

GOVERNMENT OF INDIA
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

RAJYA SABHA
UNSTARRED QUESTION NO. 2341
TO BE ANSWERED ON 16.12.2024

CREDIT GAPS

2341. SHRI P. WILSON:

Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

- (a) the steps Government is taking to address the credit gap in the MSMEs sector, which is currently estimated at ₹28 lakh crore;
- (b) the manner in which Government is ensuring financial inclusion and promoting MSMEs growth while minimizing the debt burden on these enterprises;
- (c) the measures that are being implemented to make financing more accessible and collateral-free for MSMEs, especially for those transitioning from the informal to the formal sector; and
- (d) whether Government has considered expanding credit guarantee schemes and improving financing structures through NBFCs and banks to bridge this gap?

ANSWER

MINISTER OF STATE FOR MICRO, SMALL AND MEDIUM ENTERPRISES
(SUSHRI SHOBHA KARANDLAJE)

(a) to (d): The Expert Committee on Micro, Small and Medium Enterprises, constituted by Reserve Bank of India (RBI) in 2019 estimated the credit gap in MSME sector to be in the range of Rs. 20-25 lakh crore. A number of steps have been taken by Government to address the credit gap in the MSMEs sector, ensure financial inclusion, promoting growth and make financing more accessible and collateral-free. Some of these steps are as given below:

- i. As per Master Direction on 'Priority Sector Lending (PSL) – Targets and Classification' dated September 4, 2020, all bank loans to MSMEs conforming to the conditions prescribed therein qualify for classification under priority sector lending.
- ii. Scheduled Commercial Banks (SCBs) have been mandated not to accept collateral security in the case of loans up to ₹10 lakh extended to units in MSE category.
- iii. Launch of Udyam Assist Platform to bring the Informal Micro Enterprises under the formal ambit for availing benefit under PSL.

- iv. Since 2008-09, Ministry of MSME has been implementing Prime Minister's Employment Generation Programme (PMEGP) aimed at generating employment opportunities through establishment of micro-enterprises in non-farm sector. Under the extant guidelines of PMEGP, the maximum cost of the project/unit admissible for Margin Money subsidy under Manufacturing and Service sector stands enhanced Rs. 50.00 lakh and Rs. 20.00 lakh respectively.
- v. Launch of 'PM Vishwakarma' Scheme on 17.09.2023 to provide benefits to the artisans and craftspeople engaged in 18 traditional trades, including access to subsidized credit.
- vi. Pradhan Mantri Mudra Yojana extends collateral free credit up to Rs. 20 lakh.
- vii. Collateral free loans up to a limit of Rs. 500 lakh (w.e.f. 01.04.2023) to Micro and Small Enterprises with guarantee coverage up to 85% for various categories of loan through Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) under Credit Guarantee Scheme. A Special Scheme for Micro Enterprises, exempt from GST regime and registered on Udyam Assist Platform (UAP), was launched on 14.02.2024. In this Scheme, loans upto Rs 20 Lakh are guaranteed without any Primary Security and the guarantee coverage is 85%. Further, the guarantee coverage has been enhanced further for women-owned enterprises from existing 85% to 90% vis-a-vis 75% coverage for others.
- viii. Budget 2024 has announced Credit Guarantee Scheme for MSMEs in the manufacturing sector, wherein guarantee cover up to Rs. 100 crore will be provided to MSMEs for purchase of machinery and equipment. Further, to provide credit support to MSMEs during stress period, a guarantee from a Government promoted fund will be provided to MSMEs.
