

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:667
ANSWERED ON:05.12.2003
FINANCIAL ASSISTANCE TO SSI
DHANI RAM SHANDIL

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government have taken measures to boost financing for small scale industries;
- (b) if so, the details thereof including its status as on date;
- (c) whether there are certain bottlenecks in such financing;
- (d) if so, the details thereof; and
- (e) the steps taken in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL):

(a) to (e) With a view to ensure enhance flow of credit to SSI Sector, Reserve Bank of India(RBI) and the Government have inter-alia taken the following measures:

(1) Banks have been advised to ensure that out of their total funds lent to SSI Sector,atleast 40%.emit should be made available to units with investment in Plant and Machinery upto Rs. 5lakhs and 20% should be made available to units with investment in plant and machinery between Rs. 5 lakhs and Rs. 25 lakhs. Thus 60% of the funds earmarked for SS Sector should go to small units in tiny sector.

(2) In the Mid-Term Review of Monetary and Credit.Policy 2003-04 announced by RBI Governor,Banks have been advised to increase the limit of dispensation of collateral requirement for loans from the existing level of Rs. 15 lakhs to Rs. 25 lakhs based on good track record and financial position of the SSI Units.

(3) Banks have been advised to enhance the composite loan limit from Rs. 25 lakhs to Rs. 50 lakhs.

(4) Banks have been advised to open at least one Specialized SSI branch in each district.Further, banks have been permitted to categorize their general banking branches having 60% or more of their advances to SSI sector as specialized SS branches in order to encourage them to open more specialized SSf branches for providing better service to this sector as a whole.

(5) Introduction of new Credit Guarantee Scheme for Small Industries by SIDBI, Collateral Free Loans upto Rs. 25 lakh is covered fo guarantee under the scheme.

(6) As per the decisions taken at the Standing Advisory Committee Meetings of RBI, the banks have been advised to fix self set target for growth in advances to SSI Sector over the pervious year`s achievement and overall trends in growth of net bank credit.

(7) As per the announcement made by the Hon`ble Finance Minister in the Union Budget 2003-04 IBA have already advised the banks to adopt the interest rate band of 2% above and below its prime lending rate (PLR) for secured advances. The individual banks will be adhering to the instructions issued by the IBA with the approval of their respective Boards. Banks have also been advised to examine having three slabs for rate of interest for loans upto Rs. 50,000/- between Rs. 50,000 and Rs. 2,00,000/- and those above Rs. 2,00,000/-.Banks have been advised to adhere to all the policy measures/instructions issued by RBI from time to time.