

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:716
ANSWERED ON:28.07.2006
DELIVERY OF CREDIT
Reddy Shri Karunakara G.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has decided to encourage flow of credit to medium industries and facilitate coordination between branches of commercial banks and the Small Industries Development Bank of India (SIDBI) in the delivery of credit to small scale industries;
- (b) if so, the details thereof;
- (c) the time by which it is likely to be introduced; and
- (d) the extent to which it will be beneficial for the Small Scale Industries Sector?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

- (a) to (c) : The Reserve Bank of India (RBI) in 2005-06 has formulated a scheme to encourage banks to establish mechanisms for better co-ordination between their branches and branches of SIDBI which are located in clusters identified by the Ministry of Small Scale Industries for co-financing of Small & Medium Enterprises (SMEs) sector (including tiny and services sector) on mutually agreeable operational modalities. As per latest information, 16 banks have signed MOUs with SIDBI. Further, as on 30th June 2006, 34 business proposals involving financial assistance of RS.123.16 crores by alliance banks have been approved under the scheme.
- (d): These initiatives will help in improving credit flow to the Small Scale Industries Sector immensely.