

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:695  
ANSWERED ON:25.11.2011  
LOAN TO MSE SECTOR  
Sethi Shri Arjun Charan

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

- (a) whether the Nationalized Banks are mandated not to accept collateral security in the case of loan up to Rs. 10 lakh extended to units in the MSE sector;
- (b) if so, the details of the publicity being made for extension of such facility to the beneficiaries of MSE sector;
- (c) whether any review has been done so as to find out the extent to which the units in this sector have actually benefited; and
- (d) if so, the details thereof?

**Answer**

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

(a) to (d): Yes. Scheduled Commercial Banks (SCBs) have been mandated not to accept collateral security in the case of loans upto Rs 10 lakh extended to units in the MSE sector. It has also been decided that all SCBs may set up a SME Portal on their website, where they could put in all information/products of their bank for their MSE clients, as well as information on awareness programmes etc., organized by them. Reserve Bank of India (RBI) has already advised Public Sector Banks to submit the collateral free loans data upto Rs 10 lakh from the quarter ended December 2010 onwards. The cumulative position of the collateral free loans as on March 2011 and June 2011 is as under.

Quarter Ended	No. of Accounts (in actual)	Amt outstanding (in crore)
March 2011	20,84,069	23,310.36
June 2011	21,14,272	25,271.69

RBI has further reported that all SCBs have been advised to understand the problems of the sector and devise strategies to gear up their credit mechanism structure so as to achieve the prescribed target of lending to the sector and sensitivity on the issue at various hierarchical levels, such as, discussion of the issue in the Board meetings, management level meetings once in three months. Local NGOs, KVIC could be involved so as to appreciate the problems of the sector and flagging major issues to remove constraints/ bottlenecks in financing. The performance of branch managers in dealing with the sector should be made a criterion in their performance appraisal.