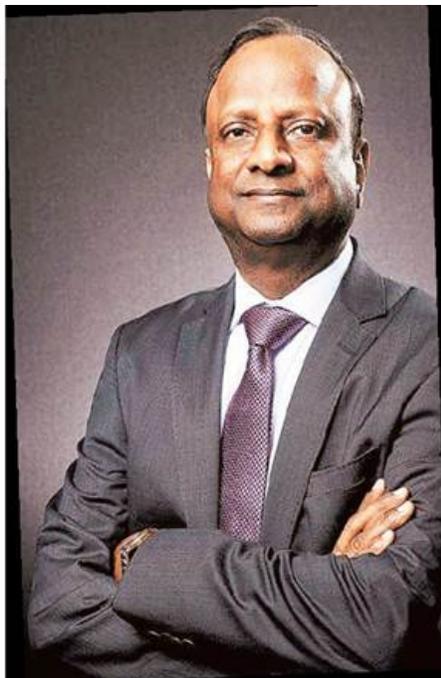


Slow credit growth due to unutilised sanctioned working-capital limits: SBI chairman

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Credit growth is slow primarily because sanctioned working-capital limits are lying unutilised.



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State Bank of India (SBI) chairman Rajnish Kumar

Corporate loan growth remains anaemic because of weak demand and low utilisation of limits and not high interest rates, [State Bank of India \(SBI\)](#) chairman **Rajnish Kumar** told **Shritama Bose** and **Malini Bhupta**. Edited excerpts:

Corporate lending has been growing in single digits for long. Industry says that accessing funds from banks has become difficult?

Credit growth is slow primarily because sanctioned working-capital limits are lying unutilised. In project funding, we have proposals only in three segments — roads, solar and oil and gas. It is a fact that private sector participation has come down. Whether the rate of interest is not suiting them is something you must ask the corporates. In my view, when people invest, they don't care about the interest rate. We have seen times when people have borrowed at 12%. Now rates have come down because of [RBI](#) action, but investment has not picked up. Either there is excess capacity in certain sectors or investors are not sure about getting returns on investment.

Now that DHFL has been referred to the NCLT by RBI, what are you expecting?

Solving the NBFC issue outside the legal framework is difficult because there are different classes of creditors — banks, mutual funds, pension funds and depositors. There is value in the retail assets of DHFL. There is a very good chance that it will get some good interest.

What became apparent was that the waterfall method was not going to be followed. Also, how will the issue of retail creditors be addressed?

There was objection from mutual funds (to follow the waterfall mechanism) because they are also pass-through and retail. But in the entire liabilities everybody is secured, as mutual funds had also subscribed to the secured NCDs (non-convertible debentures).

Do you think that retail depositors (unsecured) should be treated differently like home owners were declared as financial creditors because then there is no end to it?

Yes, then there is no end to it. If you are unsecured then you are unsecured. And depending on the security you get your return. When we are secured, the financing cost of borrower comes down and lenders' rate of interest comes down. It is a sensitive issue around depositors. One is that if you are taking risk, then reward is higher. But, many a time people don't appreciate risk and that is where the problem comes. Under the current framework the depositor is unsecured. In this case, what treatment they get and how to deal with the situation, we have to see.

How would you rate the inter creditor agreement (ICA) mechanism, considering no major resolutions have emerged from there?

You are right. Building consensus proves to be very difficult. Still, some accounts which don't need very deep restructuring, they can be rectified during this period. But, the accounts requiring deep restructuring will land up in NCLT. Despite the RBI making it mandatory, many banks have not signed the ICA.

The economy is slowing, is the worst over for public sector banks?

Of the Rs 37,000 crore of telecom exposure, Rs 10,000 crore is already NPA (non-performing asset) and we have fully provided for both accounts. Also, we are sitting on huge provisions of a certain category of accounts, which is the D3 (doubtful-3) accounts and in these D3 accounts bank has made 100% provisions. The best such case is Essar Steel. I have provided full and now recovery is Rs 12,000 crore. In two years, provisions have gone up by 20%. If you look at SBI, don't look at quarterly number, look at the average. Our fresh slippage in this year should not exceed 2% of my loan book, which is Rs 27 lakh crore. This year there are four-five major accounts where by March I should be able to recover about Rs 18,000 crore.

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