

**Credit Facilities for Small Scale Industries. Collateral free loans.**

RPCD/ PLNF5/ BC.No. 90/06.02.80/2001-02

April 29, 2002

All Scheduled Commercial banks  
(including RRBs & Local area Banks)

Dear Sir,

**Credit Facilities for Small Scale Industries. Collateral free loans.**

Please refer to paragraph 76 of the Governor's statement on Monetary and Credit Policy for! the year 2002-03 forwarded with circular No. .MPD. BC. 214/07.01.279/2001-02 dated April 29, 2002.

2. Recognising the requirement of providing collateral as a bottle neck in the flow of bank credit to very small units, RBI in annual Policy statement of April 2000, announced dispensation of collateral requirement for loans up to Rs.5 lakh for tiny sector. This dispensation was extended subsequently to all small scale industrial (551) units vide our circular RPCD/PLNFS/No.BC.58/06.02.80/2001-02 dated January 23, 2002.

3. In order to further improve the flow of credit to 551s, it has been decided that banks may, on the basis of good track record of the units, and the financial position of the units, increase the limit of dispensation of collateral requirement for loans from the existing level of Rs.5 lakh to Rs.15 lakh.

4. We shall be glad if you will please implement the above decision and issue necessary instructions to your controlling offices /branches in the matter for appropriate action.

5. Please acknowledge receipt.

Yours faithfully,

**Sd/-**

(Varughese John)  
General Manager