

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**

**UNSTARRED QUESTION NO. 2074**

ANSWERED ON MONDAY, THE DECEMBER 9, 2024/18AGRAHAYANA, 1946 (Saka)

**CRITERIA FOR LOANS TO MSMEs**

2074. SHRI BHASKAR MURLIDHAR BHAGARE:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Banks have set any criteria for lending loans to MSME and if so, the details thereof;
- (b) whether many MSMEs are facing problems in getting loans from banks and if so, the steps taken by the Government to overcome the challenges being faced by the MSMEs in getting loans from banks in Maharashtra;
- (c) whether the Government has made any assessment of the collateral securities being demanded by the banking institutions while offering loans to MSMEs in the Maharashtra and if so, the details thereof;
- (d) whether any action is being taken to ensure that the collateral requirements for loans being demanded from MSMEs in the said State are fair and reasonable according to the size and financial capability of their business and if so, the details thereof; and
- (e) whether the Government proposes other schemes to provide easy credit facilities to MSMEs and if so, the details thereof?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI PANKAJ CHAUDHARY)

(a): In a deregulated credit environment, Banks are free to take credit related decisions, including criteria for lending to MSMEs, in terms of their Board approved policies and RBI's broad regulatory guidelines.

(b): Some of the measures taken to facilitate the flow of credit to MSME sector in the country are as follows:

- 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. The limit of Mudra loans under the PMMY has been enhanced from earlier level of Rs. 10 lakh to Rs. 20 lakh and a new category of Tarun Plus has been added where loans upto Rs. 20 lakh would be available to the entrepreneurs who have availed and successfully repaid previous loans under the Tarun category.
- v. Computation of working capital requirements of MSE units to be done by banks on the basis of simplified method of minimum 20% of the projected annual turnover of the unit for borrowal limits up to ₹5 crore.
- vi. For loans up to ₹25 lakh to the MSE borrowers, banks are advised that the timelines for credit decisions shall not be more than 14 working days.
- vii. In the wake of Covid-19 pandemic, Emergency Credit Line Guarantee Scheme (ECLGS) was launched in May, 2020 to support eligible Micro, Small and Medium Enterprises (MSMEs) and other business enterprises in meeting their operational liabilities and restarting their businesses.
- viii. Trade Receivables Discounting System (TReDS) has been operationalized to address the problem of delayed payments to MSMEs. Further, Gazette Notification dated 7.11.2024 has been issued by the Ministry of Micro, Small & Medium Enterprises (M/o MSME), reducing the turnover threshold for companies to onboard on TReDS from Rs. 500 crore to Rs. 250 crore.
- ix. RBI has fixed target of 7.5 percent of Adjusted Net Bank Credit (ANBC), or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, for Scheduled Commercial Banks (SCBs) for lending to Micro Enterprises, under priority sector lending norms.
- x. RBI has facilitated the AA framework under which information related to financial assets of a customer is collected from the holders of such information (Financial Information Providers) (FIP) and is presented to the customers or specified users (Financial Information Users) digitally through a secured process. GSTN has been included in the AA ecosystem as an FIP for ease of MSME lending.

The credit outstanding of Scheduled Commercial Banks (SCBs) to MSME sector has improved for All India and that for Maharashtra, as given below:

(Amount in ₹ lakh crore)

| Credit Outstanding of Scheduled Commercial Banks to MSME sector |        |        |        |
|---|--------|--------|--------|
|   | Mar-22 | Mar-23 | Mar-24 |
| All India   | 20.11  | 22.6   | 27.25  |
| Maharashtra   | 3.39   | 3.8    | 4.25   |

Source: RBI

(c) and (d): As informed by RBI, in terms of paragraph 4.1 of the Master Direction on Lending to Micro, Small & Medium Enterprises (MSME) Sector (updated as on June 11, 2024)', Banks are mandated not to accept collateral security in the case of loans up to Rs.10 lakh extended to units in the MSE sector. Banks may, on the basis of good track record and financial position of the MSE units, increase the limit to dispense with the collateral requirement for loans up to Rs. 25 lakhs (with the approval of the appropriate authority). Further, Credit Guarantee Scheme for Micro and Small Enterprises, a scheme of Ministry of Micro, Small & Medium Enterprises (M/o MSME) facilitates the flow of credit to the Micro and Small Enterprise sector without the hassles of collateral and third party guarantee, up to a maximum of Rs. 5 crore.

(e): The following announcements made in Union Budget 2024-25 for supporting MSMEs are being implemented:

- i. A credit guarantee scheme by pooling of credit risks of MSMEs that will facilitate term loans to MSMEs for purchase of machinery and equipment without collateral or third-party guarantee.
- ii. Public Sector Banks to build their in-house capability to assess MSMEs and will develop a new credit assessment model, based on the scoring of digital footprints of MSMEs.
- iii. Credit availability to MSMEs during their stress period through a guarantee from a government promoted fund.

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