

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**  
**UN-STARRED QUESTION NO. 4651**  
TO BE ANSWERED ON 23<sup>rd</sup> March, 2020 / CHAITRA 3, 1942 (SAKA)

**Loan to MSME sector**

4651. SHRI KHALILUR RAHMAN:

Will the Minister of FINANCE be pleased to state:

- (a) whether Reserve Bank of India has exempted bank for maintaining Cash Reserve Ratio for loan to retail Micro, Small and Medium Enterprises (MSMEs);
- (b) if so, the details thereof;
- (c) the other steps taken by the Government to involve banks to lend more to the MSME sector; and
- (d) the amount of loan sanctioned to the MSME sector across the country during the last one year?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a) to (b): In order to incentivise the flow of bank credit to productive sectors having multiplier effects to support growth impulses, Reserve Bank of India (RBI) has allowed banks to deduct the equivalent amount of incremental credit disbursed by them as retail loans to automobiles, residential housing, and loans to micro, small and medium enterprises (MSMEs), over and above the outstanding level of credit to these segments as at the end of the fortnight ended January 31, 2020 from their net demand and time liabilities (NDTL) for maintenance of the cash reserve ratio (CRR).

Banks can claim the first such deduction from the NDTL of February 14, 2020 for the amount equivalent to the incremental credit extended to the aforementioned sectors over the outstanding level of credit as at the end of the fortnight ended January 31, 2020. An amount equivalent to the incremental credit outstanding from the fortnight beginning January 31, 2020 and up to the fortnight ending July 31, 2020 will be eligible for deduction from NDTL for the purpose of computing the CRR for a period of five years from the date of origination of the loan or the tenure of the loan, whichever is earlier.

- (c) In addition, a number of measures have been taken for the MSME sector, which *inter-alia* include:
  - (i) 2% interest subvention for MSMEs for loans up to Rs 1 crore for the financial years 2018-19 (w.e.f. 02.11.2018) and 2019-20.
  - (ii) RBI has issued framework for Revival and Rehabilitation of MSMEs having loan limits up to Rs. 25 crore on 17.03.2016.
  - (iii) Collateral free loans up to Rs 10 lakh for units in the Micro and Small Enterprise (MSE) Sector.
  - (iv) MSME loans, including service sector MSMEs, classified as Priority Sector Lending.

- (v) Implementation of Trade Receivables Discounting System (TReDS) to resolve the problem of delayed payments to MSMEs and classification of factoring transactions as Priority Sector Lending.
  - (vi) Issuance of directions to Companies with turnover above Rs 500 crore and to all CPSEs to get themselves onboarded on TReDS platform.
  - (vii) Target of 7.5 percent of Adjusted Net Bank Credit (ANBC), or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, fixed for Scheduled Commercial Banks (SCBs) for lending to Micro Enterprises.
  - (viii) Calculation of working capital requirement up to Rs. 5 crore of MSEs simplified by defining it as 20% of projected annual turnover.
  - (ix) Banks advised to mandatorily acknowledge MSME loan applications and put in place system for their on-line tracking.
  - (x) RBI has advised banks to streamline flow of credit to MSEs for facilitating timely and adequate credit flow during their 'Life Cycle'.
  - (xi) To improve monetary policy transmission, banks have been advised by RBI to link all new floating rate loans to MSEs from 1.10.2019 and floating rate loans to Medium Enterprises from 1.4.2020 to an external benchmark.
  - (xii) Government of India has increased Interest Equalisation rate from 3% to 5% in respect of exports by the MSME sector manufacturers under the Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit.
  - (xiii) Reserve Bank of India (RBI) had permitted a one-time restructuring of existing loans to GST-registered MSME units classified as 'standard' without a downgrade in the asset classification, subject to certain conditions, which *inter-alia* include that the aggregate exposure of banks and Non Banking Financial Companies (NBFCs) to the borrower should not exceed Rs 250 million as on 1.1.2019, the borrower's account should be categorised as standard asset as on 1.1.2019 and continues to be classified as a 'standard asset' till the date of implementation of the scheme, and implementation of the restructuring before March 31, 2020.  
The scheme has now been extended by RBI till 31.12.2020 to such GST registered MSME accounts that were in default as on 1.1.2020, without a downgrade in the asset classification, subject to certain conditions, which *inter-alia* include that the aggregate exposure of banks and NBFCs to the borrower should not exceed Rs 250 million as on 1.1.2020, the borrower's account should be categorised as standard asset as on 1.1.2020 and continues to be classified as a 'standard asset' till the date of implementation of the restructuring, and implementation of the restructuring before December 31, 2020.
- (d) As informed by Public Sector Banks (PSBs), a total of Rs 2.88 lakh crore has been sanctioned by PSBs to the MSME sector during the financial year 2018-19, towards fresh working capital (including non-fund based) and fresh term loans.

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