

**GOVERNMENT OF INDIA
MICRO, SMALL AND MEDIUM ENTERPRISES
LOK SABHA**

UNSTARRED QUESTION NO:1111

ANSWERED ON:11.12.2013

LENDING FACILITIES TO MSMES

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Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

- (a) whether there is any proposal to streamline lending facilities to the Micro, Small and Medium Enterprises (MSMEs);
- (b) if so, the details thereof and the salient features of the said scheme;
- (c) the present status of implementation of various credit schemes including CLCSS and CGFS for promotion of MSME sector along with the details of MSMEs that have availed the benefit under these schemes during each of the last three years and the current year, scheme-wise and State-wise;
- (d) whether the Government proposes to make any modifications in the said schemes including an increase in the maximum limit of eligible loan to attract entrepreneurs;
- (e) if so, the details thereof; and
- (f) the steps taken by the Government to promote investment and to facilitate timely availability of loan for development of MSMEs?

Answer

MINISTER OF THE STATE (INDEPENDENT CHARGE) IN THE MINISTRY FOR MICRO, SMALL AND MEDIUM ENTERPRISES
(SHRI K.H MUNIYAPPA)

(a)&(b) To facilitate easy flow of credit to micro, small and medium enterprises (MSMEs), the Government launched Credit Guarantee Scheme for Micro and Small Enterprises in August, 2000 under which guarantee cover is provided for collateral free credit upto Rs.100 lakh extended to micro and small enterprises (MSEs). In addition, the Reserve Bank of India (RBI) has issued guidelines in May, 2010, which mandatorily require banks to dispense with collateral requirement for loans upto Rs. 10 lakh to MSEs. Further, the Ministry is addressing high cost of loans by implementing Performance and Credit Rating Scheme for Micro and Small Enterprises which provides financial support to MSEs for getting rated and consequently obtain loans at concessionary rate of interest. The Ministry also implements Prime Minister's Employment Generation Programme and Credit Linked Capital Subsidy Scheme, wherein margin money and capital subsidy respectively bring down the effective cost of loan.

(c) Under Credit Linked Capital Subsidy Scheme (CLCSS), 25,410 units have availed subsidy of Rs.1,418.49 crore till 30th November, 2013. Further, 13,17,195 guarantees for an amount of Rs.64,643 crore have been approved under the Credit Guarantee Scheme upto 30th November, 2013. The State / UT-wise position regarding MSEs benefitted under these schemes during last three years and the current year is given at Annexure-I & II respectively.

(d)&(e) Under Credit Guarantee Scheme, changes in guarantee fee and annual service fee have been made by levying fee at consolidated rate of 1% per annum. Presently, collateral free / third party guarantee free loans / credits sanctioned by member banks/ institutions upto Rs.100 lakh are extended guarantees under Credit Guarantee Scheme.

(f) The Government is laying thrust on the implementation of ongoing schemes / programmes, which include National Manufacturing Competitiveness Programme, Credit Guarantee Scheme, Credit Linked Capital Subsidy Scheme, Performance and Credit Rating Scheme, Cluster Development Programme, Prime Minister's Employment Generation programme, etc. for the promotion and development of MSMEs and to enhance their competitiveness and promote investment in this sector. The Credit Guarantee Scheme minimizes risk perception of banks and financial institutions and ensures timely availability of loan to MSEs.