

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4682
ANSWERED ON:23.04.2010
INCENTIVES TO MANUFACTURING COMPANIES
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Will the Minister of FINANCE be pleased to state:

- (a) whether manufacturing companies set up under the Companies Act, 1956 are getting any special incentives from the Government and the banks;
- (b) if so, the details thereof;
- (c) if not, the reasons therefor; and
- (d) the measures taken by the Government to provide loans to these manufacturing companies by the Banks?

Answer

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

(a) to (d): Reserve Bank of India (RBI) has deregulated the interest rates on advances above Rs.2 lakh and these interest rates are determined by banks themselves with the approval of their Boards, subject to Benchmark Prime Lending Rate (BPLR) and Spread guidelines. Individual banks therefore determine interest rates to be charged to a particular borrower subject to BPLR and Spread guidelines. Loans up to Rs. 2 lakh carry the prescription of not exceeding the BPLR. However, banks have the freedom to determine the rate of interest, without reference to BPLR and regardless of size in respect of loans. With an intent to facilitate a higher rate of growth in the manufacturing sector, a series of initiatives / schemes have been launched by the Government of India that, inter-alia, included Credit Linked Capital Subsidy Scheme, Technology Upgradation Fund Scheme for Textiles and Jute Industries and Integrated Leather Development Programme. Financial assistance under these schemes is routed to SSIs through banks / financial institutions for the eligible projects. SIDBI has been designated as the nodal agency for operating these schemes.

As per extent guidelines, all advances to MSE Sector are treated as Priority Sector Lending. Banks have been advised that 40% of the total advances to small enterprises sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to Rs. 5 lakh and micro (service) enterprises having investment in equipment up to Rs. 2 lakh. Further, 20% of the total advances to small enterprises sector should go to micro (manufacturing) enterprises with investment in plant and machinery above Rs. 5 lakh and up to Rs. 25 lakh, and micro (service) enterprises with investment in equipment above Rs. 2 lakh and up to Rs. 10 lakh, RBI have issued guidelines regarding extending collateral free loans upto Rs. 5 lakh sanctioned to the units of MSE sector (both manufacturing and service enterprises) as defined under MSMED Act, 2006 which are mandatory in nature. In context of the global developments and the knock on effects in the domestic credit markets. RBI provided a refinance facility of Rs. 7000 crore to the Small Industries Development Bank of India (SIDBI) on December 6, 2008 in order to enhance credit delivery to the MSE sector.