

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
**RAJYA SABHA**  
**UNSTARRED QUESTION NO-1486**  
ANSWERED ON- 14/03/2023

**MSME RELATED NPAs**

1486. SHRI MASTHAN RAO BEEDA

Will the Minister of FINANCE be pleased to state:-

- (a) whether Government has taken cognizance of the Non Performing Assets ratio in case of loans accrued to the MSMEs;
- (b) if so, the details thereof;
- (c) the measures being taken by Government to reduce the given ratio;
- (d) the State/UT-wise details thereof; and
- (e) the details of other proposed measures to be taken in this respect?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (e): As per the Reserve Bank of India (RBI) data, the gross non-performing assets (NPA) ratio pertaining to Micro, Small and Medium enterprises (MSMEs) in Scheduled Commercial Banks (SCBs) was 8.9% in the financial year (FY) 2019-20, 7.3% in FY 2020-21, 7.6% in FY 2021-22, and 6.1% in FY 2022-23 (as on 31.12.2022). RBI has informed that State/UT-wise details of NPAs of MSMEs in SCBs is not maintained by it.

Comprehensive measures have been taken by the Government and RBI to reduce NPAs, including that pertaining to MSMEs, which include, *inter alia*, the following:

- (1) Change in credit culture has been effected, with the Insolvency and Bankruptcy Code (IBC) fundamentally changing the creditor-borrower relationship, taking away control of the defaulting company from promoters/owners, and debarring wilful defaulters from the resolution process. To make the process more stringent, personal guarantor to corporate debtor has also been brought under the ambit of IBC.
- (2) Further, a pre-packaged insolvency resolution process (PPIRP) was operationalised under IBC to provide an efficient alternative insolvency resolution process for corporate persons classified as MSME, ensuring

quicker, cost-effective and value maximising outcomes for all the stakeholders, in a manner which is least disruptive to the continuity of their businesses and also preserving employment.

- (3) Prudential Framework for Resolution of Stressed Assets was issued by RBI in 2019 to provide a framework for early recognition, reporting and time bound resolution of stressed assets, with a build-in incentive to lenders for early adoption of a resolution plan.
- (4) Central Repository of Information on Large Credits (CRILC) collects, stores and disseminates credit data to lenders, and banks are required to submit report on weekly basis to CRILC, in case of any default by borrowing entities with exposure of Rs. 5 crore and above.
- (5) In order to solve the problem of delayed payment to MSMEs, Trade Receivables Discounting System (TReDS), an online platform for receivable financing for MSMEs, was operationalised by RBI.
- (6) Under the PSB Reforms Agenda, comprehensive and automated Early Warning Systems (EWS) were instituted in PSBs, with ~80 EWS triggers and use of third-party data for time-bound remedial actions in the borrowing accounts.
- (7) PSBs have also created Stressed Asset Management Verticals for stringent recovery, and, segregated pre- and post-sanction follow-up roles for clean and effective monitoring.
- (8) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 has been amended to make it more effective.
- (9) Wilful defaulters are not sanctioned any additional facilities by banks or financial institutions, and their unit is debarred from floating new ventures for five years.
- (10) Wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds.

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