

GOVERNMENT OF INDIA
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

LOK SABHA
UNSTARRED QUESTION NO. 564
TO BE ANSWERED ON 06.02.2025

CREDIT RATING SYSTEM FOR MSMEs

564. SHRI VIJAYKUMAR *Alias* VIJAY VASANTH:
SHRI MANICKAM TAGORE B:

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

- (a) the reasons for not establishing a credit rating system for MSMEs, especially when 95% of them lack access to formal credit and given that MSMEs contribute 30% to GDP and employ over 110 million people;
- (b) whether this is hindering their access to subsidy, if so, the details thereof;
- (c) whether it is true that despite the Government's claim of supporting MSMEs, a 2024 survey found that over 60% of MSMEs face challenges in accessing Government subsidies due to the absence of a formal credit rating system, if so, the reasons for neglecting this issue especially taking into the account of the MSMEs' vital role in the economy;
- (d) whether it is true that the recent reports indicate only 15% of MSMEs avail benefits from subsidy schemes due to the lack of a credit rating system, if so, the reasons for not addressing the issue which is restricting growth in such a crucial sector; and
- (e) the reasons for not implementing a system to support MSMEs in availing subsidies?

ANSWER

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

(a) and (b): The access to formal credit for the Micro, Small and Medium Enterprises (MSME) sector has increased in recent years. RBI data shows that the credit outstanding to MSME Sector has increased to Rs 27.25 lakh crore as on 31.03.2024 from Rs.10.39 lakh crore as on 31.03.2014. For uninterrupted flow of credit to the MSME sector, a series of measures have been undertaken, which inter-alia include schemes such as Prime Minister's Employment Generation Programme (PMEGP) for setting up of new micro enterprises in the non-farm sector by providing Margin Money (MM) subsidy on the Bank loan, Special Credit Linked Capital Subsidy Scheme (SCLCSS) with a provision of 25% subsidy to SC/ST MSEs on institutional finance for procurement of Plant & Machinery / Equipment, Credit Guarantee Scheme for MSEs for collateral free loans for Micro & Small Enterprises, collateral free loans upto Rs 20 Lakh for Informal Micro Enterprises, PM Vishwakarma, Mudra Loan, etc.

In this direction, the Union Budget 2024-25 announced a package for MSMEs as given below:

- Credit Guarantee Scheme for MSMEs in the Manufacturing Sector;
- New assessment model for MSME credit;
- Credit Support to MSMEs during Stress Period;
- Mudra Loans limit enhancement from Rs. 10 lakh to 20 lakh;

(c) to (e): All banks/financial institutions undertake rating of the prospective MSME before sanctioning any loan, which is also reviewed annually by all banks/financial institutions. An MSME can also obtain MSME rating from any external agency. The Ministry of MSME takes various measures, including awareness programmes, including subsidy schemes for the beneficiaries e.g. PMEGP, under which more than 9.96 lakh micro enterprises have been assisted with Margin Money (MM) subsidy of Rs.26,492.84 crore, since inception till FY 2024-25 (up to 31.01.2025), and under Special Credit Linked Capital Subsidy Scheme, an amount of Rs.288.16 crore has been disbursed towards 2,503 SCLCSS claims, till date. The information is also available in the public domain on websites such as udyamimitra portal (www.udyamimitra.in)
