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R Gandhi chides banks for not focusing enough to meet credit requirements of the SMEs

By [Saloni Shukla](#), ET Bureau | Updated: Aug 17, 2016, 07:27 PM IST

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MUMBAI: The Deputy Governor of the [Reserve Bank of India](#) R Gandhi today chided banks for not focusing enough to meet credit requirements of the marginalised small and medium sector industries and called upon banks to take a deeper look at the new trends that were emerging in the sector.

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"There is a segment (SME) which is deprived of formal financial support," Gandhi said while addressing bankers at a conclave organised by industry body [FICCI](#). "Even though every year banks are clocking more of SME financing, there is a huge (credit) gap, a lot needs to be done."

SMEs reportedly account for half of world's [gross domestic product](#) and employ two-thirds of the global workforce. As per estimates a funding gap of more than \$2 trillion exists for small businesses in emerging markets alone. Despite such huge opportunities SMEs remain a neglected lot, Gandhi said.

"The technology is available to assess the credit worthiness of a small scale entrepreneur, standard methods used by banks will not be sufficient," he said. "Banks have to refocus how to look at these opportunities from a completely new perspective using technology, standards old methods may not work."

The deputy Governor also asked banks to take a long term view to shape their business strategies rather than planning a couple of months in advance.

"Banks have to take a deeper view at the trends that are taking place," he said. "Technology is continuously changing and if banks need to support the economy they need to take some serious calls."

Gandhi quoted a two decade old quote of [Bill Gates](#) where the technology magnate had famously said "banking is necessary, banks are not," to substantiate his claim that banks needed to shape up.

"While we are not looking at the end of banking we are looking at the end of banks and banking as we currently know them," Gandhi quoted a recent report. "Will banks really cease to exist? that's a moot point."

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