

# Need to work on access to finance for smaller firms says CEA

**Our Bureau** New Delhi | Updated on March 01, 2019 Published on March 01, 2019



## Proportion of credit flowing to smaller firms has been declined over last decade, says CEA

The proportion of credit that has flown to larger firms in Indian economy has increased from 69 per cent to 82 per cent between 2007 and 2018, a top Finance Ministry official said. On the other hand, the proportion of credit to medium sized firms has declined from 14 per cent to 4 per cent during this period.

The fall in proportion — not magnitude - of flow of credit to small and medium sized firms is something that needs to be worked upon as entry happens through small and medium firms and this is important for innovation, Krishnamurthy Subramanian, Chief Economic Advisor in the Finance Ministry said here on Friday. Fostering innovation in economy has benefits in form of higher economic growth.

If the country wants to encourage innovation and therefore facilitate more firms to enter, then one has to work on the factors of production—access to finance and market for researchers, he said. “If access to finance is an important factor for innovation, we have not proceeded in a direction that we

would want for fostering innovation during this decade or so”, Krishnamurthy said at a conference on ‘economics of competition law’ organised by Competition Commission of India.

He highlighted that entry of newer firms challenges incumbents and leads to creative destruction. “In general in an economy, entry is important for innovation to happen. In order for entry to happen, access to finance is important”, he said.

Subramanian also maintained that larger firms taking over smaller firms is not bad for innovation. He highlighted that the quantum of credit flow to smaller and medium sized firms has not gone down in the last decade, but only the proportion has come down.

[Srivats.kr@thehindu.co.in](mailto:Srivats.kr@thehindu.co.in)

Published on March 01, 2019



Save 61% on BusinessLine e-Paper  
Now at just ₹ ~~2,100~~ ₹ 799\* per year [SIGN UP](#)

economy (general)

0

COMMENTS



Next Story

Goa registers 22% rise in milk production

**You May Like**

Sponsored Links by Taboola

**Why Are Professionals Moving Towards Blockchain in 2019?**

upGrad & IIIT-B

**Supriya Got a 70% Salary Hike. Pursue upGrad's PG Certification in Big**

## **Data. Apply Now!**

**UpGrad & BITS Pilani**

## **Bumper Sale Swiss Watches At 80% Discount**

**Watch Forest**

## **14 Facts About The Navy Seals**

**Hale 'N' Hearty**

