

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5150
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WORLD BANK LOAN TO MSMES
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Will the Minister of FINANCE be pleased to state:

- (a) whether the World Bank has approved loan for the MSMEs Growth Innovation and Inclusive Finance Project to the improve access to finance for Micro, Small and Medium Enterprises (MSMEs) for innovative financial projects;
- (b) if so, the details thereof along with the funds provided by the World Bank to MSMEs during the last three year, sector-wise; and
- (c) the steps taken by the Government to address financial constraints of MSMEs in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) & (b) : World Bank (WB) has approved a Line of Credit (LoC) for an amount of USD 500 million & Technical Assistance of USD 5 million for MSME Growth Innovation and Inclusive Finance Project.

The LoC would be utilized for financing eligible sub-loans directly through Small Industries Development Bank of India (SIDBI) and network of Primary Lending Institutions (PLIs) comprising banks and NBFCs. The project objective is to improve access to financing of MSMEs in manufacturing and service sectors from early to growth stage firms, including through innovative financial products. The project duration is 10 years (including moratorium of 5 years). The target beneficiaries would include existing and potential MSMEs, including first generation entrepreneurs, low income States and also clusters.

The Loan Agreement in this regard was signed with the WB on March 31, 2015 and it is yet to be effectuated. The LoC is yet to be drawn.

World Bank has also extended the following LoC/ loan to SIDBI:

(i) Small and Medium Enterprises Financing and Development Project: LoC of USD 120 million from WB in January 2005 (Phase I) with Government of India providing the Sovereign Guarantee. The main objective of the LoC was to improve the flow of credit to the MSMEs and complement access to non-financial services including business development services, thereby fostering MSME growth, competitiveness and employment generation. The LoC has been drawn and utilised fully.

(ii) Small and Medium Enterprises Financing and Development Project (Phase II): LoC of USD 400 mio. in June 2009 to scale up the first project. The funding was used for scaling up the project by facilitating increased flow of loans, especially term loans, working capital, bill discounting facilities to MSMEs. The LoC has been drawn and utilised fully.

(iii) Scaling Up Sustainable and Responsible Microfinance Project: A loan of USD 200 million from International Bank For Reconstruction And Development (IBRD) and credit of SDR 65.9 million (equivalent to USD100 million) from International Development Association (IDA) with a view to scaling up access to sustainable micro finance services. This line is presently under implementation.

(c): In terms of the recommendations of the Prime Minister's Task Force on Micro, Small and Medium Enterprises (MSMEs) constituted by the Government of India, all Scheduled Commercial Banks (SCBs) were advised as under:

Achieve a 20 per cent year-on-year growth in credit to micro and small enterprises to ensure enhanced credit flow;

Allocation of 60 per cent of MSE credit to micro enterprises which was to be achieved in three stages viz. 50% in FY 2010-11, 55% in FY 2011-12 and 60% in FY 2012-13; and

Achieve a 10% annual growth in number of micro enterprise accounts.

In order to ensure that sufficient credit is available to micro enterprises within the MSE sector, Reserve Bank of India (RBI) has advised banks to ensure that:

40 per cent of the total advances to MSE sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to Rs.10 lakh and micro (service) enterprises having investment in equipment up to Rs.4 lakh;

20 per cent of the total advances to MSE sector should go to micro (manufacturing) enterprises with investment in plant and machinery above Rs.10 lakh and up to Rs.25 lakh, and micro (service) enterprises with investment in equipment above Rs.4 lakh and up to Rs.10 lakh.

While presenting the budget for FY 2015-16, the Finance Minister has announced setting up of MUDRA Bank. MUDRA Bank will refinance the Micro-Finance Institutions/Commercial Banks/Small Finance Banks (SFBs)/RRBs/ Cooperative Banks through a Pradhan Mantri Mudra Yojana and various refinancing schemes.

Since the statutory enactment is likely to take some time, Government of India has bestowed the responsibility to SIDBI for initially establishing MUDRA Ltd. (as an Non Banking Financing Institution) as its wholly owned subsidiary. Accordingly, MUDRA Ltd. has since been launched on April 08, 2015.