

# Loans to MSMEs rise to 15.1% of total bank credit

The total outstanding credit to this sector rose to ₹3.76 lakh crore in March 2011

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Bank credit to the country's micro, small and medium enterprise (MSME) sector rose to 15.1 per cent of total bank credit at the end of March 2011 (provisional), from 13.4 per cent at the end of March 2010.

According to the Reserve Bank of India (RBI), total outstanding credit to this sector rose to ₹3.76 lakh crore in March 2011, from ₹2.78 lakh crore a year earlier.

RBI has issued detailed guidelines to all scheduled commercial banks on lending to MSMEs which, among other things, provide for a time frame for disposal of loan applications and dispensing with the collateral requirements for MSEs.

According to the recommendations made by a task force on MSMEs under the chairmanship of the former principal secretary to the prime minister, RBI was asked to advise banks to achieve 20 per cent year-on-year growth in credit to MSEs and 10 per cent annual growth in the number of micro enterprise accounts.

To ensure that sufficient credit is available to micro enterprises within the MSE sector, according to the RBI's guidelines to banks, 60 per cent of MSE advances should go to micro enterprises, according to Union Minister for MSMEs Virbhadra Singh, who was replying to a question in the



## RAISING THE BAR

Bank credit to micro and small enterprises

At the end of March	Outstanding credit to micro and small enterprises (MSEs) ₹cr	Credit to MSEs as percentage of total bank credit
2005	67,800	9.5
2006	82,434	8.1
2007	102,550	7.8
2008	151,137	11.1
2009	191,408	11.3
2010	278,398	13.4
2011*	376,625	15.1

Source: Reserve Bank of India

\*Provisional

Lok Sabha recently.

Banks have been advised that the allocation of 60 per cent of MSE advances to micro enterprises is to be achieved in stages — 50 per cent was the target for the year 2010-11, 55 per cent in 2011-12 and 60 per cent in

2012-13.

Meanwhile, according to the minister, according to the Fourth All India Census of Micro, Small & Medium Enterprises 2006-2007, the total number of MSMEs in the country was at 261.01 lakh. The share of registered

MSMEs is 5.94 per cent.

According to an estimate by the Central Statistical Organisation, Ministry of Statistics and Programme Implementation, the share of micro and small enterprises (MSEs) in the country's gross domestic product (GDP) stood at 5.84 per cent in 2004-05, 5.83 per cent in 2005-06, 7.20 per cent in 2006-07, 8 per cent in 2007-08 and 8.72 per cent in 2008-09 (the latest available figure).

Singh said the government monitors employment generation in the MSME sector by conducting the All India Census of MSMEs periodically in the country. The latest Census (Fourth Census) was conducted with 2006-07 as the reference year.

Registered MSMEs, according to 'Final Results: Fourth All India Census of Micro, Small & Medium Enterprises 2006-07: Registered Sector' created jobs for 9,309,000 people. The unregistered sector, according to 'Quick Results: Fourth All India Census of Micro, Small & Medium Enterprises 2006-2007' created jobs for 502.57 lakh persons.

As per the Economic Survey 2010-11, total employment in the organised sector of the economy, as on March 31, 2007 stood at 27,276,000.

The registration of MSMEs is a necessary condition for availing of the benefits of financial assistance schemes of the MSME ministry. However, unregistered MSMEs are eligible for availing of assistance from the banking sector.