



# Credit Growth for MSMEs

## Why in News

According to a report from **TransUnion Cibil and Small Industries Development Bank of India (SIDBI)**, there has been a growth in the credit outstanding amount of **Micro, Small and Medium Enterprise (MSME)** sector to Rs 20.21 lakh crore, with a **year-on-year growth rate of 6.6%**.

- Even according to the **Reserve Bank of India (RBI)**, credit growth to micro and small industries accelerated to **6.4% in June 2021**, compared to a contraction of **2.9% in 2020**.

## Small Industries Development Bank of India

- SIDBI set up in April 1990 under an Act of Indian Parliament, acts as the **Principal Financial Institution for Promotion, Financing and Development** of the MSME sector as well as for coordination of functions of institutions engaged in similar activities.

## TransUnion CIBIL Limited

- It is a **credit information company operating in India**. It maintains credit files on 600 million individuals and 32 million businesses.

## Key Points

- **Loans to MSMEs:**
  - In **Financial Year (FY) 2021**, the country disbursed loans worth Rs 9.5 lakh crore to MSME sector, higher than preceding year of Rs 6.8 lakh crore in FY 2020.
- **Outstanding Credit:**
  - MSME credit outstanding has grown by 6.6% in March'21, with the **micro segment growing the fastest at 7.4%**
    - Micro segment was followed by the **small segment at 6.8% and medium segment at 5.8%**.
- **Sector Wise Analysis:**
  - **Agriculture and Allied Activities:**
    - Credit to agriculture and allied activities continued to perform well, registering an **accelerated growth of 11.4% in June 2021**, compared to 2.4% in June 2020.
  - **Industry:**
    - Within industry, credit to food processing, gems & jewellery, glass & glassware, leather & leather products, mining & quarrying, paper & paper products, rubber,

plastic & their products, and textiles registered **high growth in June 2021**.

- However, credit growth to all engineering, beverages & tobacco, basic metal & metal products, cement & cement products, chemicals & chemical products, construction, infrastructure, petroleum coal products & nuclear fuels and vehicles, vehicle parts & transport equipment **decelerated or contracted**.

◦ **Services:**

- Credit growth to the **services sector decelerated to 2.9% in June 2021**, from 10.7% in June 2020, mainly **due to contraction in credit growth to commercial real estate, [Non-Banking Financial Companies \(NBFCs\)](#) and tourism, hotels & restaurants**.
- Credit to **trade segment continued to perform well**, registering accelerated growth of 11.1% in June 2021 as compared to 8.1% a year ago.

▪ **Reason for Growth:**

- The rise in credit offtake by MSMEs is due to a host of government initiatives like the **[Emergency Credit Line Guarantee Scheme \(ECLGS\)](#)** to tackle the economic downturn created by the [Covid pandemic](#).
  - ECLGS scheme was launched as part of the **[Atmanirbhar Bharat Abhiyan package](#)** announced in May 2020 to mitigate the distress caused by coronavirus-induced lockdown, by providing credit to different sectors, especially MSMEs
  - It's **objective** was to support small businesses struggling to meet their operational liabilities due to the imposition of a nationwide lockdown.
  - Recently, the government has **widened its scope to new sectors**, including hospitality, travel and tourism.

▪ **Other Initiatives for MSMEs:**

- [Prime Minister's Employment Generation programme \(PMEGP\)](#)
- [Scheme of Fund for Regeneration of Traditional Industries \(SFURTI\)](#)
- [A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship \(ASPIRE\)](#)
- [Interest Subvention Scheme for Incremental Credit to MSMEs](#)
- [Credit Guarantee Scheme for Micro and Small Enterprises](#)
- [CHAMPIONS portal](#)
- [MSME Samadhan](#)

What's MSME

Revised Classification applicable w.e.f 1st July 2020			
Composite Criteria: Investment in Plant & Machinery/equipment and Annual Turnover			
Classification	Micro	Small	Medium
<b>Manufacturing Enterprises and Enterprises rendering Services</b>	Investment in Plant and Machinery or Equipment: Not more than Rs.1 crore and Annual Turnover ; not more than Rs. 5 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.10 crore and Annual Turnover ; not more than Rs. 50 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.50 crore and Annual Turnover ; not more than Rs. 250 crore

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**[Source: IE](#)**