

# MSMEs get a credit leg-up

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The Budget has given a leg-up to MSMEs (micro, small and medium enterprises) via proposals to introduce a credit guarantee scheme for facilitating term loans for purchase of machinery and equipment without collateral or third-party guarantee and a guarantee from a government-promoted fund to provide credit support during stress period.

Also, public sector banks will be required to build capability to assess MSME credit needs instead of relying on external assessment. The Mudra loan limit under the 'Tarun' category has been doubled to ₹20 lakh.

The Finance Minister wants PSU banks to take a lead in developing or getting developed a new credit assessment model, based on the scoring of digital footprints of MSMEs.

Debadatta Chand, MD & CEO of Bank of Baroda, said, "There is a focus on MSMEs with a credit guarantee scheme being brought in. Any support to MSMEs will be positive for growth of not just GDP but also employment."

KV Srinivasan, Executive Director and CEO, Profectus Capital Pvt Ltd, said: "Measures like vastly enhanced credit guarantees up to ₹100 crore and an increase in Mudra limits should facilitate capital expenditure for the expansion and modernisation of MSMEs in the manufacturing sector."

## **TREDS & SIDBI**

For facilitating MSMEs to unlock their working capital by converting their trade receivables into cash, the Budget has proposed reduction in the turnover threshold of buyers for mandatory onboarding on the TReDS (Trade Receivables Discounting System) platform from ₹500 crore to ₹250 crore.

Srinivasan said wider coverage of TReDS and credit for MSMEs in the early stage of stress should help them manage working capital and cut cash flow cycles.

Government-owned SIDBI will open new branches to expand its reach to serve all major MSME clusters within three years, and provide direct credit to them. With the opening of 24 such branches this year, the service coverage will expand to 168 out of 242 major clusters, the FM said.