

**GOVERNMENT OF INDIA  
SMALL SCALE INDUSTRIES  
LOK SABHA**

UNSTARRED QUESTION NO:4009

ANSWERED ON:23.08.2005

NEW SCHEME FOR CREDIT FLOW TO SSI

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**Will the Minister of SMALL SCALE INDUSTRIES be pleased to state:**

- (a): whether the Government is contemplating to formulate any scheme to increase the credit flow to the small scale industries;
- (b): if so, the details thereof;
- (c): the extent of loan provided to the SSIs of Maharashtra and Uttar Pradesh by the Government during each of the last three years; and
- (d): the target set for providing loan to the SSIs during the current year?

**Answer**

MINISTER OF SMALL SCALE INDUSTRIES & AGRO AND RURAL INDUSTRIES (SHRI MAHABIR PRASAD)

(a) & (b) : The Government has recently announced a Policy Package for Stepping up Credit to Small and Medium Enterprises (SMEs). The measures in the Policy Package to increase the quantum of credit to SMEs (including small scale industries - SSIs) include:

(i) Public sector banks to fix their own targets for funding SMEs in order to achieve a minimum 20 per cent year-on-year growth in credit to the SME sector.

(ii) Public sector banks to follow a transparent rating system with cost of credit linked to the credit rating of the enterprise.

(iii) Commercial banks to make concerted efforts to provide credit cover on an average to at least 5 new tiny, small and medium enterprises at each of their semi-urban/urban branches per year.

(iv) Special dispensation under the Credit Guarantee Scheme for all (a) loans upto Rs. 2 lakh, (b) eligible women entrepreneurs and (c) eligible borrowers located in the North Eastern region (including Sikkim) and Jammu and Kashmir.

(v) Banks to adopt cluster based approach for SME financing.

(c): The Government does not provide loans to SSIs. Loans to the SSIs are provided by the banks/financial institutions. As per the information furnished by the Reserve Bank of India (RBI), the outstanding loans provided by public sector banks to SSIs in Maharashtra and Uttar Pradesh as at the end of March 2003 (latest available) were Rs. 10,071.42 crore and Rs. 4,203.88 crore respectively.

(d): The Policy Package announced by the Government envisages the public sector banks to fix their own targets for funding SMEs in order to achieve a minimum 20 per cent year-on-year growth in credit to the SME sector, which includes the SSIs.