

# Bankers to talk liquidity and SME finance with RBI today

**Banking Bureau**

Mumbai, Nov 27

Liquidity and liberalising the norms for financing to the small and medium enterprises (SMEs) are likely to be discussed when a delegation comprising heads of some of the large commercial banks meet the Reserve Bank of India governor, D Subbarao, in Mumbai on Friday. While the bankers feel that the liquidity was comfortable in the system after a host of initiatives taken by the central bank as well as the government in past couple of months, they are ready to extend a helping hand to the export-oriented SME sector that are faced with severe problems thanks to contraction in demand.

Quite a few representatives of the affected SMEs which includes leather, garment, textile, heavy machinery and others have already met the IBA chairman and Bank of India CMD,

TS Narayanasami, in Mumbai on Wednesday. On the topic of SME finance, the bankers are of the view that things like liberalization of margin norms, restructuring of loans and providing additional funds to the sector as the need arises are within their purview and they will have no problem in being considerate towards addressing these issues. As regards remaining issues like revision of NPA norms and interest rate subvention of their loans can be tackled at the level of central bank and the government only. In fact, the banks are betting high on their SME portfolios, only the thing they are worried about was that regular repayment of loans by their SME customers. They have ensured that the requirements of their existing customers must be met.

A CMD of large state run bank, on condition of anonymity, told *FE* that "I have repeatedly said that our existing SME customers' requirements will be met". Another bank CMD said

that I have already asked my staff to be considerate whenever it comes to providing loans to these SMEs at a time when they are faced with problems due to the slump". As on September 30, 2008 the banks' overall exposure to the SME sector was to the tune of Rs 1,50,000 crore. Interestingly, banks are bullish on the SME finance.

It is evident from the fact that Bank of Baroda has witnessed a growth of 20% on year-on-year basis on our SME portfolio as of now. Even small state-owned banks like Dena Bank claims that SME portfolio of its loanbook comprises 17-18% of its entire advances which was currently existing at Rs 24,00 crore.

On the liquidity front too, bankers see it was abundantly available into the system as of now. On credit growth, they feel that it was on its path of moderation and was likely to be slide within the range of 25-26% by the end of the current fiscal.