

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4514
ANSWERED ON:20.08.2010
ACCESSIBILITY OF FUNDS TO MSMES
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Micro, Small and Medium Enterprises (MSMEs) do not have access to formal funds and have to rely on costly informal credit;
- (b) if so, the details thereof alongwith the reasons therefor;
- (c) whether the organised sector is reluctant to provide credit to MSMEs;
- (d) if so, the details thereof alongwith the reasons therefor;
- (e) whether the Government proposes to provide special loan scheme for the small businessmen during the Eleventh Five Year Plan; and
- (f) if so, the details thereof alongwith the steps taken / being taken by the Government in this regard?

Answer

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

(a)to (d): The Scheduled Commercial Banks extend credit/financial assistance to micro, small and medium enterprises (MSMEs) as per the guidelines issued by Reserve Bank of India (RBI). To augment the flow of credit to micro, small and medium enterprises (MSMEs) and enhance their competitiveness, the Government had announced a 'Policy Package for Stepping up Credit to Small and medium Enterprises (SMEs) on 10th August 2005 which envisaged public sector banks to fix their own targets for funding MSMEs in order to achieve a minimum 20%, which has since been achieved. The data provided by the Reserve Bank of India (RBI) shows that outstanding credit to MSE Sector has shown a growth of 42.11% as on March 2010.

(e) & (f): In light of recommendations of High Level Task Force on MSME Sector, it has been decided that the share of Micro Enterprises in MSE lending needs to be increased to 60% in a phased manner viz. 50% in the year 2010-11, 55% in the year 2011-12 and 60% in the year 2012-13. It would be mandatory for the Public Sector Banks to achieve this target. Further, the banks should achieve an annual growth in the number of micro enterprise accounts of 10% every year.