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PSBs luring MSMEs with pre-approved loans

 BY [DEEPSHIKHA SIKARWAR](#), ET BUREAU | JUN 06, 2020, 12.00 AM IST

NEW DELHI: Messages of pre-approved [loans](#) at attractive rates which banks often sent to prime retail customers have now become the template of public-sector lenders to reach out to their micro, small, and medium enterprise ([MSME](#)) clients.

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A top government official told ET that public sector banks are trying to reach out to MSMEs, which are their existing customers, for loans under the '[Atmanirbhar Bharat](#)' package that promised ₹3 lakh crore in collateral free loan.

"They are sending out pre-approved sanction letters...even emails and SMSes (text messages) to all their existing customers," the official said, adding that the initial response has been good.

Keeping Tabs

Atmanirbhar Bharat Package promises collateral free loans worth **₹3 Lakh Cr**

₹13,000 cr total sanctions & ₹6,000 cr disbursements, data available till Wednesday evening showed



Govt expects credit disbursal to pick up now that **Unlock 1** has been rolled out

FinMin to create dashboard for live reporting of sanctions, disbursements soon

As per the data available till Wednesday evening, total sanctions touched ₹13,000 crore while disbursements stood at ₹6,000 crore.

The government is keeping a close tab on disbursements under the scheme and the finance ministry will soon create a dashboard for live reporting of sanctions and disbursements under it.

Officials expect credit to pick up as the government has eased lockdown measures further with 'Unlock 1'.

Finance minister [Nirmala Sitharaman](#) had announced a ₹3-lakh crore credit guarantee scheme for MSMEs —Emergency Credit Line Guarantee Scheme (ECLGS) -- as part of the package. The scheme received cabinet approval on May 20 and operational guidelines were made public on May 25.

The official said many non-banking finance companies (NBFCs), including some big ones, have also joined the scheme, under which interest rates are capped at 9.25% for banks and financial institutions and at 14% for NBFCs.

Typically, interest rates for loans to MSMEs range from 10.55% to 16.25% on credit from banks, while that from NBFCs it can be as high as 30%.

“The scheme aims at mitigating the economic distress being faced by MSMEs by providing them additional funding of up to ₹3 lakh crore in the form of a fully guaranteed emergency credit line,” the government had said in a statement.

The scheme is applicable to all MSME borrower accounts with outstanding credit of up to ₹25 crore as on February 29, 2020 and annual turnover of up to ₹100 crore.

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