

## PIYUSH GOYAL MEETS HEADS OF PSU BANKS

# 'Public money safe with PSBs, govt committed to the banks'

Will work to meet credit needs of MSMEs, well performing companies: Goyal

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PUBLIC SECTOR banks will collectively work to meet credit requirements of micro, small and medium enterprises (MSMEs) and well performing companies, Finance Minister Piyush Goyal said Tuesday after a meeting with the heads of PSU banks from North and East region. With eleven out of total 21 state-owned banks under the RBI's Prompt Corrective Action (PAC) framework, which imposes various restrictions on banks, companies especially MSMEs have been finding it difficult to meet their credit needs. Dena Bank and Allahabad Bank, for instance, have been restricted from advancing any fresh loans.

Goyal stressed that the public money with PSU banks is safe and the government is totally committed to supporting the banks. "One of the thoughts before the public sector banks has been that they have to once again get into the act of working to support MSMEs and genuine good companies who need working capital finances or loans on investment in fixed assets and have some difficulties in the past. So, all banks have collectively decided that in two stages, they will take up the credit needs of genuine, deserving well performing good firms," Goyal said.



Finance Minister Piyush Goyal in New Delhi. PTI

"In the first stage, (those) who have borrowing between Rs 200-2,000 crore, there are about 4,500 such good accounts in the PSU banks, most of them in consortium lending. The PSU banks over the next 3-4 weeks going to do focussed study of the credit needs of these good borrowers. In the second stage they will take up accounts with borrowings up to Rs 200 crore, which will also cover a large number of MSMEs and look at the genuine credit needs of all these companies and collectively working as a team come to decisions which will support business, which is already showing very good signs of revival," he said.

To a query on the Reserve Bank of India's argument that it doesn't have enough powers over public sector banks, the minister said the government is open to

provide more powers if required. "As regards RBI Governor's (Urjit Patel) views, it's his views about powers of regulation and supervision. We believe that powers are available with the Reserve Bank and that is the conversation that the government and Reserve Bank will have amongst themselves. If there are any more additional powers required, government is open to that," he said.

Banks including State Bank of India, Punjab National Bank, Canara Bank and Punjab & Sind Bank among others attended the meeting, which came after a similar exercise with the heads of Southern and Western banks in Mumbai on June 8. In the previous meeting, the government announced a panel to examine whether banks need to form an asset reconstruction company

(ARC) or asset management company (AMC) for faster resolution of stressed assets.

Speaking at the same event, SBI Chairman Rajnish Kumar said there is a need for consolidation in the PSU banking space as too much fragmentation in the sector is not desirable. "There is definitely need for scale. Among the banks, there is unanimity that this kind of fragmentation is not good," he said, referring to presence of large number of public sector banks. He clarified that the need for consolidation is being discussed more as a "food for thought" and there is no immediate proposal of merger among banks. With SBI being already large in size, it would not be prudent for the lender to acquire another bank, he said.

The bankers also discussed putting in place a system of inter-bank creditor arrangement to ensure credit decisions are taken smoothly. "The bankers have decided that they will do a creditors' arrangement amongst the bankers so that earlier problems which was faced in consortium lending can be ironed out more smoothly. One of the decisions taken by the bankers have resolved that they will also follow a decision taken by 66 per cent of the lenders will now be followed by all the lenders in consortium and roadblocks will not be created to faster growth of business and industry in system," Goyal said.