

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3261
ANSWERED ON:01.08.2014
LOAN FOR MSMEs SECTOR
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Will the Minister of FINANCE be pleased to state:

- (a) whether the banks continue to demand collateral guarantee from Micro, Small and Medium Enterprises (MSMEs) despite clear provisions for providing collateral free loans to MSMEs of up to Rs. 1 crore;
- (b) if so, the details thereof;
- (c) whether there are grievances from MSMEs about banks lengthening the process of sanctioning and disbursement of loans and if so, the details thereof; and
- (d) the other corrective measures taken by the Government to speed up the process of sanctioning of loans by banks to the MSMEs?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SMT. NIRMALA SITHARAMAN)

(a) & (b): Reserve bank of India (RBI) has mandated 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. 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. Moreover, 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. All Public Sector Banks (PSBs) have confirmed that there is no such insistence/ demand for collateral security.

(c) The grievances relating to delay in sanction and disbursement of loans from MSMEs are entertained by the MSME Credit Monitoring Cell set up jointly by Ministry of Micro, Small and Medium Enterprises (MSME) and Department of Financial Services. The MSME Credit Cell forwards such cases to the concerned Banks for appropriate action and report within a fortnight. Further, wherever any bank specific complaint is received regarding collateral free loans, the matter is immediately taken up with the concerned bank for redressal by RBI. All Public Sector Banks (PSBs) have operationalised a Grievance Redressal Mechanism for addressing complaints in a time bound manner.

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

- (i) Electronic tracking of MSE loan applications.
- (ii) Banks to adopt IBA approved Common Application Form for loans upto Rs. 25 lakhs.
- (iii) PSBs have been advised to operationalise at least one specialized MSE branch in every district and centre having a cluster of MSE enterprises.
- (iv) Simplified method of computation of working capital.
- (v) Mandatory acknowledgement of all loan applications and ensuring a running serial number to be recorded on the application from as well as on the acknowledgement receipt.
- (vi) Banks are encouraged to start Central Registration of loan applications.