

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:710  
ANSWERED ON:12.11.2010  
INTEREST ON LOANS TO SMES  
Kurup Shri N.Peethambara

**Will the Minister of FINANCE be pleased to state:**

- (a) Whether the Nationalized Banks are extending loans to the Small and Medium Entrepreneurs and Women Entrepreneurs to encourage them to do their business smoothly;
- (b) If so, the details thereof and if not, the reasons therefor;
- (c) whether the Banks are charging exorbitant rates of interest on such loans;
- (d) If so, the details thereof and reasons therefor; and
- (e) the remedial measures taken/being taken by the Government in this regard?

**Answer**

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

(a) & (b) As per information provided by the Reserve Bank of India (RBI), nationalized Banks extend loans to small and medium entrepreneurs including women entrepreneurs to encourage them to do their business smoothly. The outstanding credit to Micro and Small Enterprises (MSE) sector as on the last reporting Friday of March 2007, 2008, 2009 and March 2010 by Public Sector Banks is as under:

Year	PSBs advances (outstanding) (Rs in crore)	% of MSE credit to Net Bank Credit (NBC)
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2007	1,02,550.24	7.8
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2008	1,51,137.48	11.1
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2009	1,91,307.35	11.3
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2010	2,78,397.86	13.23
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(c) & (d) Interest rates have been deregulated. The Base Rate System has come into effect from July 1, 2010. All categories of loans will henceforth be priced only with reference to the Base Rate. Banks are not permitted to lend below the Base Rate.

(e) A High Level Task Force on Micro, Small and Medium Enterprises (MSMEs) was constituted under the Chairmanship of the Principal Secretary to the Prime Minister to address the issues of the MSME sector. In terms of the recommendations of Prime Minister's Task Force on MSMEs, RBI has advised banks on June 29, 2010 to achieve a 20 percent year-on-year growth in credit to micro and small enterprises and a 10 per cent annual growth in the number of micro enterprise accounts.