

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 198

TO BE ANSWERED ON THE 14th September 2020/ Bhadrapada 23, 1942 (SAKA)

Bank credits

198. SHRI KANUMURU RAGHU RAMA KRISHNA RAJU:
SHRI Y.S. AVINASH REDDY:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken a decision to ease criteria for obtaining the credit from banks;
- (b) if so, the details thereof;
- (c) whether the Government is aware that in spite of all this at the ground level some instances are arising that banks are still not coming forward to provide loans to individuals and small traders, if so, the details thereof; and
- (d) the steps being taken by the Government to direct the banks not to turn down the enthusiastic small traders?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) to (d): As per Reserve Bank of India (RBI), banks are free to take credit related decisions based on internal assessment of the commercial viability of the loan within their Board-approved policies and within RBI's prudential guidelines. Therefore, the question of Government deciding criteria for obtaining credit from banks, of loans not being provided in spite of such decisions, or of Government directing banks in such matters does not arise.

A number of steps have been taken to ease access to bank credit, including to individuals and small traders. Enabled by these, India's rank on "Ease of getting credit" in World Bank's Ease of Doing Business Index has improved from 44 in 2016 to 25 in 2020. Steps taken in this regard include, *inter alia*, the following:

- (1) Steps to provide relief under COVID-19 pandemic, which include—
 - (i) Launch of pre-approved loans under Emergency Credit Line Guarantee Scheme for sanction of Rs. 3 lakh crore to eligible Micro, Small and Medium Enterprises (MSMEs);
 - (ii) Launch of Credit Guarantee Scheme for Subordinate Debt for stressed MSME units to help sustain and revive MSMEs whose loan accounts have either become non-performing assets (NPA) or are on the brink of becoming NPA;
 - (iii) Revision of the definition of MSME units to allow more enterprises to avail of benefits for MSMEs and to help existing MSMEs expand;
 - (iv) Reassessment of working capital limits of existing borrowers;
- (2) Introduction of externally benchmarked interest rates for all fresh floating rate loans to retail borrowers and micro and small enterprises from October 2019 onwards and to medium enterprises from April 2020 onwards, to ensure effective transmission of policy rate cuts;
- (3) Setting up of Loan Management Systems and Centralised Processing Centres in Public Sector Banks (PSBs), resulting in retail loan disbursement turnaround time reducing from 31 days in the fourth quarter (Q4) of the financial year (FY) 2017-18 to 10 days in Q4 of FY2019-20;
- (4) Launch of PSBloansin59minutes.com for digital lending for MSMEs and retail borrowers;
- (5) Use of the Trade Receivables Discounting System (TReDS) for online financing of trade receivables of MSMEs on competitive terms;
- (6) Initiation of end-to-end digital processing of loans to micro-enterprises by the State Bank of India through eShishu Mudra platform; and
- (7) Relief to banks in their Cash Reserve Ratio requirement from February to July 2020, for incentivising lending to MSMEs, automobiles and residential housing.
