

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:737

ANSWERED ON:05.12.2003

MOU BETWEEN SIDBI AND ORIENTAL BANK OF COMMERCE

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Will the Minister of FINANCE be pleased to state:

- (a) whether Small Scale Industries Development Bank of India has entered into an MoU with Oriental Bank of Commerce;
- (b) if so, the details of MoU so reached;
- (c) whether the Government have estimated term loan requirement for the small scale industries during the 10th Plan period;
- (d) if so, the details thereof; and
- (e) the arrangements made by the Government to meet the requirement for the term loan for small scale industries during the 10th Plan period?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL):

(a) and (b) Yes, Sir. The salient features of the Memorandum of Understanding (MoU) signed by Small Industries Development Bank of India (SIDBI) and Oriental Bank of Commerce (OBC) on 16th September, 2003 are as under:

(i) OBC and SIDBI shall identify viable projects financing jointly for SSI/SME, Service Sector and Infrastructure.

(ii) The Units having project cost of Rs. 50 lakhs and above may be generally considered for joint financing. The term loan would be shared between the two lenders on a 50:50 basis & OBC would meet the full need based working capital requirements of the Units.

(iii) SIDBI and OBC shall have pari-passu charge on all securities created out of the term loan and any other security obtained towards the term loan.

(c) and (d) The Working Group on Small Scale Industries (SSI) constituted by the Planning Commission has estimated the requirement of funds of the order of Rs. 63,357 crore for long term credit during the 10th Plan Period based on the assumption that there would be no change in the existing policies.

(e) In order to ensure that both long term and short term credit requirements of SSI Sector are adequately met the following policy initiatives have, inter-alia, been taken by the Government and Reserve Bank of India:

(i) Enhancement of working capital loan (computed on the basis of minimum of 20% of annual projected turnover) from Rs. 4 crores to Rs. 5 crores;

(ii) Increase in composite loan limit from Rs. 25 lakhs to Rs. 50 lakhs;

(iii) Raising of Project cost limit under National Equity (Fund (NEF) Scheme from Rs. 25 lakhs to Rs. 50 lakhs;

(iv) Providing collateral free loan upto Rs. 25 lakhs to the Units having good track record;

(v) Adoption by Public Sector Banks an interest rate band of 2% above and below their PLR for SSI Units; and the banks have been advised to fix 10 self set target for growth in advances to SSI Sector over the previous year's achievement and overall trends in growth of net bank credit.