

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:279
ANSWERED ON:23.07.2004
FINANCING OF PMRY SCHEMES
Ramadass Prof. M;Sethi Shri Arjun Charan

Will the Minister of FINANCE be pleased to state:

- (a) whether the nationalised banks are demanding 100% mortgage/collateral security upto 5 lakhs for financing PMRY schemes totally violating the RBI guidelines;
- (b) if so, the reaction of the Government thereto; and
- (c) the steps taken by the Government to check violation of RBI guidelines and to improve linkage between banks and unemployed youths ?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (c) : A Statement is placed on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF THE LOK SABHA STARRED QUESTION NO.279 REGARDING FINANCING OF PMRY SCHEMES FOR ANSWER ON 23RD JULY, 2004 TABLED BY SHRI ARJUN SETHI AND PROF. M. RAMADASS.

(a) and (b): According to Reserve Bank of India (RBI) guidelines, under PMRY, no third party guarantee/collateral is necessary for loans to individual upto Rs. 1 lakh in business and Rs. 2 lakhs in Industry sector and Rs. 5 lakh to partnership firms for industry sector. Some complaints against nationalized banks demanding collaterals in deviation of RBI guidelines have been received. Such complaints are taken up with the concerned bank and RBI.

(c) : RBI has reiterated instructions to all Scheduled Commercial Banks vide their circular dated 19th August, 2003 for adherence to guidelines. In addition, following steps have been taken by the Government and the Reserve Bank of India (RBI) to ensure observance of RBI guidelines and to improve the linkage between banks and unemployed youth:-

- (i) Banks have been advised to carry out scrutiny of rejected applications by a higher authority from their controlling/Head Office.
- (ii) Banks have been instructed to dispose of applications for loans up to Rs. 25000 within 2 weeks and upto Rs. 2 lakh within 4 weeks, provided the loan applications are complete in all respects.
- (iii) Time frames have been laid down for receipt of applications from the District Industry Centres (DICs) to banks and thereafter sanction and disbursements of loans by banks.
- (iv) Banks have been asked to issue `No dues certificate` whenever required, within 15 days, other-wise it is deemed to have been issued.
- (v) Banks have been instructed to set-up training institutes jointly with the State Governments by utilizing the existing infrastructure of the Industrial Training Institutes (ITIs) and Small Industries Service Institutes (SISIs).
- (vi) State Governments have been advised to identify viable activities jointly with banks at the district level.