

Gurumurthy: Separate financial architecture needed for small businesses

NEW DELHI, SEPT 1: India needs a separate financial architecture for non-corporate small businesses in the country, noted economist and financial advisor, S Gurumurthy, has said.

It should be a non-Basel architecture and could take the shape of 20-30 small business finance companies or institutions, Gurumurthy suggested at a national round table conference organised by the Action Committee for Formal Finance for Non-Corporate Small Business here on Monday.

Gurumurthy said banks were averse to funding the non-formal sector — which was largely unregistered — due to the high human resource costs of lending and also due to Basel norms, which make it difficult to finance even the registered MSME sector, leave alone unregistered small businesses.

He said non-corporate small businesses were the economic backbone of the country, which produces a value addition of ₹6.28 lakh crore annually, but this sector was the most financially under-served.

Finance Minister Arun Jaitley had in his maiden Budget speech announced that he would appoint a committee to give concrete suggestions on the financial architecture for the SME sector.

Praveen Khandelwal, National Coordinator of the Action Committee, said as many as 30 'Jan Adalats' would be held in the next two months in different States.

Similar round table conferences would be held in top cities and a white paper would be prepared based on the inputs received, Khandelwal said.