

Bank Loans to SSI Units

1911. SHRI JAGAT VIR SINGH
DRONA:
SHRI SANTOSH KUMAR
GANGWAR:

Will the Minister of FINANCE be pleased to state:

(a) whether some Commercial Banks have imposed credit squeeze in financing priority sector which includes SSI sector also;

(b) if so, whether the Reserve Bank of India has made some alternative arrangements in this regard;

(c) if so, the details thereof;

(d) whether keeping in view the present hike in rates interest; the Government propose to provide bank loans to SSI units particularly tiny and village industries at lower/concessional rates of interest; and

(e) the measures being taken for easier flow of bank finance SSI sector?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) (b) (c) and (e). Reserve Bank of India (RBI) has reported that the credit restraint measures introduced by it in May, 1991 were for a limited period between May 9, 1991 to September 30, 1991 and were applicable only to the borrowers enjoying aggregate working capital (fund based) limits of Rs. one crore and above from the entire banking system. Due to fund constraints some banks may have imposed restrictions on expansion of their overall credit thereby affecting the small scale sector also. The RBI has been advising the banks from time to time (February 1991 and Nov. 1992) that under no circumstances credit flow to the priority sector should get disrupted.

(d) Effective from 22nd September, 1990, the sector-specific, area specific and purpose specific interest rates were withdrawn and a single criteria viz. size of the loan determining the rate of interest was introduced. However the small scale industries which include tiny and village and cottage industries, alongwith two other categories enjoy concessional rate of interest on term loans over Rs. 25,000/- as under:

<i>Size of the credit limit</i>	<i>Rate of interest SSI, Agriculture and transport operators owning upto two vehicles</i>	<i>Percent per annum other types of borrowers</i>
Over Rs. 25,000/- and upto Rs. 2 lakhs	15.0	16.5
Over Rs. 2 lakhs	15.0 (Minimum)	18.0 (Minimum)

According to RBI lowering of interest rates on advances is not possible without a corresponding reduction in the rates of deposits, otherwise viability of banks will be eroded. Any reduction in interest range on deposits would seriously effect deposit

mobilisation by banks. It is, therefore, not feasible to extend concession in interest rates further to what is already provided for in the lending rates structure prescribe by RBI for banks.