

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4021

ANSWERED ON:31.07.2009

FINANCIAL ASSISTANCE TO SMALL AND MEDIUM INDUSTRIES

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

- (a) whether the rate of interest on loan disbursed to Small and Medium Enterprises (SMEs) is different from that disbursed to big industrial houses;
- (b) if so, the details thereof during the last three years;
- (c) whether any instruction has been issued with regard to reduction of interest rates for SMEs;
- (d) if so, details thereof along with the number of applications received from SMEs by the Government in this regard; and
- (e) the steps taken by the Government to ensure adequate bank loan to SMEs?

**Answer**

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

(a) to (d): The Benchmark Prime Lending Rates of Public Sector Banks and rate of interest for loans to SME Sector during the last three years are given below;

Category 01.04.07 30.09.08 01.12.08 Mid.March, '09 31.05.09

BPLR	12.25%-	13.75%-	12.50%-	11.50%-	11%-
	13.25%	14.75%	14.00%	14.00%	13.50%

SME	9.25%	11.00%-	10.25%-	8.00%-	8.00%-
	-16.00%	16.50%	15.75%	16.50%	16.50%

Further, RBI has deregulated the interest rates on advances above Rs.2 lakh with effect from October 18, 1994 and the rates of interest on such advances are determined by the banks themselves subject to BPLR and Spread guidelines. For credit limits up to Rs.2 lakh, banks should charge interest not exceeding their BPLR. Keeping in view the international practice and to provide operational flexibility to commercial banks in deciding their lending rates, banks can offer loans at below BPLR to exporters or other creditworthy borrowers, including public enterprises, on the basis of a transparent and objective policy approved by their respective Boards.

Besides, SIDBI has provided refinance to Public Sector Banks (PSBs) for on lending to MSME sector at affordable rates. 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. (w.e.f. May 04, 2009) from the peak 14% p.a. in September 2008. 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 loan 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's provides interest rebate upto 1% p.a. to SIDBI's assisted borrowers.

Loan applications from individual micro, small and medium enterprises are received and processed on merit by the Scheduled Commercial Banks and other Financial Institutions like SIDBI.

(e): To alleviate the problems of credit delivery faced by Micro and Small enterprises (MSEs) specially in the wake of Global slowdown, Government of India has taken a number of measures which include viz. Special refinance to SIDBI for Rs.7000 crore to provide onlending to MSME sector at a cheaper rate; fixing self targets for financing MSME sector by banks adopting a cluster based approach; enactment of MSMED Act, 2006, protection against delayed payment by buyers including large corporate borrowers; restructuring of SME loans; creation of MSME refinance fund under SIDBI and enhancing collateral free limits under CGTMSE for micro enterprise borrowers under two stimulus packages etc.

