

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2677
ANSWERED ON:11.03.2011
LOANS TO MSMEs
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has issued guidelines to the scheduled commercial banks to provide forty per cent loans to the Micro, Small and Medium Enterprises (MSMEs) out of the total loans disbursed by them;
- (b) if so, the details thereof;
- (c) whether some banks have violated these guidelines in the recent past;
- (d) if so, the details thereof alongwith the action taken against such banks;
- (e) the details of the loans disbursed to the MSMEs by the said banks during the last three years and the current financial year alongwith the percentage of such loans in their Adjusted Net Bank Credit (ANBC) during the same period; and
- (f) the steps taken/being taken by the Government in this direction alongwith the achievements thereon?

Answer

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

(a) to (d): The Reserve Bank of India (RBI) has issued guidelines to domestic commercial banks to ensure that priority sector advances constitute 40 per cent of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher. Foreign banks are expected to ensure that priority sector advances constitute 32 per cent of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher. Within the overall target of 32 per cent to be achieved by foreign banks, the advances to MSE sector should not be less than 10 per cent of the adjusted net bank credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

(e): The credit flow to Micro and Small Enterprises (MSE) sector as on the last reporting Friday of March, 2008, 2009 and 2010 by Public Sector Banks, Private Sector Banks, Foreign Banks is as under: -

(Amt Rs in crore)

Year	Public Sector Banks	Private Sector Banks	Foreign Banks	Scheduled Commercial Banks	% of SCB Credit to ANBC
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2008	151137	46912	15489	213538	11.64
2009	191408	46656	18063	256128	11.32
2010	278398	64834	21069	364001	13.41

(f): The steps taken in this direction are as under:

(i) In terms of the recommendations of the Prime Minister's Task Force on MSMEs, banks have been advised on June 29, 2010 to achieve a 20 per cent 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

(ii) In order to ensure that sufficient credit is available to micro enterprises within the MSE sector, banks should ensure that:

(a) 40 % of the total advances to MSE 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; and

(b) 20 % of the total advances to MSE 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. Thus, 60 per cent of MSE advances should go to the micro enterprises in a phased manner by end March 2013.