

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1690

ANSWERED ON:22.08.2012

LOANS TO MSMEs

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Will the Minister of FINANCE be pleased to state:

- (a) the details of the problems being faced by Micro, Small and Medium Enterprises(MSMEs) in accessing credit;
- (b) whether it is a fact that banks are apprehensive of high risk perception and are not prioritising their loans to MSMEs; and
- (c) if so, the steps taken by the Union Government to improve the credit flow by the banks to the MSMEs?

Answer

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

(a) to (c): To mitigate the problems faced by MSMEs in accessing credit, the Government launched Credit Guarantee Fund Scheme for MSMEs in August 2000 to provide guarantee cover for collateral free credit facilities extended to micro and small enterprises(MSEs). Under the Scheme, guarantee cover is provided to collateral free credit facility loans up to Rs. 100 lakh. Further, the rating provided under "Performance and Credit Rating Scheme for Micro and Small Enterprises" implemented with the National Small Industries Corporation(NSIC) as the nodal agency and operated through accredited rating agencies serves as a trusted third party opinion on the capabilities and creditworthiness of the MSEs.

In addition, in terms of the recommendations of the Task Force on MSMEs under the chairmanship of the Principal Secretary to the Prime Minister, banks have been advised 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.

The banks have also been advised that the allocation of 60 per cent of the MSE advances to the micro enterprises is to be achieved in stages viz., 50 per cent in the year 2010-11, 55 per cent in the year 2011-12 and 60 per cent in the year 2012-13.

Furthermore, SIDBI's role has been reoriented to address the financial and non-financial gaps in the MSME Eco-System to further enhance credit flow to provide support services in the areas like venture capital, loans syndication, market linkages, promoting factoring services.