

GOVERNMENT OF INDIA
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

LOK SABHA
UNSTARRED QUESTION NO. 3071
TO BE ANSWERED ON 12.03.2020

CREDIT RATING FOR MSMEs

3071. SHRI RAVINDRA KUSHWAHA:

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

- (a) whether a good credit rating is necessary for the Micro, Small and Medium Enterprises (MSMEs) to obtain loans at concessional rates;
- (b) if so, the details thereof along with the number of MSME Units pending for their credit rating and the number of pending applications; and
- (c) whether the policy of providing loans at concessional rates to MSMEs on the basis of credit rating is logical and if so, the extent to which it has been successful?

ANSWER

MINISTER OF MICRO, SMALL AND MEDIUM ENTERPRISES
(SHRI NITIN GADKARI)

(a)to(c): RBI has deregulated the interest rate on advances and these interest rates are determined by banks with the approval of their respective Board of Directors subject to extant guidelines of RBI. Loans to Micro, Small and Medium Enterprises (MSMEs) are provided as per the interest rate structure of the bank. The interest rate is finalized based on various factors which inter-alia include, cost of funds to the institution, credit rating of the unit, tenure of loan, purpose of loan etc.

The rating of MSEs under erstwhile Performance & Credit Rating Scheme of this Ministry to provide a third party opinion on their capabilities and creditworthiness so as to create awareness amongst them about the strengths and weakness of their existing operations has been discontinued w.e.f December, 2018.

Further, under the Interest Subventions Scheme for Incremental Credit to MSMEs 2018 offers 2% interest subvention on fresh or incremental loans upto Rs.1 crore to MSMEs.
