

# SMEs, services account for three-fourths of credit offtake

## No real problem with credit till August-end

**K.R. Srvats**

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Small and medium enterprises (SMEs) and services accounted for nearly three-fourths of the incremental non-food credit provided between August 2007 and August 2008 even as companies in three other sectors — petroleum, real estate and steel — cumulatively accounted for nearly 15 per cent of the overall non-food credit of Rs 4,89,000 crore disbursed.

For the period under review, the incremental credit flow to SMEs stood at about Rs 2,18,000 crore. For servic-

es, the incremental credit flow was Rs 1,48,295 crore, banking industry sources said. The year-on-year increase in credit as of end-August 2008 stood at 31 per cent and 35 per cent for SMEs and services respectively.

The petroleum sector saw an incremental credit flow of Rs 29,891 crore, representing 91 per cent of the outstanding credit of Rs 32,567 crore as on end-August 2007. Both the steel and real estate sectors saw robust incremental credit flow at Rs 22,235 crore and Rs 21,595 crore respectively between

### Sector-wise break-up

Sector	Outstanding credit as on Aug 29, 2008	Incremental credit flow between Aug '07 and 2008	(in Rs cr)
Petroleum	62,460	29,891	
Steel	88,276	22,235	
Real estate	68,196	21,595	
Services	5,66,000	1,48,295	
SMEs	9,32,000	2,18,200	

August 2007 and August 2008.

This suggests that there was no real problem with credit until end-August. Problems suddenly surfaced in September 2008. It would also explain the monetary

credit in the recent weeks despite several steps taken by the Reserve Bank of India, the Finance Ministry had recently asked banks to furnish fortnightly report on credit flows so that all sectors of the economy receive adequate attention.

### LIQUIDITY MONITORING

The Finance Minister, Mr P. Chidambaram, had after a recent meeting with chiefs of public sector banks said the liquidity situation was being monitored "24x7" and that RBI would support banks, including in foreign currencies, to meet their

fund requirements.

Mr Chidambaram had noted that each banker had a different risk perception of each sector and said that he did not get the impression that the risk perception had worsened.

Most of the state-owned banks had promptly cut benchmark prime lending rate (PLR) by 75 basis points to stoke growth in the economy.

The demand for credit in the recent months has been on the rise as the other sources of credit like overseas borrowing have dried up for many companies.

stance that RBI took in July, when it increased interest rates, point out economists.

### RBI MOVE

Faced with complaints of high borrowing costs and non-availability of fresh