

GOVERNMENT OF INDIA
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

LOK SABHA
UNSTARRED QUESTION NO. 6266
TO BE ANSWERED ON: 02.04.2026

IMPLEMENTATION OF STATUTORY REVIVAL FRAMEWORK FOR MSMEs

6266. ADV K. FRANCIS GEORGE:

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

- (a) whether the Government is aware of the problems faced by Micro, Small and Medium Enterprises (MSMEs) including credit constraints, delayed payments and complaints of harassment by banks through indiscriminate invocation of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) and if so, the details thereof and the number of such complaints received during the last five years, State-wise;
- (b) whether banks and financial institutions are constituting Committees for identification of incipient stress, classifying SMA-0, SMA-1 and SMA-2 accounts and preparing Corrective Action Plans as mandated under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) and the Reserve Bank of India (RBI) Notification dated 29.05.2015 and if not, the reasons therefor;
- (c) whether MSME accounts are being classified as Non-Performing Assets (NPAs) and recovery proceedings initiated without first implementing statutory revival measures and if so, the details thereof; and
- (d) whether the Government proposes to take regulatory or supervisory action to ensure compliance and if so, the details thereof?

ANSWER

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

- (a): Government of India has, inter-alia, taken various steps to address the problems faced including credit constraints, delayed payments and complaints of harassment by banks for Micro, Small and Medium Enterprises (MSMEs) across the country:
- I. Credit Guarantee Scheme (CGS) for Micro and Small Enterprises (MSEs) implemented through Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to provide credit guarantee for loans extended to MSEs without collateral security and third-party guarantee, up to guarantee coverage of Rs. 10 crore.

- II. Self-Reliant India (SRI) Fund has been set up to infuse Rs. 50,000 crore as equity funding in MSMEs with a provision of Rs. 10,000 crore from Government and Rs. 40,000 crore through Private Equity/Venture Capital Funds. The Budget 2026-27 has also announced a support of Rs 2,000 crore to top up the SRI Fund set up in 2021 to bolster support to micro enterprises.
- III. Prime Minister's Employment Generation Programme provides Margin Money subsidy up to 35%, for setting up of new micro enterprises, with project cost of Rs. 50 lakh for manufacturing and Rs. 20 lakh for services enterprises.
- IV. PM Vishwakarma Scheme was launched on 17.09.2023 to provide holistic support to artisans and craftspeople of 18 specified trades. The Scheme includes provision of collateral free loans up to Rs. 3 lakh with interest subvention up to 8%
- V. In terms of para 4.1 (a) of RBI Master Direction - Lending to Micro, Small & Medium Enterprises (MSME) Sector dated July 24, 2017, all Scheduled Commercial Banks are mandated not to accept collateral security in the case of loans up to Rs.10 lakh extended to units in the MSE sector. As per RBI circular dated 9th February 2026, this limit stands increased to Rs. 20 lakh from 1st April, 2026.
- VI. Government regularly organizes outreach programmes in coordination with MSME/ Industry Departments of States/UTs concerned and other stakeholders like CGTMSE, SIDBI, Banks, MSME Associations etc., to enhance credit availability among MSMEs.
- VII. The liquidity issues of MSMEs have been dealt with MSME SAMADHAN portal and the cases are decided by Micro and Small Enterprises Facilitation Councils (MSEFCs). Government also launched Online Dispute Resolution (ODR) portal on 27.06.2025 as digital, technology-enabled mechanism to strengthen SAMADHAN portal, with the objective of ensuring timely, affordable, and transparent resolution of delayed payment disputes.
- VIII. To address the working capital issues, Government vide notification S. O. 4845(E) dated 07.11.2024 directed CPSEs and all companies with the turnover of Rs.250 Crore or more to on-board the Trade Receivables Discounting System (TReDS), an electronic platform for facilitating the discounting of trade receivables of MSMEs through multiple financiers.
- IX. To unlock the potential of working capital of MSMEs through TReDS, platforms, the following four key measures have been announced in Budget Announcements 2026-27:
 - i. Mandate TReDS as the settlement platform for purchases from MSMEs by CPSEs, setting a benchmark for other Corporate.
 - ii. Introduce CGTMSE-backed credit guarantee support for invoice discounting on TReDS platform.

- iii. Integrate with GeM with TReDS to enable information-sharing with financiers on Government MSME purchases, facilitating faster and cheaper credit.
- iv. Introduce receivables as asset-backed securities to deepen the secondary market, improve liquidity, and speed up settlements.

(b) & (c): As informed by Reserve Bank of India (RBI), the Circular on Framework for Revival and Rehabilitation (FRR) of MSMEs was revised advising banks to identify incipient stress in the account and classify it under the Special Mention Account (SMA) as under:

SMA sub- categories	Basis for classification
SMA-0	Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress
SMA-1	Principal or interest payment overdue between 31-60 days
SMA-2	Principal or interest payment overdue between 61-90 days

The branch maintaining the accounts forwards the stressed accounts, with aggregate loan limits above Rs. 10 lakh, to a committee for a suitable Corrective Action Plan (CAP). The resolutions under CAP may include rectification, restructuring and recovery. Any MSME borrower may voluntarily initiate proceedings under this Framework, if the enterprise reasonably apprehends failure. The FRR only requires an MSME account classified as SMA-2 to be mandatorily referred to the Committee. It neither mandates restructuring as the corrective action plan nor preclude the Regulated Entities (REs) from classifying the account as NPA based on the record of recovery.

(d): As informed by RBI, to monitor the progress in implementation of the above circular by the banks, all Scheduled Commercial Banks have been advised to submit a half yearly statement (September and March) on various parameters envisaged in the circular. Such statements are collected from the banks on regular basis.
