

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2063

ANSWERED ON:31.07.2015

Credit to MSMEs

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Will the Minister of FINANCE be pleased to state:

- (a) whether lack of access to credit remains a major impediment to the growth of Micro, Small and Medium Enterprises (MSMEs) in the country especially for women entrepreneurs and if so, the details thereof;
- (b) the finance/refinance and credit limit available for the MSMEs during the last three years and current year;
- (c) whether banks are charging higher interest rates to MSMEs and if so, the details thereof;
- (d) whether the Government has any proposal to make bank credit more accessible and collateral free loan to MSMEs; and
- (e) if so, the details thereof along with the steps taken/being taken by the Government to ensure adequate credit to MSME's?

Answer

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

(a) & (b) The credit flow to MSMEs sector has increased during the last three years. As reported by Public Sector Banks, the figures of outstanding as on March 31, 2013, March 31, 2014 and March 31, 2015 are as under:

(No. of A/cs in lakh) (Amount Rs. in crore)

Year Micro and Small Enterprises Medium

No. of A/cs Amt O/s No. of A/cs Amt O/s

31 March 2013 75.47 502459.09 77138 1410659354

31 March 2014 84.46 620138.52 46024 1382394473

31 March 2015 85.79 703479.30 50143 1745068500

Reserve Bank of India (RBI) has mandated that 7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher is to be achieved in a phased manner i.e. 7 percent by March 2016 and 7.5 percent by March 2017 for Scheduled Commercial Banks in respect of lending to micro enterprises.

RBI has advised all Public Sector Banks (PSBs) to earmark 5 percent of their net bank credit for lending to women. Loans to individual women beneficiaries upto Rs. 50,000/- per borrower is classified under priority sector lending.

As per Nayak Committee, banks have been advised to grant working capital credit limits to MSME units computed on the basis of minimum 20% of their estimated annual turnover whose credit limit in individual cases is upto Rs. 2 crore [since raised to Rs. 5 crore].

(c) RBI has deregulated the interest rates on advances sanctioned by Scheduled Commercial Banks, and these interest rates are determined by banks themselves with the approval of their Boards. In order to give a fillip to the flow of credit to Micro and Small Enterprises (MSEs) borrowers, RBI has advised banks that while pricing their loans to MSE borrowers, banks should take into account the incentives available to them in the form of the credit guarantee cover of the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and the zero risk weight for capital adequacy purpose for the portion of the loan guaranteed by the CGTMSE and provide differential interest rate for such MSE borrowers, than the other borrowers. However, such differential rate of interest should not be below the Base Rate of the Bank.

(d) & (e) Reserve bank of India (RBI) and Government of India have, inter-alia, taken the following measures to make bank credit more accessible to MSMEs:

i) Scheduled Commercial Banks not to accept collateral security in the case of loans upto Rs.10 lakh extended to units in the Micro and Small Enterprises (MSEs) Sector.

ii) Further, banks may, on the basis of good track record of the units, and the financial position of the units, increase the limit of dispensation of collateral requirement for loans to Rs. 25 lakh.

iii) Any collateral/ third party guarantee free credit facility (both fund as well as non fund based) extended by Member Lending Institutions (MLIs) of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), to new as well as existing MSEs, with a maximum credit cap of Rs.1 crore are covered under Credit Guarantee Fund Scheme operated by CGTMSE.

iv) Government of India advised on 29th June 2010 to all Scheduled Commercial Banks as under:

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

â€¢ Allocate 60% of the MSE advances to the micro enterprises and

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

v) Government of India had set up Small Industrial Development Bank of India (SIDBI) for the promotion, financing and development of industry in the MSME sector and to co-ordinate the functions of the institutions engaged thereof. SIDBI provides refinance support to eligible Primary Lending Institutions (PLIs), such as, banks, State Financial Corporations (SFCs) for onward lending to Micro and Small Enterprises (MSEs).

vi) To speed up the process of sanctioning loan to MSMEs, RBI and Government have taken various measures which inter-alia include:

â€¢ Electronic tracking of MSE loan applications.

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

â€¢ PSBs have been advised to operationalise at least one specialized MSE branch in every district and centre having a cluster of MSE enterprises.

â€¢ Simplified method of computation of working capital.

â€¢ Mandatory acknowledgement of all loan applications and ensuring a running serial number to be recorded on the application form as well as on the acknowledgement receipt.

â€¢ Banks are encouraged to start Central Registration of loan applications.

vii) Government of India set up a Micro Units Development & Refinance Agency (MUDRA) Ltd. which would be responsible for refinancing all Banks, NBFCs and Micro-Finance Institutions (MFIs), which are in the business of lending to micro / small business entities engaged in manufacturing, trading and services activities upto Rs.10.00 lakh.
