

Easy home loans, credit to MSMEs on PSU banks' radar

Economy Bureau

New Delhi, Dec 11

BANKING



Home loans as well as credit to micro, small and medium enterprises are set to become cheaper as public sector banks will within next two days finalise a package to boost demand in these sectors. The package is likely to include full waiver of processing charges, concessions on margin money along with rate cuts.

However, State Bank of India's chairman and managing director OP Bhatt said there are concerns that the economy may require more than the interest rate cuts and extra government spending announced last weekend.

Top officials from 13 public sector banks met in the national capital on Thursday to discuss what could be the form of the package. "We discussed among ourselves what sort of relief can be given to housing and SME sectors. What could be the

modalities for this," Indian Banks' Association chairman T S Narayanasami told reporters after the meeting, which lasted for more than four hours.

The meeting was attended by chairmen and managing directors of State Bank of India, Bank of India, Bank of Baroda, Punjab & Sind Bank, Union Bank of India among officers of other PSBs. Finance Secretary Arun Ramanathan and Finance Joint Secretary (Banking) Amitabh Verma were also present at the meet.

While announcing Rs 37,500-crore fiscal stimulus on December 7, the government said that PSBs would soon deliver a package for borrowers of home loans upto Rs 5 lakh and Rs 5 lakh to Rs 20 lakh. It had further said that additional measures would be taken as necessary to promote the housing sector.

The Reserve Bank of India has also announced a refinancing facility worth Rs 4,000-crore to National Housing Bank (NHB) to encourage more disbursement under housing loans up to Rs 20 lakh. The fa-

cility would be provided at the prevailing repo rate against NHB's loans and advances to housing finance companies up to March 31, 2010.

"We are still working on this (the package). I think some package will be crystallised by tomorrow or the day after," said Narayanasami, who is also Bank of India's CMD. Other than interest rates, the PSBs are also considering complete waiver of processing charges and reduction in margin requirement, he said, adding that the whole exercise is to make loans for housing and SMEs more affordable.

He, however, ruled out any interest subsidy from the government for home loans up to Rs 20 lakh. "I don't think any subvention will be involved or will be necessary for banks," he said. Speaking at a banking conference, Bhatt said SBI will soon review its lending and deposit rates after the RBI slashed repo and reverse repo rate by 100 basis points to 6.5% and 5% respectively on December 6. SBI's benchmark prime lending rate is 13% at present.