



Parliamentary Panel for MSME Finances

For Prelims: Micro, Small and Medium Enterprises (MSMEs) sector, Udyam portal, 'Vyapar' credit card, Initiatives to Promote MSME Sector

For Mains: Parliamentary Panel for MSME Finances, Industrial Growth

Why in News?

Recently, the **Parliamentary standing committee** on finance has **suggested several measures** for strengthening credit flow to the **[Micro, Small and Medium Enterprises \(MSMEs\) sector](#)**.

Why is there a Need for Improving Credit Flow to MSME Sector?

- **Lack of Formalization:** The need for formalising the credit ecosystem for MSMEs has assumed significance as less than **40% of 6.34 crore MSMEs**, as per government data, borrow from the formal financial system.
 - The overall credit gap in the MSME sector is estimated to be **Rs. 20-25 lakh crore**.
- **Lack of Integrated Data:** The last MSME survey was conducted by [National Sample Survey Office \(NSSO\)](#), **Ministry of Statistics and Programme Implementation** six years ago while the government had **revised the MSME definition in 2020**.
 - The committee noted that whatever data is there with regard to the MSME sector, they **exist in a fragmented manner** and there is **no real integration across multiple datasets**.
 - This is the reason why **banks were reluctant** in lending to the MSME sector.

What does the Panel Suggest?

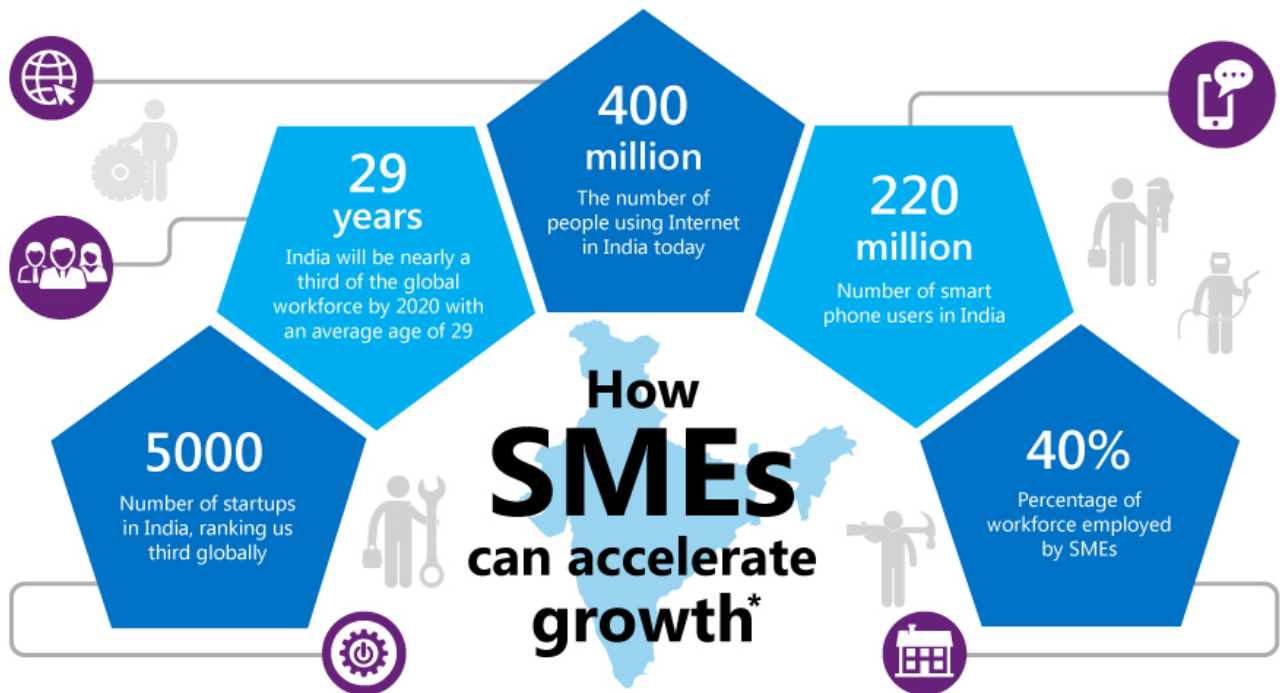
- **One-Stop Central Data Repository:** Developing the [Udyam portal](#) into a **one-stop central data repository** for the MSME sector by linking it with other databases such as CIBIL data, utility bills data etc.
 - The portal is currently already linked with the [Government e-Marketplace \(GeM\)](#), **Income Tax**, [GST](#) and [Trade Receivables Discounting System \(TReDS\)](#) portals.
 - Further, **Budget 2022** announced linking the Udyam portal with [e-Shram](#), [National Career Service \(NCS\)](#) and [Atmanirbhar Skilled Employee-Employer Mapping \(ASEEM\)](#) in the budget to enhance skilling and recruitment for MSMEs.
- **Innovative Lending System:** Creating a '[Unified Payments Interface \(UPI\)](#) for MSME Lending' for all MSMEs in the formal sector to access small-ticket working capital loans in a **mobile-based, contactless, paperless, and low-cost way**.
- **Vyapar' Credit Card:** the panel also recommended a 'Vyapar' credit card scheme for MSMEs under SIDBI akin to the [Kisan Credit Card \(KCC\) scheme](#) of the [National Bank for Agriculture and Rural Development \(NABARD\)](#) to bring crores of MSMEs into the formal financial system including street vendors and kirana stores.
 - The credit card can provide short-term working capital loans at low-interest rates and can be further extended to **provide collateral-free loans like the Rs 1 lakh collateral-free**

facility available to KCC holders.

- **MSME Census:** survey/census of MSMEs in line with the changed definition, be conducted at the earliest so as to estimate the actual number of MSMEs in the country along with realistic assessments of their credit requirements.

Significance of the MSME sector

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What are Initiatives to Promote MSME Sector?

- The Ministry of Micro, Small & Medium Enterprises (M/o MSME) envisions a vibrant MSME sector by promoting growth and development of the MSME Sector, including Khadi, Village and Coir Industries.
- The **Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006** to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector.
- **Prime Minister's Employment Generation programme (PMEGP):** It is a **credit linked subsidy scheme**, for setting up of **new micro-enterprises** and to **generate employment opportunities in rural as well as urban areas of the country.**
- **Scheme of Fund for Regeneration of Traditional Industries (SFURTI):** It aims to properly organize the **artisans and the traditional industries** into clusters and thus provide **financial assistance** to make them competitive in today's market scenario.
- **A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE):** The scheme promotes innovation & rural entrepreneurship through rural Livelihood Business Incubator (LBI), Technology Business Incubator (TBI) and Fund of Funds for start-up creation in the agro-based industry.
- **Interest Subvention Scheme for Incremental Credit to MSMEs:** It was introduced by the **Reserve Bank of India** wherein **relief is provided upto 2% of interest** to all the **legal MSMEs on their outstanding fresh/incremental term loan/working capital** during the period of its validity.
- **Credit Guarantee Scheme for Micro and Small Enterprises:** Launched to facilitate easy flow of credit, guarantee cover is provided for collateral free credit extended to MSMEs.
- **Micro and Small Enterprises Cluster Development Programme (MSE-CDP):** It aims to enhance the productivity and competitiveness as well as capacity building of MSEs.

- **Credit Linked Capital Subsidy and Technology Upgradation Scheme (CLCS-TUS):** CLCSS aims at **facilitating technology upgradation of Micro and Small Enterprises (MSEs)** by providing **15% capital subsidy for purchase of plant & machinery.**
- **CHAMPIONS portal:** It aims to assist **Indian MSMEs** march into the big league as **National and Global CHAMPIONS** by solving their grievances and encouraging, supporting, helping and hand holding them.
- **MSME Samadhan:** It enables them to directly register their cases about delayed payments by Central Ministries/Departments/CPSEs/State Governments.
- **Udyam Registrations Portal:** This new portal assists the government in **aggregating the data on the number of MSMEs in the country.**
- **MSME SAMBANDH:** It is a **Public Procurement Portal.** It was launched to monitor the implementation of the Public Procurement from MSEs by Central Public Sector Enterprises.

[Source: FE](#)

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