

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:123
ANSWERED ON:05.03.2010
LENDING TO MSM INDUSTRIES
Singh Shri Ijyaraj ;Sinh Dr. Sanjay

Will the Minister of FINANCE be pleased to state:

- (a) the present status of flow of lending to Micro, Small and Medium (MSM) industries by the scheduled commercial banks;
- (b) the details of the targets set and achievements made in regard to lending to these industries by the scheduled commercial banks during the last three years;
- (c) whether the Government proposes to relax the norms for lending to MSM industries in view of the economic downturn;
- (d) if so, the details thereof; and
- (e) the steps taken by the Government to ensure adequate lending by these banks to such industries?

Answer

FINANCE MINISTER (SHRI PRANAB MUKHERJEE)

(a) to (e): A Statement is laid on the Table of House.

Statement laid on the Table of Lok Sabha

Statement as referred to in reply to parts (a) to (e) of Starred Question No.123 for answer on answer on 5th March, 2010 regarding 'Lending to MSM Industries' tabled by Dr.Sanjay Sinh and Shri Ijyaraj Singh, MPs.

(a) to (e): Government of India announced a policy package for stepping up credit to Small and Medium Enterprises (SMEs) on 10th August, 2005 with the objective that Public Sector Banks (PSBs) fix their own targets for funding SMEs in order to achieve a minimum 20% year-on-year growth in credit to SME sector and to double the flow of credit within a period of 5 years. The flow of credit from Scheduled Commercial Banks to the Micro, Small and Medium Enterprises (MSMEs) has increased over a period of time as given below;

(Rs in crore)

Year as on 31st March	Public Sector Banks	Private Sector Banks	Foreign Banks	All Scheduled Commercial Banks
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2006	82434##	10421	8430	101285
	(21.94%)			

2007	102550	13136	11637	127323
	(24.4%)	(26.05%)	(38.04%)	(25.70%)

2008	151137	46912	15489	213538
	(47.4%)	(257.1%)	(33.1%)	(67.71%)

2009#	190968	47916	18188	257072
	(26.4%)	(02.1%)	(17.4%)	(20.38%)

March 2009 data is provisional

Figures in bracket indicate y-o-y growth in percentage.

Further, to minimize the impact of Global financial crisis, Government of India had announced two stimulus packages on 7th December, 2008 & 2nd January, 2009 under which a number of measures were announced for various industries apart from a Line of Credit of Rs.7000 crore to SIDBI to support incremental lending, either directly to MSMEs or indirectly via Banks, NBFCs and SFCs.

The Finance Minister in the Budget Speech for the year 2009-10 has provided interest subvention of 2 per cent on pre-shipment export credit up to March 31, 2010 for exports in certain sectors, which included small and medium exporters. The same has been extended for one more year for exports covering handicrafts, carpets, handlooms and small and medium enterprises.

Loan amount eligible for guarantee under collateral free guarantee scheme of the Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE) has been increased from Rs.50 lakh to Rs.100 lakh, lock-in period has been reduced to 18 months and guarantee coverage for loans upto Rs.5 lakh has been increased to 85% of the loan amount. As on February 23, 2010, guarantee approvals were extended to 2,74,968 proposals covering credit assistance of Rs.10,414 crore by CGTMSE.

To resolve a number of issues which affect the growth of MSME Sector, Prime Minister constituted a high level task force which held detailed discussions with all stake holders and drew up an agenda for action. A high level council on micro and small enterprises will monitor the implementation of the recommendations and the agenda for action.