

**Credit Facilities for Small Scale Industries (SSIs)- Lending by Banks to NBFCs for the purpose of on-lending to SSIs**

RPCD.PLNFS. No.40 /06.02.31/2003-04

November 3, 2003

The Chairman/Managing Director  
All Scheduled Commercial Banks  
(including RRBs & Local area Banks)

Dear Sir,

**Credit Facilities for Small Scale Industries (SSIs)- Lending by Banks to NBFCs for the purpose of on-lending to SSIs**

Please refer to circulars RPCD. No. PLAN. BC. 82 / 04.09.01/98-99 and RPCD.No. BC. PLAN.17/04.09.01/98-99 dated March 12, 1999 and July 31, 1998 respectively, in terms of which, the quantum of lending by banks to NBFCs for the purpose of on-lending to the tiny sector and small road & water transport operators (SRWTOs) is reckoned within the ambit of priority sector lending.

2. In this connection, please refer to paragraph 52 of the Governor's Statement on the mid-term Review on Monetary and Credit Policy for the year 2003-04 forwarded with circular No.MPD.BC.241/07.01.279/2003-04 dated November 3, 2003 (copy of the paragraph enclosed). With a view to further enhancing the credit flow to the SSI sector, it has been decided that all new loans granted by banks to NBFCs for the purpose of on-lending to SSI sector would also be reckoned as under priority sector lending.

3. We shall be glad if you please issue necessary instructions to your controlling offices/branches in the matter for appropriate action.

4. Please acknowledge receipt.

Yours faithfully,

**(Varughese John)**  
**Chief General Manager**

***Lending by Banks to NBFCs***

52. As indicated in the annual policy Statements of April 1999 and 2000, bank loans to non-banking financial companies (NBFCs) for the purpose of on-lending to agriculture, tiny sector and small road and water transport operators are reckoned under priority sector lending. On a suggestion from a Chamber of Commerce, and with a view to further enhancing the credit flow to SSI sector, it is proposed that: :

All new loans granted by banks to NBFCs for the purpose of on-lending to SSI sector would also be reckoned under priority sector lending.