

Business Standard

Letter to BS: Debt resolution processes in banks have to be stepped up

Banks are still wary of lending to the industry and services sectors

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This refers to “*Corporate lending seems to be back in vogue for the banks*” (April 2). The perusal of the statistical table in the article shows very little increase in bank lending in 2019 to agriculture and allied activities and industry as compared to 2018. The government has been talking so much about increased lending to micro, small and medium enterprises (MSMEs), but the proportion of increase in case of MSMEs is abysmal. The increase in bank lending in 2019 as compared to 2018 is mainly driven by lending to non-banking financial corporations and personal loans. In the personal loan segment, it is credit cards outstandings and housing that are the main drivers. The real sectors need to drive the economy and not just the consumption segments.

The banks are still wary of lending to the industry and services sectors. Many of the public sector banks (PSBs) were put under the prompt corrective action framework (PCA) and are slowly coming out of it. They still have a large stock of non-performing assets. Unless lending to the agricultural sector, industry and services is augmented substantially, a real impact on economic growth will not be felt. The debt resolution processes in banks has to be stepped up and substantive reforms have to be carried out in the PSBs to make them efficient financial intermediaries of the 21st century. Without doing this, it will be a little more or a little less of the same and we will be plodding along 6-7 per cent growth and high unemployment.

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