

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES  
**RAJYA SABHA**  
**UNSTARRED QUESTION NO. 1021**  
ANSWERED ON TUESDAY, 29<sup>th</sup> JULY, 2025/ 7 SRAVANA 1947 (SAKA)

**MSME SECTOR NPAs AND CREDIT FLOW**

1021. SHRI VIVEK K. TANKHA:

Will the Minister of FINANCE be pleased to state:

- (a) the total outstanding loan portfolio of MSMEs with public sector banks, along with year-wise value and percentage of NPAs over the last five years;
- (b) the category-wise breakup of NPAs in Micro, Small, and Medium enterprises, and the key reasons for defaults;
- (c) the measures taken by public sector banks and financial institutions to restructure, recover, or write off stressed MSME loans; and
- (d) whether any impact assessment has been conducted on the effectiveness of credit support schemes post-COVID in reviving stressed MSMEs, and the findings thereof?

**ANSWER**

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

- (a) The amount of outstanding loan portfolio of Micro, Small and Medium Enterprises (MSMEs) with Public Sector Banks (PSBs) during the last five years are as under:

(Amount in ₹ crore)

As on	Amount of MSME Credit Outstanding	Amount of Gross MSME NPAs	Gross MSME NPA Percentage
31-Mar-2021	10,01,165	1,12,028	11.19%
31-Mar-2022	9,84,432	1,25,959	12.80%
31-Mar-2023	10,72,552	1,04,090	9.70%
31-Mar-2024	11,73,895	93,815	7.99%
31-Mar-2025	13,06,645	80,749	6.18%

Source: Reserve Bank of India (RBI)

- (b) As informed by the RBI, the data for category-wise breakup of Non-Performing Assets (NPAs) in MSMEs prior to FY 2022-23 is not available. Post FY 2022-23, the category-wise breakup of amount of NPAs in MSMEs with Public Sector Banks is as under:

(Amount in ₹ crore)

As on	Micro	Small	Medium
31-Mar-2023	56,189	32,010	15,891
31-Mar-2024	54,149	27,402	12,264
31-Mar-2025	52,519	19,677	8,553

Source: Reserve Bank of India (RBI)

Further, the incidence of NPAs in lending by banks, *inter alia* in the MSME sector, is attributable to a number of factors, which include overall performance of the borrowing entity, macroeconomic conditions, sectoral issues, global business environment, etc.

(c) In order to provide a simpler and faster mechanism to address the stress in the accounts of MSMEs, RBI *vide* circular dated 17<sup>th</sup> March 2016, has put in place a framework for revival and rehabilitation (FRR) of MSME units having loan limits up to ₹25 crore. This framework aims to provide a structured and time-bound process for the identification and resolution of stressed MSME accounts to prevent them from becoming non-performing assets (NPAs).

Further, as per RBI circular dated 1<sup>st</sup> November, 2012 on 'Guidelines for Rehabilitation of Sick Micro and Small Enterprises', banks have been advised to put in place a Non-discretionary One Time Settlement scheme for recovery of non-performing loans for the MSE sector, duly approved by their Board of Directors. For financial management, banks use technical or prudential write-offs to remove NPAs from their books for accounting purposes while continuing recovery efforts.

(d) In the wake of Covid-19 pandemic, Emergency Credit Line Guarantee Scheme (ECLGS) was launched in May, 2020 as part of Aatmanirbhar Bharat Abhiyaan to support eligible Micro, Small and Medium Enterprises (MSMEs) and business enterprises to ease their liquidity position. The Scheme provided for collateral free loans to existing eligible borrowers with 100% guarantee in respect of the eligible amount as per the Scheme guidelines. The Scheme was valid till 31.3.2023.

Several impact assessments have been conducted on the effectiveness of ECLGS. As per a research report dated 23.1.2023 of the State Bank of India on ECLGS, almost 14.6 lakh MSME accounts of which about 93.8% of the accounts were in the micro and small enterprises categories, have been saved from slipping into non-performing asset (NPA) classification due to ECLGS.

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