

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2793  
ANSWERED ON:19.12.2003  
LOANS THROUGH BANKS TO SMALL SCALE UNITS  
SRIKANTA DATTA NARASIMHARAJA WADIYAR

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

- (a) the number of branches set up by various commercial banks in Karnataka as on date; and
- (b) the steps taken by these branches during last three years to extend loan to the small scale units in that State?

**Answer**

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

- (a) As on 30th June 2003, Karnataka has 3645 branches of commercial banks (public and private sector banks).
- (b) With a view to ensure enhanced 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, at least 40% should be made available to units with investment in Plant and Machinery upto Rs. 5 lakhs 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 SSI 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 Specialised SSI branch in each district. Further, banks have been permitted to categorise their general banking branches having 60% or more of their advances to SSI Sector as specialised SSI branches in order to encourage them to open more specialised SSI 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 for 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 previous 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 of 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.