

GOVERNMENT OF INDIA
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

LOK SABHA
UNSTARRED QUESTION NO. 3364
TO BE ANSWERED ON 20.03.2025

FINANCIAL CHALLENGES FACED BY MSMEs

3364. SHRI VIJAYAKUMAR *Alias* VIJAY VASANTH:
SHRI MANICKAM TAGORE B:

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

- (a) the steps taken to address the ongoing credit challenges faced by MSMEs, particularly with respect to the issues of collateral requirements, lengthy paperwork and concerns over loan repayment capabilities;
- (b) the details on the specific measures implemented to address these challenges;
- (c) whether reports indicate that small businesses are still finding it difficult to access financial assistance and if so, the details thereof;
- (d) the reasons that MSMEs continue to face challenges in getting access to financial assistance despite the allocation of Rs. 15,700 crore in the budget and if so, the details thereof;
- (e) whether the Government has taken steps to address the issue of MSMEs lacking collateral, which remains a significant barrier to securing credit; and
- (f) whether with a growing need for financial support, the Government plans to expand or introduce new schemes, such as the CGTMSE, to facilitate collateral-free loans and if so, the details thereof?

ANSWER

MINISTER OF STATE FOR MICRO, SMALL AND MEDIUM ENTERPRISES
(SUSHRI SHOBHA KARANDLAJE)

(a) & (b): A number of steps have been taken to address the financial requirement of MSMEs. For providing ease of access to finance, a number of schemes such as Prime Minister's Employment Generation Programme, Special Credit Linked Capital Subsidy Scheme, Credit Guarantee Scheme (CGS) for Micro and Small Enterprises, PM Vishwakarma Yojana, Pradhan Mantri Mudra Yojana, etc. are implemented. The enhancement of credit guarantee ceiling under CGS from Rs. 5 crore to Rs. 10 crore has been announced in the Budget 2025-26.

(c) to (f): As informed by Reserve Bank of India (RBI), RBI vide Master Direction on Lending to Micro, Small & Medium Enterprises (MSMEs) Sector, dated July 24, 2017 (updated as on June 11, 2024), has mandated banks not to accept collateral security in the case of loans upto Rs. 10 lakh extended to units in the Micro and Small Enterprises sector. Further, the Empowered Committee on MSME chaired by Reserve Bank of India monitors the loans sanctioned/ disbursed by MLIs under the Credit Guarantee Scheme. This is also one of the Agenda Items in the State Level Bankers Committee.

As informed by National Credit Guarantee Trustee Company, to resolve the challenge of MSMEs relating to collateral requirements, the Government of India has launched other credit guarantee schemes like Credit Guarantee Fund for Micro Units and Mutual Credit Guarantee Scheme for MSMEs (MCGS-MSME), where collateral is not necessary. Under MCGS-MSME collateral free loans upto Rs. 100 crore are provided.

Further, Union Budget 2025-26 have made following announcements for MSMEs:

- i. Credit cards for Micro Enterprises registered on Udyam Portal,
- ii. A new scheme to provide term loans up to Rs.2 crore to Women, Scheduled Castes and Scheduled Tribes first-time entrepreneurs.
