

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3169

ANSWERED ON:19.08.2011

LOANS TO MSME SECTOR

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Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to increase the stipulated limit of loans disbursed by Scheduled Commercial Banks to the Micro, Small and Medium Enterprises (MSME) sector;

(b) if so, the details thereof;

(c) whether the Government also proposes to relax the norms for raising loans by the said sector;

(d) if so, the details thereof;

(e) whether the Public Sector Banks are reluctant to disburse loans to the said sector keeping in view the high risk of recovery of such loans; and

(f) if so, the details thereof alongwith the remedial measures taken/being taken by the Government in this regard?

Answer

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

(a) to (d): Loans are sanctioned by the Scheduled Commercial Banks (SCBs) as per financial viability, feasibility of the project and keeping in view their Bank approved policies. However, the Government has decided that the share of Microenterprises in Micro and Small Enterprise (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, banks have been advised by Reserve Bank of India (RBI) to extend liberal moratorium on their term loans and working capital to MSE entrepreneurs by including interest during first 6-12 months of operation as part of the long term funding of the projects.

(e) & (f): Credit flow to the MSE sector during the last three years is as below:

(Amount Rs. In crore)

Year	Public Sector Banks Amt. O/s
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March 2009	191408.32
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March 2010#	276318.97
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March 2011 (Provisional)	376625.18
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Retail trade included in service sector

To increase credit flow to the MSE Sector various measures have been taken such as issuing prudential guidelines on restructuring of advances, to introduce Base Rate System, Formulation of "Banking Code for MSE Customers, Focus on Clusters, One Time Settlement scheme for recovery of non-performing loans for the MSE sector etc. have been taken by RBI so that flow of credit to the

MSE Sector could be increased.