

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2724  
ANSWERED ON:19.12.2003  
CREDIT TO SSTS  
NAWAL KISHORE RAI;RAMJILAL SUMAN

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Naik Committee constituted in connection with making credit available to the small scale sector has presented its report to the Government;
- (b) if so, the main recommendations made by the committee; and
- (c) the reaction of the Union Government thereto?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V1TH0BA ADSUL):

(a) and (b) Reserve Bank of India (RBI) constituted a Committee in the year 1991 under the Chairmanship of Shri P.R. Nayak, the then Deputy Governor, RBI to examine the adequacy of institutional credit to the small-scale industries (SSIs) in the country and other related issues. The Committee in its report, submitted to RBI, made inter-alia, the following recommendations:

- (1) Priority sector reckoning to entire SSI sector.
- (2) Preferential treatment for village and smaller tiny units making use of working capital efficiently.
- (3) Computation of working capital requirements of SSI units on the basis of simplified method of minimum 20% of the projected annual turnover of the unit for borrowal limits up to Rs. 1 crore.
- (4) Commercial banks to open specialized or dedicated branches in other areas of high small industry density ranging between 1000 to 2000 registered SSI units.
- (5) Adequate discretionary powers to the Branch Managers to meet unforeseen contingencies including escalation in raw material/input cost.
- (6) Banks to adopt 'Single Window' scheme in full earnest.
- (7) Revised definition for classification of sick SSI units.
- (8) Effective rehabilitation packages for those sick SSIs, which have been identified as potentially viable.

(c) With a view to implement the above recommendations of Nayak Committee, Government had announced a Seven Point Action Plan in the Union Budget 1995-96. RBI also implemented the recommendations of Nayak Committee pertaining to it. In addition, the following measures have also been initiated for augmenting the credit flow to SSI Sector:

- (1) Enhancement of working capital loan (computed on the basis of minimum of 20% of annual projected turnover) to Rs. 5 crores;
- (2) Banks to ensure that out of their total funds lent to SSI Sector, at least 40% should be made available to units with investment in plant and machinery up to Rs. 5 lakhs and 20% should be made available to units with investment in plant and machinery between Rs. 5 lakhs and Rs. 25 lakhs so as to ensure that 60% earmarked for SSI Sector should go to small units in tiny sector;
- (3) Banks have been advised to open at least one Specialised SSI Branch in each district. Further Banks have also been permitted to categorize their general branches having 60% or more of their advances to SSI Sector as specialized SSI Branches.
- (4) Banks were advised to enhance the composite loan limit from Rs.25 lakh to Rs.50lakh.
- (5) Increase in the exemption limit for all SSI borrowal accounts for obtention of collateral security for loans from the existing Rs. 15 lakhs to Rs.25 lakhs based on good track record and financial position of SSI units.
- (6) Banks have been advised to dispose of: applications for loans up to Rs. 25,000/- within 2 weeks and for higher amount, within 4 weeks provided the loan applications are complete in all respect and accompanied by a checklist.

- (7) To address the incidence of sickness in SSI Sector, RBI has issued a complete set of revised guidelines in January, 2002; and
- (8) Banks have been instructed to impart necessary training programmes for the branch level officials to sensitize and to bring about attitudinal change towards the needs of SSI Sector.