

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5072
ANSWERED ON:11.05.2007
CREDIT TO SMALL AND MEDIUM ENTERPRISES
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Will the Minister of FINANCE be pleased to state:

- (a) the policy of the Government relating to credit to small and medium enterprises (SMEs);
- (b) whether the quantum of credit and the number of small scale industries units benefited from such credit has declined during the last three years;
- (c) if so, the details thereof and reasons therefore; and
- (d) the steps taken by the Government in this regard?

Answer

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

(a): Government of India had announced a Policy Package in Parliament on August 10, 2005 advising all Scheduled Commercial Banks including Public Sector Banks to fix their own targets for funding Small and Medium Enterprises (SMEs) in order to achieve a minimum 20% year-on-year growth in credit to the SME sector.

(b) & (c): As at the end of March 2004, 2005 and 2006 the outstanding credit to SSI sector by the Public Sector Banks was Rs.52646, 58311 and 82434 crore to 17.22, 17.10 and 17.28 lakh SSI accounts respectively. It may be observed from the above that the number of SSI accounts have declined slightly during 2004-05. However, the total advances to SSI sector has shown an upward trend. The reason for decline in number of accounts may be attributed to prudential writing off/ compromise settlement of large number of small NPA accounts in SSI sector.

(d): Besides the above Policy Package, Reserve Bank of India (RBI) has formulated a scheme to encourage banks to establish mechanisms for better co-ordination between their branches and branches of SIDBI for co-financing of SMEs on mutually agreeable operational modalities. Modification in Credit Linked Capital Subsidy Scheme for upgradation of SSI sector, introduction of Credit Rating Scheme by National Small Industries Corporation and setting up of SME Rating Agency by SIDBI are some other measures taken by the Govt. and RBI to increase the credit flow to SME sector. Further, Micro, Small and Medium Enterprises Development Act, 2006 has been enacted to cater to the needs of SME sector.