

**GOVERNMENT OF INDIA  
SMALL SCALE INDUSTRIES  
LOK SABHA**

UNSTARRED QUESTION NO:373  
ANSWERED ON:21.02.2006  
CREDIT TO SMALL SCALE INDUSTRIES  
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**Will the Minister of SMALL SCALE INDUSTRIES be pleased to state:**

- (a): whether any action has been taken by the Government to ensure that the Banks credit to Small Scale Industries is hassle- free;
- (b): if so, the details thereof;
- (c): whether National Manufacturing Competitiveness Councils has given recommendation on the provisions of credit to the Small Scale Industries; and
- (d): if so, the details thereof alongwith the action taken by the Government in this regard?

**Answer**

MINISTER OF SMALL SCALE INDUSTRIES & AGRO AND RURAL INDUSTRIES (SHRI MAHABIR PRASAD)

(a)&(b): To facilitate flow of credit to the small scale industries (SSIs), the Government and the Reserve Bank of India (RBI) have taken various measures which, inter alia, include enhancement in composite loan limit from Rs. 50 lakh to Rs. 1 crore, raising of project cost limit under National Equity Fund (NEF) Scheme from Rs. 25 lakh to Rs. 50 lakh, enhancement of eligible loan limit under Credit Guarantee Scheme from Rs. 10 lakh to Rs. 25 lakh, providing collateral-free loan upto Rs. 25 lakh to SSI units having good track record, setting up of Small and Medium Enterprises (SME) Fund of Rs. 10,000 crore under Small Industries Development Bank of India (SIDBI), enhancement of credit limit under Laghu Udhyaami Credit Card (LUCC) from Rs. 2 lakh to Rs. 10 lakh based on satisfactory track record, etc. Further, the Government has announced a 'Policy Package for Stepping up Credit to Small and Medium Enterprises (SMEs)' on 10th August 2005. The measures in the Policy Package to increase the quantum of credit to SMEs (including SSIs) include:

- (i) public sector banks to fix their own targets for funding SMEs in order to achieve a minimum 20 per cent year-on-year growth in credit to the SME sector,
- (ii) public sector banks to follow a transparent rating system with cost of credit linked to the credit rating of the enterprise,
- (iii) commercial banks to make concerted efforts to provide credit cover on an average to at least 5 new tiny, small and medium enterprises at each of their semi-urban/urban branches per year,
- (iv) special dispensation under the Credit Guarantee Scheme for all
  - (a) loans upto Rs. 2 lakh,
  - (b) eligible women entrepreneurs and
  - (c) eligible borrowers located in the North Eastern region (including Sikkim) and Jammu and Kashmir,
  - (v) adoption of cluster- based approval by banks for SME financing, etc.

(c)&(d): In its draft report on 'National Strategy for Manufacturing', the National Manufacturing Competitiveness Council has made several recommendations on provision of credit to the SSI sector, including examination of the methodology for enabling better credit delivery to the SSI sector by the RBI, restructuring/revitalization of State Financial Corporations and giving a larger role to SIDBI in direct lending to the SSI sector.