

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

UNSTARRED QUESTION NO. 1819

ANSWERED ON MONDAY, 10th MARCH, 2025/ PHALGUNA 19, 1946 (Saka)

INCREASE IN NPA IN MSME SECTOR

1819. SHRI SUDHAKAR SINGH:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken cognizance of the rising Non-Performing Assets (NPA) ratio in loans accrued to the Micro, Small, and Medium Enterprises (MSMEs) sector;
- (b) if so, the details of the current NPA levels in MSME loans and the way by which these have changed during the last five years;
- (c) the specific measures taken/being taken by the Government to reduce the NPA ratio in the MSME sector and ensure financial stability for small businesses;
- (d) the data on NPAs of MSME sector and the steps taken at the regional level to address this issue, State/UT-wise; and
- (e) the measures taken/to be taken by the Government to strengthen credit discipline, enhance financial inclusion and support MSMEs in improving loan repayment capacities?

ANSWER

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

(a) & (b): Data on total advances outstanding-funded, gross NPAs and Gross NPA ratio, of Scheduled Commercial Banks (SCBs) in MSME sector is provided below.

(Amount in ₹ Crore)

Period, as on	Total MSME Advances Outstanding- (Funded)	Gross NPAs	Gross NPA (%)
31-03-2020	16,97,836	1,87,255	11%
31-03-2021	18,45,188	1,60,464	9%
31-03-2022	20,44,788	1,54,991	7%
31-03-2023	23,92,319	1,30,869	5%
31-03-2024	28,04,511	1,25,217	4%

Source: RBI

It is observed from the above data that even though the total advances outstanding to MSME sector has consistently increased over the last five years, gross NPAs and gross NPA ratio of MSME Sector have continuously decreased during the same period. Further, as per the provisional data of FY 2025 i.e. till 31.12.2024, furnished by RBI, both Gross NPAs and Gross NPA ratio of MSME Sector decline.

(c): Several measures have been taken over the past few years for resolution of stressed/NPA accounts which include the inter alia, the following:

- i. A comprehensive regulatory framework governing compromise settlements and technical write-offs covering all regulated entities is issued.
- ii. RBI inter alia provides for a comprehensive framework for transfer of stressed assets to eligible transferees viz. commercial banks, Non-Banking Financial Companies (NBFCs), All India Financial Institutions (AIFIs) and Asset Reconstruction Companies (ARCs). Further, to provide a level playing field, ARCs have been permitted to acquire loans where frauds have been detected.
- iii. Ministry of MSME vide its Gazette Notification (S O No. 1432(E)) dated 29.5.2015 notified a 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises' to provide a mechanism to address the stress in the accounts of MSMEs.
- iv. Banks have been advised to Formulate and implement Loan Policy and Loan Recovery Policy with the approval of the Board of Directors, Establish Recovery Cells at Head

Office, fixing of recovery targets for various levels and close monitoring of recovery performance, Strengthen the information sharing mechanism among lenders etc.

As regards financial stability, in terms of the mandate given by the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934, the regulatory and supervisory framework of the Reserve Bank is guided towards the overarching principles of safeguarding customers interest and preservation of financial stability, among others. The regulatory and supervisory frameworks for the regulated entities (REs) have been designed on the principle of proportionality consistent with their risk profiles. RBI has taken measures to strengthen supervisory approach and make it more forward looking, risk-oriented and analytical, which is aimed at identifying vulnerable sectors, borrowers and resolution of stress.

(d): Data is not centrally maintained.

(e): Comprehensive measures have been taken by the Government to reduce NPAs, including that pertaining to MSMEs, which include, inter alia, the following:

- i. A pre-packaged insolvency resolution process (PPIRP) was operationalised under IBC to provide an efficient alternative insolvency resolution process for corporate persons classified as MSME, ensuring quicker, cost- effective and value maximising outcomes for all the stakeholders, in a manner which is least disruptive to the continuity of their businesses and also preserving employment.
- ii. Prudential Framework for Resolution of Stressed Assets was issued by RBI in 2019 to provide a framework for early recognition, reporting and time bound resolution of stressed assets, with a build-in incentive to lenders for early adoption of a resolution plan.
- iii. Various measures viz. extension of moratorium of MSME loans, recalculation of Drawing Power (DP) by reducing margin and/or by reassessing the working capital cycles, resolution frameworks 1.0 & 2.0 etc. were taken as part of COVID-19 regulatory package.
- iv. In the Union Budget (2024-25), a new mechanism has been announced for facilitating continuation of bank credit to MSMEs during their stress period.
