

MSMEs offer \$70 billion lending scope to banks

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The micro, small and medium enterprises (MSME) sector provides the banks with a lending opportunity of \$70 billion, says a report.

The MSME sector has been down in the dumps since the note-ban and the soon-to-be-followed implementation of the uniform tax regime GST, forcing millions of units to down shutters causing huge job losses.

This has made the government force the Reserve Bank of India to offer a special dispensation last month under which the banks were allowed to recast stressed MSME loans under Rs 25 crore outside the NCLT route.

"Small and medium units together have a potential of

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taking \$70 billion in formal credit from banks," industry lobby Assocham and Ashvin Parekh Advisory Services said in a joint report.

MSMEs form an important component of the economy and contribute significantly to gross domestic product (GDP), exports, industrial output and employment generation.

The report said although many MSMEs do receive formal credit from banks, the sec-

tor is still underserved with only 40-70 per cent of financial requirements being met by banks.

With MSMEs accounting for over \$55 billion of lending currently, there is still a huge gap that can be addressed by financial institutions in the near term, it said.

The report further said there is a major concern among financial institutions on the existing lending turning out to be non-performing assets, as MSMEs do not get payments on time, which in turn hampers the repayment cycle.

In January, the RBI had announced restructuring of MSME accounts under Rs 25 crore that have become stressed. Restructuring has to be implemented by March 2020.