

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:708
ANSWERED ON:12.11.2010
CREDIT TO SMES
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Will the Minister of FINANCE be pleased to state:

- (a) whether contrary to the advice of the Government and Reserve Bank of India (RBI), there has been consistent decrease in providing credit to Small and Medium Enterprises (SMEs) Sector by Public Sector Banks (PSBs) of their net credit;
- (b) if so, the reasons therefor and details of credit provided by PSBs to SME Sector during the last three years, State-wise and bank-wise; and
- (c) 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), the outstanding credit to Micro and Small Enterprises (MSE) sector under priority sector lending as on the last Friday of March 2008, 2009 and 2010 by Public Sector Banks (PSBs) is as under:

Year	PSBs advances (outstanding) % of MSE credit to Net
(Rs. in crore)	Bank Credit (NBC)

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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It may be observed from the above table that the credit flow to the MSE Sector (w.e.f 30.4.2007, small scale industries have been redefined as MSEs) has shown an increasing trend during the last three years both in absolute terms and as a percentage to net bank credit of the PSBs.

State-wise and bank-wise statements showing details of credit to the MSE sector during the last three years (as on the last Friday of March 2008, 2009 and 2010) are at Annexure I & II respectively.

(c): Government attaches highest priority for supporting the MSME Sector which is critical for employment generation. RBI has announced a refinance facility of Rs. 7000 crore for SIDBI, which will be available for supporting incremental lending to MSMEs. Besides this to step up the credit to MSME Sector by expanding the guarantee cover, Government has announced two stimulus packages on 7th December 2008 and 2nd January 2009. In addition, Finance Minister in the Budget 2009-2010 has provided a Special Fund of Rs. 4000 crore to SIDBI to facilitate the flow of credit to Micro and Small Enterprises (MSEs). This Fund will incentivise banks and State Financial Corporations (SFCs) to lend to MSEs Sector by refinancing 50% of incremental lending to MSEs during the current financial year.