

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3136
ANSWERED ON:11.08.2000
CREDIT FLOW FOR SSIs
BRIJLAL KHABRI;R.L. JALAPPA

Will the Minister of FINANCE be pleased to state:

- (a) the norms adopted for providing financial services for small scale industries in the country; and
- (b) the State-wise credit flow to Small Scale Industry sector, particularly in Karnataka, during the last three years, by public sector banks?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI V. DHANANJAYA KUMAR):

(a) Financial assistance to small scale industries is provided by commercial banks on the basis of loan policies and procedures framed and approved by the Board of Directors of each Bank within the overall policy guidelines issued by Reserve Bank of India (RBI). RBI has reported that some of the major policy guidelines for commercial banks for providing financial assistance to SSI Sector are as under:

No margin stipulation for loans upto Rs. 25,000/and for the loans beyond Rs. 25,000/- margin to the extent of 15% to 25% may be asked by banks depending upon the purpose and quantum of loan;

In regard to security for loans upto Rs. 5 lakh to tiny units pledge/hypothication /mortgage of assets created out of loans will form the security and no collateral to be taken. Interest on loans upto Rs.2lakh should not exceed the PLR of the bank.

Aggregate fund based working capital limits upto Rs.5 crores to SSI units are to be computed on the basis of minimum 20% of projected annual turnover.

The composite loan limit for SSI Units raised from Rs.5 lakh to Rs.10 lakh.

(b) As reported by RBI State-wise public sector banks advances to SSI sector during the last three years 1996-1998 (latest available) is given in enclosed statement. In Karnataka public sector banks advances to SSI Sector were Rs. 1714 crores, Rs. 1908 crores and Rs.2227 crores as on last Friday of March 1996, 1997 and 1998 respectively.