



Ministry of Finance



Steps taken by Government to improve flow of credit to MSME sector



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The Reserve Bank of India (RBI) vide circular dated 05.02.2021 and 05.05.2021, has allowed Scheduled Commercial Banks (SCBs) to deduct the amount equivalent to credit disbursed to New Micro Small and Medium Enterprises (MSMEs), who have not availed any credit facilities from banking system as on 01.01.2021, from their Net Demand and Time Liabilities (NDTL) for calculation of the Cash Reserve Ratio (CRR). This was stated by Union Minister of State for Finance Dr Bhagwat Kisanrao Karad in a written reply to a question in Rajya Sabha.

The Minister stated that this exemption is available upto Rs 25 lakh per borrower, disbursed upto fortnight ending 31.12.2021, for a period of one year from date of origination of loan or the tenure of the loan, whichever is earlier.

The Minister listed out the measures taken by the Government for improving the flow of credit to MSME sector:

- i. The Emergency Credit Line Guarantee Scheme (ECLGS) was announced as part of the Aatma Nirbhar Bharat Package with the objective to help MSMEs and business enterprises to meet their operational liabilities and resume businesses in view of the distress caused by the COVID-19 crisis, by providing Lending Institutions 100 per cent guarantee against any losses suffered by them due to non-repayment by borrowers. As informed by National Credit Guarantee Trustee Company Limited, **as on 10.12.2021, loans amounting to Rs. 3.09 lakh crore have been sanctioned under the Scheme.**
- ii. The [psbloansin59minutes](#) Portal was launched on 2nd November 2018 to facilitate in-principle approval of loans of up to Rs 1 crore (enhanced subsequently to Rs. 5 crore) to MSMEs without human intervention. As informed by SIDBI as on **30.11.2021, loans amounting to 79,285 crore were sanctioned on the portal.**
- iii. RBI operationalized TReDS in 2017 to solve the problem of delayed payments to MSMEs. TReDS is an electronic platform where receivables of MSMEs drawn against buyers (large corporates, PSUs, Government Departments, etc.) are financed through multiple financiers at competitive rates through an auction mechanism. **As on 03.12.2021, 26.64 lakh invoices amounting to Rs 56,694.14 crore have been discounted since inception by the three entities on TReDS platform.**
- iv. Factoring transactions taking place through TReDS are eligible for classification under Priority Sector Lending (PSL). Further, loans sanctioned by banks to NBFC MFIs and other MFIs (Societies, trusts, etc.) which are members of RBI recognized SRO for the sector for on-lending to MSE sector, loans to registered NBFCs (other than MFIs) for on-lending to MSMEs





and bank finance to start-ups up to 50 crore also form a part of PSL. RBI has also permitted co-lending by Banks and NBFCs to Priority sector.

- v. Subordinate Debt scheme for Stressed MSMEs was approved on 01.06.2020. Under the scheme, banks provide promoters of stressed MSMEs with subordinate debt up to 15% of promoter's stake or Rs. 75 lakh, whichever is lower to be infused as equity/quasi equity in the business.
- vi. Pradhan Mantri Mudra Yojana (PMMY) scheme was launched on 08.04.2015 to provide access to institutional finance to unfunded Micro/Small business units with collateral free loans up to Rs 10 lakh for manufacturing, processing, trading, services and activities allied to agriculture and to help in creating income generating activities and employment.
- vii. RBI had permitted one-time restructuring for MSME accounts vide circular dated 01.01.2019, 11.02.2020 and 06.08.2020. In view of the need to support the viable MSME entities on account of the fallout of COVID-19, it was decided to extend the facility for restructuring existing loans to MSMEs up to 50 crore classified as 'standard' without a downgrade in the asset classification subject to the conditions issued vide circular, dated 05.05.2021 and 04.06.2021 on 'Resolution Framework 2.0.
- viii. 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.
- ix. The Regulatory Retail Portfolio threshold to a single counterparty was increased from 5 crore to 7.5 crore enabling Banks to assign a lower risk weight of 75% to such exposure to MSME entities.

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