

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4127

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HASSLE FREE ACCESS

Mahato Shri Narahari; Roy Shri Nripendra Nath; Semmalai Shri S.

Will the Minister of FINANCE be pleased to state:

(a) whether there is hassle-free access to finance from public sector banks or other financial institutions for the development of industries, especially in micro and cottage sectors, and

(b) If so, the details thereof?

Answer

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

(a) & (b): Government of India and Reserve Bank of India have taken a number of steps to facilitate access to finance for the development of industries, specially in micro and small enterprises (MSEs.) Micro and Cottage Sectors.

(i) The Credit Guarantee Fund Trust for MSMEs provides guarantee cover for collateral free credit facilities extended to MSEs. upto Rs.100 lakh;

(ii) 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.;

(iii) RBI has mandated banks not to accept collateral security in the case of loans upto Rs. 10 lakh to units in the MSEs sector;

(iv) Banks have been instructed to adopt IBA approved common application form for loans upto Rs. 25 lakh;

(v) Loan sanction cases are to be disposed off in 30 days time;

(vi) Lead Banks have been told to open MSME specialized branches in cluster/location specific industry groups to provide quick and adequate credit. Public Sector Banks (PSBs) have been advised to operationalise at least one specialized MSE branch in every district and centre having an MSE cluster;

(vii) Electronic tracking of MSE loan application has been made a focus area. Banks have also been advised to mandatorily acknowledge all loan applications;

(viii) Single window approach to be utilized for composite loans upto Rs. 1 crore; and

(ix) Various subsidy schemes are operated to promote investment in technological modernization of MSE sector such as Credit Linked Capital Subsidy Scheme (CLCSS): Technology Upgradation Fund Scheme (TUFS), integrated Department of Leather Sector Scheme (IDLSS), and Food Processing Technology Upgradation Fund Scheme (FPTUFS).

2. Based on the recommendations of the Task Force on MSMEs under the chairmanship of the Principal Secretary to the Prime Minister, banks have been advised (i) to achieve a 20 per cent year-on-year growth in credit to micro and small enterprises (ii) to achieve 10 per cent annual growth in the number of micro enterprise accounts (iii) 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.

3. Small Industrial Development Bank of India (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.