

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2495
ANSWERED ON:12.03.2010
REHABILITATION OF MSM ENTERPRISES
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Will the Minister of FINANCE be pleased to state:

- (a) whether Government is aware that sick micro, small and medium enterprises are suffering due to negative approach of the Public Sector Banks (PSBs);
- (b) if so, the details thereof and reaction of the Government thereto;
- (c) whether Government has plans to help such units which may also reduce bad loans against micro, small and medium enterprises;
- (d) if so, the details thereof, and
- (e) the other steps taken or proposed to be taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (e): A Working Group on Rehabilitation of Sick Small and Medium Enterprises (SMEs) was constituted by Reserve Bank of India (RBI) under the Chairmanship of Dr. K. C. Chakrabarty to look into the problems being faced by this sector. After examination of the recommendations, banks have been advised to undertake a review and put in place restructuring / rehabilitation policy for revival of potentially viable sick units / enterprises. Further attention of banks was also invited to the guidelines issued by the RBI on MSE debt restructuring in respect of borrowal accounts that showed symptoms of sickness. RBI has also constituted an Empowerment Committees with the Regional Director of the RBI as the Chairman to review various issues relating to MSE sector particularly, the progress in MSE financing and rehabilitation of sick SME units and to coordinate with other banks / financial institutions and the State Government in removing bottlenecks, if any, to ensure smooth flow of credit to the sector. It may be mentioned that 20 out of 27 Public Sector Banks (PSBs) have reported to have put in place their Board's approved One Time Settlement (OTS) policy and RBI is monitoring compliance by the remaining banks. All Scheduled Commercial Banks (SCBs) have also been advised recently to give adequate publicity to the OTS policies.

Besides, StDBI has been extending Rehabilitation package to its assisted and potentially viable MSME sick units which provides for relief and concessions (in the form of rescheduling, reduction in interest rate, funding of overdue / future interest, waiver, etc.) as well as need based additional financial assistance for their revival on viable lines.

Further, the sickness trend in SIDBI's direct assistance portfolio has shown a declining trend during the last few years as may be seen from the data given below:

Period Number of sick units Outstanding (Rs. Crore)

As on 31-03-2006 243 214.05

As on 31-03-2007 220 199.34

As on 31-03-2008 194 136.36

As on 31-03-2009 172 119.17

As on 31-12-2009 163 112.04