

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:395

ANSWERED ON:19.12.2014

BANK LOAN TO MSMES

Kumar Shri Santosh;Singh Shri Ravneet

Will the Minister of FINANCE be pleased to state:

- (a) the finance/refinance and credit limit available for the Micro, Small and Medium Enterprises (MSMEs) ;
- (b) whether the Government proposes to increase the limit and if so, the details thereof;
- (c) the details of loans sanctioned to the MSMEs by public sector banks during the last three years and the current year, bank and State-wise; and
- (d) the number of loan applications of MSMEs still pending with the Banks along with reasons therefor and the measures taken/being taken by the Government to increase the credit facility to MSME sector?

Answer

FINANCE MINISTER (SHRI ARUN JAITLEY)

(a)to(d): A Statement is laid on the Table of the House.

STATEMENT REFERRED IN REPLY TO STARRED QUESTION No.395 FOR ANSWER ON 19th DECEMBER, 2014 TABLED BY SHRI SANTOSH KUMAR & OTHERS REGARDING 'BANK LOAN TO MSMES'

(a)&(b): Credit related matters have been deregulated and banks are free to extend credit facilities as per lending policies approved by their Boards.

As per Micro, Small & Medium Enterprises Development Act, 2006(MSMED), the limit for investment in plant and machinery/equipment for manufacturing/service enterprises, are as under:

Manufacturing Sector Enterprises Investment in plant & machinery Micro Enterprises Does not exceed twenty five lakh rupees Small Enterprises More than twenty five lakh rupees but does not exceed five crore rupees Medium Enterprises More than five crore rupees but does not exceed ten crore rupees Service Sector Enterprises Investment in equipments Micro Enterprises Does not exceed ten lakh rupees: Small Enterprises More than ten lakh rupees but does not exceed two crore rupees Medium Enterprises More than two crore rupees but does not exceed five core rupees

(c) : the details of loans sanctioned to the MSMEs by public sector banks during the last three years as reported by Reserve Bank of India (RBI), bank and state-wise are at annexure 1 to 4. RBI is yet to report state-wise data as of Mach, 2014.

(d) : A statement showing number of loan applications of MSMEs pending with the Banks for want of completion of due diligence and other formalities is at Annexure 5.

The measures taken by the Government/ RBI to increase credit facility to MSME sector inter-alia include:

i) Constitution of Empowered Committees / State Level Inter Institutional Committee: The Committees are required to coordinate with other banks / financial institutions and State Governments in removing bottlenecks, if any, to ensure smooth flow of credit to the sector.

ii) Specialized MSE branch in every district: Public sector banks were advised in August 2005 to operationalise at least one specialized MSE branch in every district and centre having a cluster of MSE enterprises. As on March 31, 2014, there were 2887 specialised MSE branches.

iii) Collateral requirements of MSME units: SCBs have been mandated not to insist on collateral security in the case of loans uptoRs 10 lakh extended to units in the MSME sector.

iv) Issue of Acknowledgement of Loan Applications to MSME borrowers: Banks have been advised that they should mandatorily acknowledge all loan applications, submitted manually or online, by their MSME borrowers.

v) Focus on Clusters: The banks have been advised to adopt one cluster and explore the financing requirements of units in such clusters.

vi) Guidelines for Rehabilitation of Sick Micro and Small Enterprises: The revised guidelines for rehabilitation of sick units in the MSE

sector have been issued in November 2012 for rehabilitation of sick units in the MSE sector.

vii) Credit Guarantee Fund Trust for Micro and Small Enterprises: Government of India has set up a Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to provide credit guarantee support to collateral free / third-party guarantee free loans upto Rs.100 lakh extended by banks and lending institutions for MSEs. As on March 31, 2014, a total of 14,19,807 accounts have been accorded guarantee approval for Rs.70,026.29 crore.