

**Flow of Credit to SSI Sector –
Decision of the Group of Ministers**

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The Chairmen/Chief Executives of
all commercial banks

Dear Sirs,

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As you are aware, the Group of Ministers on Small - Scale Industries under the Chairmanship of Hon'ble Home Minister, in its meeting held on August 16, 2000, deliberated on the issues regarding flow of credit to the SSI Sector. In this context, the Group has recommended the mechanism of sub-allocation of limits, within the overall working capital limits sanctioned to their corporate borrowers, for meeting their payment obligations to SSI units.

2. In the light of the decision taken by the Group of Ministers, banks are advised to take following measures with immediate effect:

- (i) Banks may, while sanctioning/renewing credit limits to their large corporate borrowers (i.e. borrowers enjoying working capital limits of Rs. 10 crore and above from the banking system), fix separate sub-limits, within the overall limits, specifically for meeting payment obligations in respect of purchases from SSIs either on cash basis or on bill basis.

- (ii) The size of such sub-limits may be decided taking into account the projected purchases by corporate borrowers from the SSIs during a year in relation to their total purchases and other relevant factors.
- (iii) Further, with a view to ensuring availability of adequate balance in the account for meeting the payment obligations to SSI units, banks may ensure that sale proceeds/other receipts of the borrower are credited to this account on a *pro rata* basis.

3. The above arrangement is expected to ensure availability of adequate funds for making timely payment by the corporate borrowers of banks to their SSI creditors. However, banks should closely monitor the operations in the sub-limits, particularly with reference to their corporate borrowers' dues to SSI units. For the purpose, banks may ascertain periodically from their corporate borrowers, the extent of their dues to SSI suppliers and ensure that the corporates pay off such dues before the appointed day /agreed date as defined/indicated in Section 2(b) and 3 of the Interest on Delayed Payments to Small Scale and Ancillary Undertakings Act, 1993 (32 of 1993) by using the balance available in the sub-limit so created. If , at any time, the sub-limit is exhausted there is no bar on such payments being made from the other segment of the working capital limit. Similarly, if no payments are due to SSI suppliers, and the sub-limit remains unutilised/partly utilised, banks may allow their corporate borrowers to operate this limit for meeting other working capital expenses.

4. Please acknowledge receipt and also advise us of the action taken in the matter.

Yours faithfully,
-sd-

(S. S. Gangopadhyay)
Chief General Manager