

Copyright © 2006- 2014 Diligent Media Corporation Ltd. All Rights Reserved

Mon, 11 Feb-19; DNA MONEY - DNA - Mumbai; Size : 122 sq.cm.;
Circulation:3386; Page : 5

Loan recast to aid 7 L MSMEs

Mumbai: The Reserve Banks restructuring package for small businesses announced last month will help recast Rs 1 lakh crore of loans for 7 lakh eligible micro, small and medium enterprises, a top government official has said.

The estimate from the Department of Financial Services (DFS) secretary Rajiv Kumar is much higher than domestic rating agency Icras' assessment of Rs 10,000 crore. It comes even as some banks have seen a reluctance among the target MSMEs to take advantage of the scheme.

He said 7 lakh MSME units need restructuring.

"They all can be restructured till March 2020 without downgrading the asset. Rs

one lakh crore worth loans will get restructured," Kumar said late Friday, speaking at a post-budget interactive meeting with industry captains.

He said the scheme will help free up additional resources which will fuel demand and create further opportunities in the industry.

It can be noted that the scheme was termed as "regressive" by analysts, as the RBI had officially discontinued the practice of restructuring of advances, which is among the factors blamed for the high NPAs as banks indulged in "ever-greening".

"During the past few years, RBI has been doing away with various schemes for asset quality forbearance and hence this is regressive

from a credit culture point of view, given the past experiences of the banking sector with restructuring," Icras group head Karthik Srinivasan had said.

The scheme was announced by RBI after a recommendation to consider the same by its central board at a crucial November meeting held amid friction between the central bank and the government.

The government, which is to face elections in the forthcoming summer months, was pressing for leeways like the MSME recast to drive the economy, while the RBI was reluctant to set any new precedents. The board meet was followed by Governor Urjit Patels resignation early December. —PTI