

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1987  
ANSWERED ON:17.07.2009  
FUNDS TO MICRO, SMALL AND MEDIUM ENTERPRISES  
Siricilla Shri Rajaiah

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

- (a) whether the Government proposes to direct banks to increase the flow of funds to micro, small and medium enterprises at reasonable rates;
- (b) if so, the details thereof; and
- (c) the present status of flow of funds to micro, small and medium enterprises, state-wise including Andhra Pradesh?

**Answer**

Minister of State in the Ministry of Finance (SHRI NAMO NARAIN MEENA)

(a)&(b): Upon instructions from Govt, RBI had advised all domestic commercial banks that they might fix self target for growth in advances to MSME sector in order to achieve a minimum 20% year on year growth in credit to MSME sector with the objective to double the flow of credit within a period of 5 years i.e. from 2005-06 to 2009-10. Further, it has been the constant endeavor of the Government to make loans affordable for the SME Sector. As a part of stimulus package, SIDBI has provided refinance to Public Sector Banks (PSBs) for on lending to MSME sector. In order to make the lending more affordable to the Micro, Small and Medium Enterprises (MSMEs), SIDBI had reduced its PLR to 11% p.a. Under the revised interest rate structure, direct loans to Micro Enterprise upto Rs.10 lakh would be charged between 9.5% p.a. to 11.5% p.a. based on internal rating. Interest rate for rupee term loans to MSMEs (including loans to micro enterprises above Rs. 10 lakh) ranges from 10.75% p.a. to 12.75% p.a. based on the internal rating. Besides, SIDBI provides interest rebate upto 1% p.a. to SIDBI's assisted borrowers.

(c): A statement containing state-wise advances including Andhra Pradesh, in respect of Micro and Small Enterprises Sector as reported by Scheduled Commercial Banks to RBI as on 31st March, 2008 is annexed.