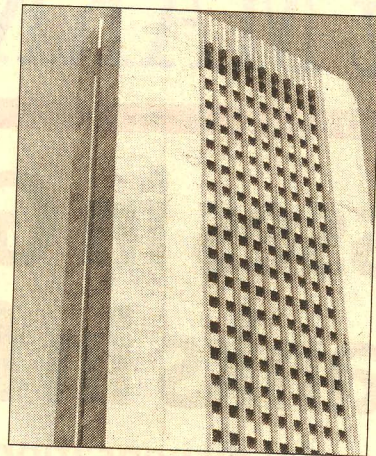
Banking Bureau

Mumbai, Jul 8

The Reserve Bank of India (RBI) has expressed concern over the fact that banks in the country are asking for collateral while lending to SME sector when the amount is as low as Rs 5 lakh. Also, the central bank has observed that banks are not analyzing their SME portfolio in a proper way.

Addressing MSME credit guarantee consultative conference in Mumbai on Tuesday, Usha Thorat, deputy governor, RBI, said that banks are not supposed to insist on collateral security from SMEs for advances up to Rs 5 lakh but only take into account the viability of their projects while granting loans.

The event was held by the Indian Banks' Association. Further, Thorat said that some banks were not adher-



ing to the guidelines set by the RBI in this connection and were asking for collateral. Also, she pointed out that in many cases, banks had not even analysed their SME portfolios proper-

ly.

SMEs account for nearly 39% of country's manufacturing output and more than 34% of exports, according to Directorate General of Commercial Intelligence and Statistics' data for 2007.

The RBI had last year asked leading banks such as State Bank, Indian Overseas Bank, Canara Bank and Indian Bank to conduct a survey in certain districts to ensure whether banks were complying with its norms.

Coming on deposit insurance, Thorat said, "Can we charge lower premium so that banks could bring more depositors from the SME segment to their fold." Also, Thorat said that risk fund could also support the growth of SMEs. Credit would become viable where there was growth, insisted Thorat.