

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES  
**LOK SABHA**

**UNSTARRED QUESTION NO. 2206**

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

**IMPROVED ACCESS OF MSMEs TO FINANCE**

2206. SHRI S JAGATHRATCHAKAN:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is cognizant that improving access to finance for Micro, Small and Medium Enterprises (MSMEs) is the key factor to become the cornerstone of a \$5-trillion economy; and
- (b) if so, the details of the steps taken/proposed to be taken by the Government to bridge the gap MSMEs face in terms of availability of finance?

**ANSWER**

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

(a) & (b): The importance of Micro, Small and Medium Enterprises (MSMEs) is well recognized as one of the key contributors to the Indian economy with Gross Value Added (GVA) of around 29% of India's Gross Domestic Product (GDP), and creating employment opportunities for 11 crore Indians.

The steps taken to facilitate the flow of credit to MSME sector 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. For better transmission of monetary policy and transparency in pricing, 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.
- 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.
- xi. 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 following announcements made in Union Budget 2024-25 for supporting MSMEs are being implemented:

1. A credit guarantee scheme will be introduced to facilitate term loans to MSMEs for purchase of machinery and equipment without collateral or third-party guarantee.
2. Public Sector Banks to build their in-house capability to assess MSMEs and will take a lead in developing or getting developed a new credit assessment model, based on the scoring of digital footprints of MSMEs.
3. Credit availability will be facilitated to MSMEs during their stress period through a guarantee from a government promoted fund.

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