



# MSME Credit Health Index

## Why in News

The latest **MSME Credit Health Index** indicates that MSME credit growth has accelerated in the quarter ending September 2020 as compared to the quarter ending in June 2020.

- The [Emergency Credit Line Guarantee Scheme \(ECGLS\)](#) has helped in the credit growth for the [Micro, Small and Medium Enterprises \(MSME\)](#) sector.

## Key Points

### ▪ About the MSME Credit Health Index:

- **Launch:** The **TransUnion CIBIL** in partnership with the **Ministry of Statistics & Programme Implementation (MoSPI)** has launched MSME Credit Health Index.
  - The Index is **published quarterly**.
- **Aim:** To provide **a measure of the growth and strength of the MSME** sector in India.
  - The Index will provide government, policy makers, lenders and MSME market participants, a numeric indicator for benchmarking the health of the MSME sector.
- **Measurement:** The Index measures the credit health of India's MSME industry on two parameters i.e, **growth and strength**. Both the growth and strength indices **follow the principle of higher the better**.
  - **Growth** is measured by plotting increase in exposure value (outstanding balances) over time.
    - An increasing Growth Index indicates improvement in credit growth.
  - **Strength** is measured by decrease/increase in credit risk in terms of [non-performing assets \(NPA\)](#).
    - An increasing Strength Index implies better asset quality and therefore denotes an improvement in the structural strength of the sector.
- **Significance:** This measurement model will facilitate better MSME credit risk management, formulation of strategies and policies to support the revival and resurgence of the MSME sector and the economy.

### ▪ Latest Data:

- The overall growth index inched up to 114 points, which is a three-point increase from 111 in June, 2020.
- The overall Strength Index also improved to 89 from 83 over the same period.

### ▪ About the Emergency Credit Line Guarantee Scheme:

- The scheme was launched as part of the [Aatmanirbhar Bharat Abhiyan package](#) announced in May 2020 to mitigate the distress caused by [coronavirus](#)-induced lockdown, by providing credit to different sectors, especially [Micro, Small and Medium](#)

### **Enterprises (MSMEs).**

- The ECLGS provides for the **Guaranteed Emergency Credit Line (GECL) facility.**
  - The GECL is a loan for which 100% guarantee is provided by the National Credit Guarantee Trustee Company (NCGTC) to Member Lending Institutions (MLIs) - banks, financial institutions and **Non-Banking Financial Companies** (NBFCs).
  - The loans are extended in the form of additional working capital term loan facility in case of banks and additional term loan facility in case of NBFCs to eligible Micro, Small and Medium Enterprises (MSMEs)/business enterprises and interested **Pradhan Mantri Mudra Yojana (PMMY)** borrowers.

### **National Credit Guarantee Trustee Company Ltd**

- NCGTC is a **private limited company** incorporated under the **Companies Act, 1956** in 2014, established by the Department of Financial Services, Ministry of Finance, as a wholly owned company of the Government of India, to act as a common trustee company for multiple credit guarantee funds.
  - Credit guarantee programmes are designed to share the lending risk of the lenders and in turn, facilitate access to finance for the prospective borrowers.

**Source: TH**

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