

Finance Minister Nirmala Sitharaman asks banks to be more customer friendly

At a meeting between industry representatives and the finance minister, a startup founder in the baking business suggested for credit to be available hassle-free.



The minister made it clear that banks do not have to be lenient on credit underwriting standards by taking any adverse risks on a proposal. (File)

Union Finance Minister Nirmala Sitharaman on Monday said banks need to focus more on being customer-friendly so that the process of availing credit becomes more hassle-free for borrowers.

However, the minister made it clear that banks do not have to be lenient on credit underwriting standards by taking any adverse risks on a proposal.

At a meeting between industry representatives and the finance minister, a startup founder in the baking business suggested for credit to be available hassle-free, to which largest lender [SBI](#)'s Chairman Dinesh Kumar Khara said a startup's worries are more on the equity side and assured full support in lending if sufficient equity is on the table.

Later, he also made a mention of the government's Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

Stressing that the person asking the question is a woman operating an innovative enterprise, Sitharaman had a few suggestions for the banking community and also spoke out against their attitude.

"Initially, Mr Khara gave a very bland answer. And then after being prompted somewhat, he went into talking about a scheme which has a lot of government support, the CGTMSE," she said.

"Banks will have to be a lot more customer friendly. Not to the extent of taking adverse risks which you don't need to take, but you need to be a lot more friendly to customers," the minister said.

Khara said the focus is on increasing the reliance on end-to-end digitalisation of the process, which will ensure a hassle-free experience.

He said in the next two months, the bank will go fully digital for lending. Also, provided there is credible cashflow visibility available to a bank, the credit growth to small businesses can touch that of personal loans over time.

Tarun Bajaj, the revenue secretary who has worked in the Department of Financial Services as well, said banks need to be cognisant of the needs to lend more and support the economic growth. He added that the balance sheet of corporates is in better shape now.

Khara said it is a normal perception that banks do not sanction loans, but pointed to very high levels of underutilisation of sanctioned working capital limits, which generally point to slowing demand in an economy.

He said even after a 9 percentage points improvement in a quarter, the underutilisation of working capital is as high as 52 per cent for the country's largest lender.

Khara said his optimism on growth in lending to small businesses in the future comes from the experience in the retail banking space and the changes in lending, where the balance sheet alone is not important but access to cash flows of an entity also helps.

Earlier, the head of SBI hinted at seeking some relaxations on the stressed asset recognition in rural areas from the finance minister, saying the mofussil areas are yet to come out of the impact of the pandemic.

"If there can be some relief for the rural sector in terms of the way we are identifying the accounts. Rural sector is still in the need of some support, though we are trying to extend it, whatever can be done from the banking sector.

"But yes, in terms of identification of stress in the accounts, if there can be some relief, perhaps it would require the intervention of the regulator," he noted.