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Banks to formulate uniform policies to support gems and jewellery sector

BY PTI | JUL 31, 2019, 10.06 PM IST

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MUMBAI: Banks are in the process of implementing uniform policies to streamline the loan processes to gems and jewellery (G&J) industry, a senior banker said.

He said one of the main challenges for the unit in the sector is obtaining credit from banks as there is a lack of uniform approach in terms of norms for security and margins, among lenders.

In addition to this, banks also have individual loan policies for various sectors.

The banks and gems and jewellery sector have formed a coordination committee, headed by State Bank of India's deputy managing director P N Prasad, which is working on formulating the uniform policies for the sector.

"What we are trying to achieve in the committee is basically you have a uniform policy for all the banks. This policy is for entry, like if a new customer wants to be given credit, there are certain criteria they have to fulfill such as rating, exposure, business experience," Prasad told reporters on the sidelines of an event on Wednesday.

The committee has put certain uniform practices in terms of collateral, margins and direct exposure, he said.

"We brought out this policy sometime in August- September 2018 and that has been circulated to all the other banks also through the IBA. Most of the banks have also more or less adopted the policy," Prasad said.

He said there have been some sectoral issues due to which the credit to the gems and jewellery sector has remained more or less stagnant.

"But, we are trying to achieve is a policy-level uniform approach so that the policy is strengthened. The due diligence of the various stakeholders have taken place through the KYC platform," he added.

The banks now also have an approved list of auditors and valuers who can value the inventory and help them in the monitoring of the exposure.

Prasad said SBI's exposure to the gems and jewellery sector is around Rs 25,000 crore and it remained stagnant.

Speaking on the same event, ministry of commerce and industries economic advisor, Rupa Dutta, said the government, at regular intervals, have announced various economy and trade friendly policies for the sector.

"The government has provided the much needed growth- oriented support and designated gems and jewellery as priority sector to ensure that it gets adequate finance and also steps are taken to promote exports," Dutta said.

She urged the industry players to take steps of building trust.

"They have to create platforms with better eKYC norms, compliances and regulations so that the trust can be rebuilt and positive steps can be taken," Dutta added.

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