

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**

**UNSTARRED QUESTION NO. 1765**

ANSWERED ON MONDAY, 10<sup>th</sup> MARCH, 2025/PHALGUNA 19, 1946 (SAKA)

**SIMPLIFICATION OF BORROWING PROCEDURE TO SUPPORT SMEs**

1765. SHRI KALYAN BANERJEE:

Will the Minister of FINANCE be pleased to state:

- (a) whether RBI has called for strengthening financial systems and simplified borrowings amid economic uncertainty to support Small and Medium-sized Enterprises (SMEs);
- (b) if so, the detail of proposal to address global tariff issues and ensure sufficient liquidity to stabilize economic growth and protect Indian businesses from external economic shocks; and
- (c) the measures taken to simplify borrowing procedures with zero risks of loan defaults and financial stability in the banking sector thereof?

**ANSWER**

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

(a) to (c): Reserve Bank of India (RBI) has identified improvement of credit flow to MSME sector as a priority area. There is presently no proposal with the Financial Inclusion and Development Department, RBI to address global tariff issues and ensure sufficient liquidity to stabilize economic growth and protect Indian business from external economic shocks therefor.

II. While there is no specific proposal by RBI to address global tariff issues, RBI takes a number of measures to facilitate the flow of credit to MSME sector as described in para III of the reply.

III. The incidence of NPAs in lending by banks, including in the MSME sector, is attributable to a number of factors, which include macroeconomic conditions, sectoral issues, global business environment, governance issues in the borrowing entities, etc. Measures taken to support MSMEs are intended to enhance credit flow to the sector and improve the overall credit health of businesses in the sector. Various measures have been taken for simplifying borrowing procedures and increasing access to credit and finance for MSMEs in an affordable manner. These, inter-alia, include:

- i. Specific targets for lending to MSME sector have been prescribed in Priority Sector guidelines dated 4.9.2020.

- ii. Scheduled Commercial Banks (SCBs) have been mandated not to accept collateral for loans upto Rs. 10 lakhs extended to MSME sector.
- iii. 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.
- iv. Streamlining flow of credit to Micro and Small Enterprises for facilitating timely and adequate credit flow during their 'Life Cycle'.
- v. Banks have been advised that timelines for loans up to Rs. 25 lakhs in units in MSE sector shall not be more than 14 working days.
- vi. Trade Receivables Discounting System (TReDS) has been operationalized to address the problem of delayed payments to MSMEs.
- vii. 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.
- viii. Account Aggregator (AA) Framework: As a regulator, the Reserve Bank has created an enabling environment for growth of digital technology for new financial products and services. 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) and is presented to the customers or specified users (Financial Information Users).
- ix. Unified Lending Interface (ULI): RBI has developed ULI previously known as Public tech platform for frictionless credit (PTPFC) which is set to transform the lending landscape in India by making credit more accessible to underserved populations such as small businesses by reducing documentation requirements and simplifying the loan application process.

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