

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
RAJYA SABHA
UNSTARRED QUESTION NO. 1376
ANSWERED ON TUESDAY, 11th MARCH, 2025/ 20 PHALGUNA, 1946 (SAKA)

MSME, START-UP AND MUDRA LOANS

1376 # SHRI RAJENDRA GEHLOT:

Will the Minister of Finance be pleased to state:

- (a) whether Government is aware that many applicants are not getting loans from banks for MSMEs, start-ups and MUDRA loans due to financial documents, collateral securities, the size of the business and the financial capacity being sought by the banking institution, citing the Reserve Bank of India;
- (b) whether Government has set up any criteria for banks to grant such loans, if so, the details of the prescribed criteria; and
- (c) whether Government is taking any steps to address the challenges faced in obtaining loans from banks, if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SH. PANKAJ CHAUDHARY)

(a) to (c) : Reserve Bank of India (RBI), as a regulator, provides an enabling framework for Regulated Entities (REs) to cater to the financing needs of various sectors of the economy within the prudential boundaries. Further, credit related matters of REs are largely deregulated and the same are governed by the Board approved loan policies of the REs framed under the ambit of relevant regulatory and statutory requirements and terms and conditions of the loan agreement between the borrower and the RE.

Banks have been advised to furnish the MSME borrowers with an indicative checklist of documents required for processing the loan application at the time of applying for the loan. For loans up to ₹25 lakh to units in the Micro and Small Enterprises (MSE) borrowers, banks are advised that the timelines for credit decisions shall not be more than 14 working days.

Various measures have been taken for increasing access to credit and finance for MSMEs. These, *inter-alia*, include:

- i. Specific targets for lending to MSME sector have been prescribed in Priority Sector guidelines dated 4.9.2020.
- ii. SCBs have been mandated not to accept collateral security in the case of loans up to ₹10 lakh extended to units in the MSE sector.

- iii. Computation of working capital requirements of MSE units to be minimum 20% of the projected annual turnover for borrowal limits up to ₹5 crore.
- iv. Trade Receivables Discounting System (TReDS) has been operationalized to address the problem of delayed payments to MSMEs.
- v. Banks have been advised to link interest rates of loans extended to MSMEs to an external benchmark.
- vi. RBI's Account Aggregator (AA) framework and proposed Third Cohort under Regulatory Sandbox (RS) for MSME Lending is expected to spur innovations that can fill the lending gap for MSMEs through the use of technology and data analytics.
- vii. RBI's Unified Lending Interface (ULI) will make credit more accessible to underserved populations.
- viii. GST Sahay App of SIDBI facilitates 'on tap' invoice-based (cash flow based) small value credit to micro enterprises as a paperless journey.
- ix. Udyam Assist Platform (UAP) to register Informal Micro Enterprises (IMEs) i.e. micro enterprises not registered under the GST regime.
- x. Under Pradhan Mantri Mudra Yojna (PMMY), Government has taken various steps towards effective implementation of the Scheme. These, inter-alia, include publicity campaigns, simplification of application form, Credit Guarantee Scheme, nomination of Mudra Nodal Officer, frequent reviews at various levels to monitor the achievement against allocated target, etc. Online platforms like Jansamarth portal provide a quick and efficient way to get loans for individuals and businesses, with approvals based on digital evaluation of the applicant's data.
- xi. PSBLoansin59minutes enables MSMEs to obtain In-principle approval of loans from lenders onboarded on the platform.
- xii. SAMADHAAN Portal launched for monitoring of outstanding dues to the MSEs from the buyers of goods and services
- xiii. The Government of India has launched various Credit Guarantee schemes for the benefit of MSMEs.
- xiv. New Credit Assessment Model based on the scoring of digital footprints of MSMEs developed by PSBs will leverage the digitally fetched and verifiable data available in the ecosystem and devise automated journeys for MSME Loan appraisal using objective decisioning for all loan applications and model-based limit assessment for MSME borrowers.
