

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6795
ANSWERED ON:10.05.2002
LOAN POLICY FOR INDUSTRIAL SECTOR
RAMSHETH THAKUR

Will the Minister of FINANCE be pleased to state:

- (a) whether RBI has announced a new loan policy for industrial sector to overcome its present situation ;
- (b) it so, the details thereof; and
- (c) the relaxation given to industrialists under the recently announced loan policy ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) to (c) According to the information furnished by Reserve Bank of India (RBI), in the recently announced annual Statement on monetary and credit policy for the year 2002-03, a number of measures were initiated to improve the credit delivery mechanism and facilitate flow of credit to the industrial sector. Recognising the requirement of providing collateral securities as a bottleneck in the flow of bank credit to very small units, RBI in annual policy Statement of April 2000, announced dispensation of collateral requirement for loans up to Rs. 5 lakh for tiny sector. This dispensation was extended subsequently to all small-scale industrial (SSI) units. In order to further improve the flow of credit of SSIs.

Banks may, on the basis of good track record of the units and the financial position of units, increase the limit of dispensation of collateral requirement for loans from the existing Rs. 5 lakh to Rs. 15 lakh.

Banks are also advised to take a pro-active stance in providing timely assistance for rehabilitation of small-scale units, which are affected by the industrial downturn, and delays in payments against supplies made by them to large-scale and other units. In January 2002, following the report of a High Level Working Group, RBI issued detailed guidelines to scheduled commercial banks for providing timely assistance to potentially viable small-scale units. These guidelines, inter-alia, provide for waiving of penal rate of interest to such units, and for extension of working capital at 1.5 percentage points below the prevailing fixed prime lending rates. Provision has also been made in these guidelines for extension of term loans at reduced rate of interest. Banks are advised to implement these guidelines to assist small scale units.