

GOVERNMENT OF INDIA
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

RAJYA SABHA
UNSTARRED QUESTION NO. 743
TO BE ANSWERED ON 10.02.2025

CREDIT AND FUNDING CHALLENGES FACED BY MSMEs

743. SHRI JOSE K. MANI:

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

- (a) the measures that are being taken to address the credit and funding challenges faced by Micro, Small and Medium Enterprises (MSMEs);
- (b) the current status of the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE); and
- (c) whether there are plans to introduce additional incentives for banks to increase lending to MSMEs, if so, the details thereof?

ANSWER

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

(a): To address the credit and funding challenges faced by Micro, Small and Medium Enterprises (MSMEs), a series of measures have been undertaken by the Ministry of MSME, 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/Micro & Small Enterprises (MSEs) on institutional finance for procurement of Plant & Machinery/ Equipment, Credit Guarantee Scheme for MSEs, PM Vishwakarma Yojana, Mudra Loan, etc.

Further, in terms of RBI's Master Direction on 'Priority Sector Lending (PSL) – Targets and Classification' dated September 4, 2020, all bank loans to MSMEs conforming to the conditions prescribed therein qualify for classification under priority sector lending, Scheduled Commercial Banks (SCBs) have been mandated not to accept collateral security in the case of loans up to Rs. 10 lakh extended to units in MSE category and computation of working capital requirement of MSE units is to be done by banks on the basis of simplified method of minimum 20% of the projected annual turnover of the unit for borrowal limits up to Rs. 5 crore.

In the Union Budget for 2024-25, following were announced for MSMEs:

- 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;

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(b): Credit Guarantee Trust Fund for Micro and Small Enterprises (CGTMSE) implements the Credit Guarantee Scheme (CGS) for MSEs to provide credit guarantee for the loans extended by Member Lending Institutions (MLIs) to MSEs, up to a limit of Rs. 500 lakh (w.e.f. 01.04.2023) with guarantee coverage up to 90% depending on the category of MSEs.

The credit guarantees extended to MSEs under CGS are given below:

CGTMSE- Guarantee Approved		
Duration	No. of Guarantees	Amount (in Rs. crore)
FY 2000-01 to FY 2021-22	59,06,203	3,21,775
FY 2022-23	11,65,786	1,04,781
FY 2023-24	17,24,073	2,02,807
FY 2024-25 (till 31.01.2025)	16,53,059	2,04,999

(c): For providing institutional support to MSMEs, Banks have been included for their excellence in the credit lending to MSMEs under National MSME Awards given by Ministry of MSME.
