

Arun Jaitley: Recapitalising PSBs will help lend to MSMEs

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Finance minister Arun Jaitley said on Thursday recapitalisation of public sector banks would help them to lend to medium and small enterprises, a sector slowly moving into the formal economy. (Image: IE)

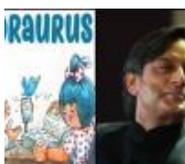
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Finance minister [Arun Jaitley](#) said on Thursday recapitalisation of public sector banks would help them to lend to medium and small enterprises, a sector slowly moving into the formal economy. Jaitley noted that banks' lending capacity was hitherto limited due to a shortage of capital. So the task before the government is to fix the banks so that they will no longer be averse to lending to small borrowers. On October 24, the government announced a Rs 2.11-lakh-crore recapitalisation programme for state-owned lenders which have needed to make huge provisions as they have incurred large loan losses. Of this, Rs 1.35 lakh

crore will be in the form of recapitalisation bonds while the remaining Rs 76,000 crore will come in the form of budgetary support and banks' capital-raising plans.

Jaitley said that the goods and services tax (GST) regime was still in the transition phase, adding that it would take a while to rationalise taxes further. Moreover, the finance minister added, only when the tax base is widened in a formalised economy is rationalisation of direct and indirect taxes possible. The finance minister pointed out that taxation for small firms under GST was favourable. The GST Council had brought down rate at 1% for SMEs with Rs 1.5 crore turnover, while earlier it was 5%, Jaitley said, adding that this would nudge these companies to comply with the tax provisions. Singling out investment in infrastructure as the core of India's growth story, Jaitley said that while highways, ports and aviation were growing at a reasonable rate, there was a need to expedite investment infrastructure development schemes for railways ranging from modernisation of stations to high-speed trains.

Further, Jaitley highlighted expenditure on rural infrastructure as the focus area for the government. He added that projects related to rural housing, sanitation and rural roads had the ability to push growth significantly. "India has one of the highest infrastructure spends in the world but the momentum of urban and rural infrastructure development needs to be sustained," he said. [Indian Railways](#)' capital investments rose 19% to Rs 1.12 lakh crore in FY17 and it is projected to invest Rs 1.31 lakh crore in the current fiscal. The transporter and some other government undertakings like the National Highways Authority of India have been the other players that have salvaged the investment climate, vitiated by a prolonged sluggishness in private investment.

Indian Railways is undertaking significant expansion of tracks, station development, traffic facilities, passenger amenities and electrification. According to rating agency Crisil, India needs to invest Rs 8 lakh crore between FY18 and FY22 to ramp up railway infrastructure. Speaking on the proposed strategic sale of Air India, Jaitley said that the government had appointed advisers for sale of the national carrier. He added that the government for the first time would exceed the the disinvestment target of Rs 72,500 crore this fiscal.