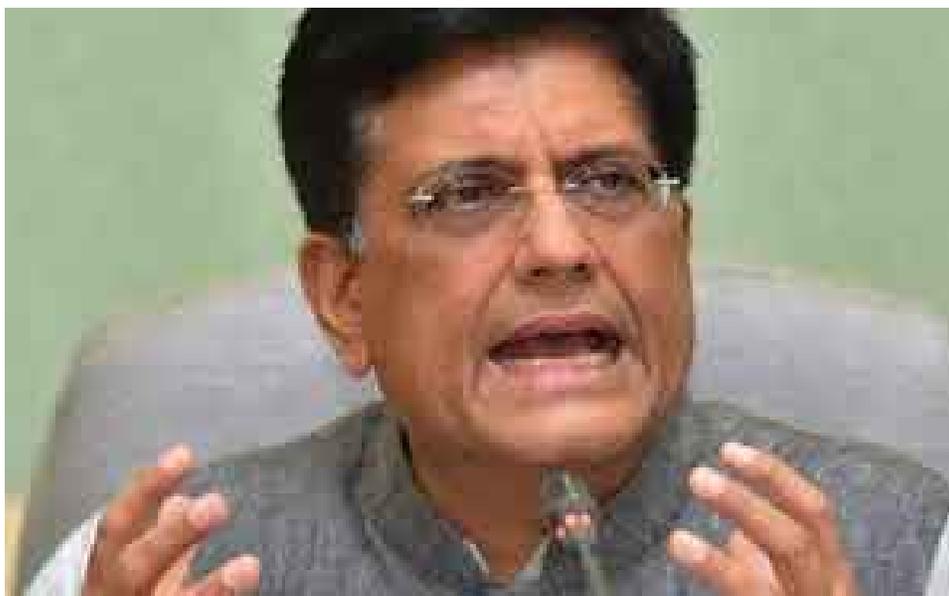


## PSBs team up to bolster consortium lending

OUR BUREAU



Acting Finance Minister Piyush Goyal addresses the media after chairing a meeting of PSB chiefs in New Delhi on Tuesday - PTI

### Okay ‘inter-creditor’ arrangement to improve delivery of credit to enterprises

NEW DELHI, JUNE 19

In an initiative that is expected to iron out problems faced in consortium lending, public sector banks (PSBs) have agreed to enter into an “inter-creditor” arrangement that would set the ground rules for lending. Besides, it will also cover lending under multiple banking arrangements.

This will help banks work as a team and remove procedural glitches so that timely credit is available to enterprises, Interim Finance Minister Piyush Goyal told the media on Tuesday after chairing a meeting with chief executives of the PSBs of North and East India.

State Bank of India Chairman Rajnish Kumar said the proposed inter-creditor arrangement will be a model agreement. “The Indian Banks Association (IBA) will examine it, as will all the banks. This will be a voluntary arrangement,” he said.

Goyal said banks had agreed to adopt the Insolvency and Bankruptcy Code (IBC) threshold of 66 per cent for decision-making: a decision taken by 66 per cent of the lenders will be abided by all banks that are part of the consortium, he said.

Goyal said banks had collectively decided to take up in two stages the credit needs of genuine, well-performing companies.

## **Boost for MSMEs**

Over the next four weeks, PSBs will undertake a focussed study of the credit needs of companies with borrowings of ₹200-₹2,000 crore. There are about 4,500 such companies, most of them in consortium lending. In the second stage, PSBs will take up accounts with borrowings of up to ₹200 crore, and look at the genuine needs of MSMEs.

“The PSBs will work collectively to address the credit needs of genuine borrowers. [In] almost every sector, we are seeing an up-tick in demand, which the banks believe is an opportunity,” Goyal said.

In response to a question, Goyal said he did not concur with RBI Governor Urjit Patel’s recent deposition to the Standing Committee of Finance that the central bank does not have enough powers to deal with errant PSB Boards. “We believe the RBI has adequate powers and if there is a requirement of any more powers, the government is very open to it. It will be a conversation between the Government and the RBI,” he said.

## **Public money is safe**

Goyal also asserted that public money is extremely safe in PSBs. “The Government stands behind public sector banks. Your money is extremely safe in PSBs. I don’t know how safe it is in certain private companies that have huge tax dues.”