

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1920

ANSWERED ON:08.03.2013

BANKS TARGET TO MSME LENDING . NEERAJ SHEKHAR

Agarwal Shri Jai Prakash;Semmalai Shri S. ;Shekhar Shri Neeraj;Singh Shri Pradeep Kumar;Singh Shri Yashvir;Vijayan Shri A.K.S.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Public Sector Banks (PSBs) are mandated to grant a certain percentage of their total (endings to the Micro Small and Medium Enterprises (MSMEs), if so, the details thereof;
- (b) the quantum of loan disbursed by the PSBs during the last three years and the current year, bank-wise and State/UT-wise along with the percentage of the said loan disbursed to the MSMEs;
- (c) whether the PSBs failed to achieve their target of MSMEs lending during the said period; if so, the details thereof and the reasons therefor, bank-wise;
- (d) whether the Government proposes to increase the credit flow to MSMEs in the country, if so, the details thereof; and
- (e) the steps taken/being taken by the Government in this regard?

Answer

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

(a) In terms of the recommendations of the Prime Minister's Task Force on Micro, Small and Medium Enterprises (MSMEs) constituted by the Government, banks have been advised by Reserve Bank of India(RBI) as under:

- i. Achieve a 20 per cent year-on-year growth in credit to micro and small enterprises to ensure enhanced credit flow;
- ii. The allocation of 60% of the MSE advances to the micro enterprises is to be achieved in stages viz. 50% in the year 2010-11, 55% in the year 2011-12 and 60% in the year 2012-13;and
- iii. Achieve a 10% annual growth in number of micro enterprise accounts.

(b) Statements are at Annexure - A & B.

(c) The summary of achievement of targets, as prescribed by the PM's Task Force, by Public Sector Banks for lending to MSE sector as on last reporting Friday of March 2011 and 2012 is as under:

Targets for lending to MSE sector	No. of Public Sector Banks
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March 2011	March 2012
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Attaining of 50% target on March 2011 and 55% on March 2012	10	7
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10% year-o-year growth in number of Micro enterprises	10	11
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20% y-o-y growth in credit to MSE sector	22	9
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(d)&(e) Recently, a High Level meeting in Rbt with Chief Managing Directors (CMDs)/ Chief Economic Officers (CEOs) of all Public Sector Banks, major Private Sector Banks and Foreign Banks was held to impress upon them to step up credit to the MSME sector and more particularly to the micro and small enterprises.

To increase credit flow to the MSE Sector, Government has taken various measures which inter- alia includes:

Periodic review is conducted by Finance Minister where credit flow to MSME is one of the agenda.

Separate allocation of marks for achievement in MSME sector in the performance review of CMDs of PSBs.

Credit to MSME is part of SLBC agenda and is followed up in all its meetings.

Set up India Opportunity Venture Fund, India Micro Equity Fund, IMEF, RMSE, SMERA.

Reorientation of SIDB1 to act as a credit facilitator and provide support services in the areas like venture capital, loans syndication, market linkages, promoting factoring services.

Aggregate loan limit increased from Rs.1 crore to Rs.2 crore in services for Priority Sector Lending.

Ministries/PSUs have been directed to procure minimum 20% from MSE sector.

Setting up of SME exchange in the National Stock Exchange/Bombay Stock Exchange.

Formulation of `Banking Code for MSE Customers.

Time bound revival of potentially viable and closure of other sick MSE units.

Electronic tracking of MSE loan applications.

Adherence to the collateral free lending guidelines.

Banks to adopt IBA approved Common Application Form for loans upto Rs.25 lakhs

Lead banks to open MSME specialised branches and devise suitable schemes in cluster /location specific industry groups for greater credit flow.

Action plan to achieve MSE credit targets advised by RBI.

10 specialised branches for Innovating Financing headed by an AGM level officer.