

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3182

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Loan to MSMEs

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

- (a) whether the Government has fixed any target for granting loan to Micro, Small and Medium Enterprises (MSMEs);
- (b) if so, the details thereof along with the quantum of loan disbursed by the banks during the last three years and current year, State/UT-wise;
- (c) whether the Reserve Bank of India (RBI) guidelines which seek to qualify any business loan for restructuring to be classified as Non Performing Assets (NPA) have an adverse impact on MSMEs and if so, the details thereof;
- (d) whether the public sector banks/financial institutions provide loan to sick industries and if so, the details thereof; and
- (e) the steps taken/being taken by the Government to increase credit flow to MSMEs?

**Answer**

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

(a) & (b): 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) have been advised to:

- i. Achieve a 20 per cent year-on-year growth in credit to Micro and Small Enterprises (MSEs);
- ii. Allocate 60% of the MSE advances to the micro enterprises and
- iii. Achieve a 10% annual growth in number of micro enterprise accounts.

The Priority Sector Guidelines have been revised in April 2015 wherein a target of 7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, is set for lending to MSEs to be achieved in a phased manner i.e. 7 percent by March 2016 and 7.5 percent by March 2017.

The state-wise data on outstanding credit to MSEs & Medium Enterprises is at Annexure.

(c) : The Reserve Bank of India (RBI) regulations on classification of problem accounts as Non Performing Assets (NPA) are aimed at ensuring that the banks' financial statements reflect their true and fair position. The accounts classified as 'standard assets' are immediately re-classified as 'sub-standard assets' upon restructuring with effect from 1st April 2015. The account is upgraded to standard category after there is an evidence of the restructuring package having been implemented successfully for the prescribed time. The aforesaid regulation of RBI does not impact the borrowing unit adversely; rather the unit gets financial concessions from the bank under the restructuring package which are intended to help it turn around.

(d) : RBI has not issued any specific instructions with regard to disbursal of loans to Sick Industries since the management of loan sanctioning / recovery activity, in a bank is essentially an internal management function and each bank's Board is authorized to frame suitable policies. Banks have been advised to prepare a well-defined loan policy approved by their Board of Directors which should lay down exposure limits to individual/group borrowers, documentation standards, margin, security, sectoral exposure limits, delegation of powers, maturity and pricing policies, factors taken into consideration for deciding interest rates etc.

(e) : 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 (MLs) 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 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).
- v) 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.

vi) Government of India has 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.

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