

Business Standard

State-owned banks to help small businesses with loans in month-long drive

Banks will also consider requests from MSMEs for restructuring their stressed standard assets

Somesh Jha & Subhayan Chakraborty | New Delhi December 07, 2019 Last Updated at 11:29 IST



FILE PHOTO: Banks offering loans on this festival season during the SBI Loan Mela at Nehru Place in New Delhi | Photo: Dalip Kumar

Small businesses can visit public sector banks (PSBs) to finance their working capital or to restructure their loans, with the Union government launching a month-long outreach programme for micro, small and medium enterprises (MSMEs) on Saturday.

PSBs, during the program, will offer loans to increase the “working capital limits for standard accounts up to 25 per cent of the working capital limits”.

“MSMEs have complained of a lack of working capital. They have often said banks are not forthcoming in sanctioning working capital loans. On the other hand, bankers have said that though they have reached out to MSMEs, they do not want working capital,” said a senior finance ministry official.

“Inviting MSME customers to visit their branches for necessary support and assistance,” said an advertisement by the Department of Financial Services (finance ministry), published in newspapers on

Saturday. The official said banks would give priority to MSMEs during the programme, which will continue till January 6.

Banks will also consider requests from MSMEs for restructuring their stressed “standard” assets “as needed, on priority and in a timely manner”.

The special dispensation will be given through the Reserve Bank of India’s (RBI’s) circular ‘MSME sector – Restructuring of Advances’, dated January 1, 2019.

So far, only 25 per cent of the around 1 million eligible MSMEs have taken benefit of the RBI’s special dispensation. “The feedback from banks is that MSMEs do not need restructuring of their standard assets. But just to be sure, we want to extend a helping hand to MSMEs so that they feel that banks were willing to restructure their assets,” the ministry official said.

The one-time restructuring scheme is to be implemented by banks by March 31, 2020. The MSME account should remain “standard” as of January 1.

According to the RBI circular, the aggregate exposure, including non-fund based facilities, of banks and non-banking financial companies to the borrower should not exceed Rs 25 crore as of January 1, 2019.

Earlier, in June, the finance ministry had told chief executives of all state-owned banks to review credit facilities made available to MSMEs and take “corrective” measures to ensure the firms get adequate funds. The ministry had told banks to assign a chief general manager or a general manager-level officer to “do an in-depth analysis of the progress made and issues in availability of credit, still being faced by the MSMEs”.

Credit growth for MSMEs stood at 12 per cent in the June quarter, the quarterly MSME Pulse report put out by credit information firm TransUnion Cibil and the Small Industries Development Bank of India had earlier pointed out. While the rate of credit growth has continued to slow for the preceding three quarters, outstanding loans to small businesses — up to Rs 25 crore each — stood at more than Rs 15 trillion.

“Despite all the moves to increase access to bank loans for small businesses, banks continue to be wary of lending to MSMEs due to existing instances of non-performing assets (NPA). This is unacceptable since the existing data shows that MSMEs exhibit the lowest NPAs in the banking system, much below the levels of NPA witnessed by mid-sized and large enterprises,” a senior functionary of the Federation of Indian Micro and Small & Medium Enterprises said.