

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA

UN-STARRED QUESTION NO. 1953

ANSWERED ON 19th DECEMBER, 2022 / 28 AGRAHAYANA, 1944 (SAKA)

‘Credit to MSMEs’

1953: SHRI DAYANIDHI MARAN:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has conducted any analysis or report on the sector’s recovery after COVID- 19, if so, the details thereof including the growth rates of the Micro, Small and Medium Enterprises (MSMEs) sector;
- (b) the various steps being taken to support the growth of the MSMEs sector;
- (c) whether the Government has conducted any study on the investments into MSMEs sector in the last seven years, if so, the details thereof;
- (d) the various suggestions received by the Government for growth of the MSMEs sector during the pre-budget meetings;
- (e) the steps taken by the Government for increasing access to credit and finance for MSMEs; and
- (f) whether the Government is considering or has any proposals for scrapping the Bank Loan Rating (BLR) requirement by banks to lend to MSMEs and if so, the details thereof and if not, the reasons therefor?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(DR. BHAGWAT KARAD)

(a) to (e): National Small Industries Corporation (NSIC) under the Ministry of Micro, Small and Medium Enterprises, had conducted a study during August, 2020 with a sample size of 5,774 MSMEs, across 32 States/UTs. It was found in this study that 91% of MSMEs were functional.

Another study has been conducted by Small Industries Development Bank of India (SIDBI) by taking a random sample pool comprising 1,029 MSMEs spread across the 20 States and 2 Union Territories. The report was submitted in Jan, 2022. As per findings of this report, while around 65 % of the total surveyed MSMEs had availed the benefits under Emergency Credit Line Guarantee Scheme (ECLGS), approx. 36% of the respondent MSMEs also availed loans under the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme.

Based on the suggestions received and stakeholders consultations, various measures to support MSMEs were announced in the Union Budget 2022-23 which, *inter-alia*, include extension of ECLGS up to 31st March 2023, expansion of guarantee cover under ECLGS by Rs 50,000 crore to total cover of Rs 5 lakh crore, Rs 2 lakh crore additional credit for Micro and Small Enterprises to be facilitated

under CGTMSE, Raising and Accelerating MSME performance (RAMP) programme with outlay of Rs 6000 crore to be rolled out.

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

- i. New revised criteria for classification of MSMEs based on both investment size and turnover.
- ii. 'Udyam Registration' for MSMEs, for ease of doing business.
- iii. Inclusion of Retail and Wholesale Traders as MSMEs w.e.f. 2.7.2021.
- iv. Pradhan Mantri Mudra Yojana (PMMY) scheme launched in April, 2015 to provide collateral free access to institutional finance to unfunded Micro/Small business units with collateral free loans up to Rs10 lakh.
- v. Emergency Credit Line Guarantee Scheme (ECLGS) launched in May, 2020 to support eligible Micro, Small and Medium Enterprises (MSMEs) and business enterprises in meeting their operational liabilities and restarting their businesses.
- vi. The psbloansin59minutes Portal was launched to facilitate in-principle approval of loans of up to Rs 5 crore to MSMEs without human intervention.
- vii. Trade Receivables Discounting System (TReDS) has been operationalized to address the problem of delayed payments to MSMEs.
- viii. For better transmission of monetary policy, RBI has advised banks to link all new floating rate loans to external benchmark for MSEs from 01.10.2019 and Medium enterprises from 01.04.2020.
- ix. Special restructuring window was put in place for MSMEs under COVID Resolution Frameworks for MSMEs announced in August, 2020 and May, 2021.
- x. Target of 7.5 percent of Adjusted Net Bank Credit (ANBC), or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, fixed for Scheduled Commercial Banks (SCBs) for lending to Micro Enterprises, under priority sector lending norms.

(f) As informed by Reserve Bank of India, banks use the external ratings for computation of credit risk capital towards corporate exposures under the Standardized Approach of Basel II norms. However, there is no regulatory prescription on compulsory external rating of borrowers. Borrowers may choose to remain unrated, attracting the risk weights applicable to unrated exposures for capital purposes.
