

'India need a separate financial architecture for SMEs'

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Columnist and Chartered Accountant S Gurumurthy today made a strong pitch for a separate financial architecture for small and medium enterprises (SMEs) in India.

"A separate financial architecture for SMEs is necessary for the country...The government has said that it will create a separate financial architecture, we must ensure it is created," Gurumurthy said on the sidelines of an event here.

Noting that there are at least 20 million small financial institutions in India, which finances small businesses, he stresses need for banks lending to them at cheaper rate.

"...They (small financial institutions) are lending to SMEs at 36-45 per cent because they are borrowing at that rate. If banks lend to them at 10-12 per cent then they will lend at 14-15 per cent," Gurumurthy said.

Finance Minister [Arun Jaitley](#) in his Budget speech 2014-15, had said, "SMEs form the backbone of our Economy... Financing to this sector is of critical importance, especially as it benefits the weakest sections.

"There is need to examine the financial architecture for this sector. I propose to appoint a committee with representatives from the Finance Ministry, Ministry of MSME, RBI to give concrete suggestions in three months."

Gurumurthy, who is also an Rashtriya Swayamsevak Sevak (RSS) ideologue, said that "we must actually ensure that the government provide wholesale financing and retail financing is done by a small business finance corporation, which the government should register separately".

Speaking on the occasion, National Coordinator of the Action Committee for formal finance for non corporate small business Praveen Khandelwal said, "the non corporate sector is providing employment to nearly 49 crore people in the Country which is 90 per cent of total employment in [India](#) and is also contributing 45 per cent to national GDP which is three times higher than corporate sector.

"Astonishingly only about 4 per cent people in non corporate sector are getting finance from banks and other banking institutions which is very low.