

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

UNSTARRED QUESTION NO:3232
ANSWERED ON:23.03.2005
CREDIT RATING SCHEME FOR SSI SECTOR
Adhalrao Patil Shri Shivaji

Will the Minister of SMALL SCALE INDUSTRIES be pleased to state:

- (a): whether in view of increasing competition in Indian Industry, the small scale sector is realizing the need for credit rating scheme;
- (b): if so, the benefits to be derived under the scheme by Indian Industry; and
- (c): the stand of the Government on launching the rating scheme for small scale sector?

Answer

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

(a): Yes, Sir.

(b): The Government, through the National Small Industries Corporation of India Ltd., (NSIC) and in consultation with the Indian Banks Association (IBA), has approved a new scheme, namely, 'Performance and Credit Rating of Small Scale Industries'. Benefits of the scheme for the small scale sector are as follows:-

- (i) The rating will serve as an independent evaluation, by an accredited third party, of the small scale units' capabilities and creditworthiness.
- (ii) The small scale industries, on the basis of such rating, would be helped in securing credit from banks and financial institutions, with comparative ease and at reasonable interest rates.
- (iii) The rating scheme will help the banks and financial institutions by providing them with independent evaluation of the strengths and the weaknesses of the applicant borrowing units which, in turn, would help them in evaluating risk and taking credit decisions.
- (iv): Rating of the small scale units would help the vendors/buyers in judging their capabilities and capacities for decisions on finalization of purchase contracts with them.
- (v) The rating scheme will help establish a sense of financial and operational discipline, which would further help the overall growth of small scale sector.

(c): Government has approved the Scheme 'Performance and Credit Rating of Small Scale Industries' for implementation through the NSIC, a public sector enterprise under the administrative control of Ministry of Small Scale Industries. Reputed rating agencies have been empanelled by the NSIC for this purpose. The Scheme includes Government financial assistance to the small scale units as reimbursement of a part of the expenditure on the rating for fees, payable by such units.