

# MSME Loans

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## In news

The Bank of Maharashtra (BoM) has become top performer among public sector lenders in terms of retail and MSME loan growth during 2020-21.

## Key updates

### MSME loans:

- Bank of Maharashtra which is based at Pune has recorded a 35 per cent growth in MSME loans at Rs. 23,133 crore in 2020-21.
- BoM was followed by the Chennai-based Indian Bank which posted a 15.22 per cent growth in loan disbursement to MSMEs with aggregate loans at Rs. 70,180 crore at the end of March 2021.

### Retail loans:

- With respect to retail loans, **BoM with nearly 25.61 per cent growth** was ahead of even the country's largest lender State Bank of India, which recorded 16.47 per cent rise.
- However, in absolute terms SBI's asset base to retail segment was a whopping 30 times higher at Rs. 8.70 lakh crore as against Rs. 28,651 crore of BoM.
- Bank of Baroda increased its retail loan portfolio by 14.35 per cent to Rs.1.20 lakh crore during the last fiscal year, the data showed.

### Profit

- For the full year 2020-21, BoM's standalone net profit jumped nearly 42 per cent to Rs. 550.25 crore. In the previous year, the profit was Rs. 388.58 crore.

## **NPA and Bad loans**

- The BoM's asset quality improved significantly as the gross bad loans or gross Non-Performing Assets (NPAs) dipped to 7.23 per cent of gross advances by the end of March 2021 as against 12.81 per cent by the same period of 2020.
- The gross bad loans stood at Rs. 7,779.68 crore at the end of March 2021, lower than Rs. 12,152.15 crore recorded in the year-ago period.
- Net NPAs came down to 2.48 per cent ( Rs. 2,544.32 crore) from 4.77 per cent ( Rs. 4,145.38 crore).

## **In India, MSME loan is give for:**

- Acquisition of factory, land and construction of building spaces.
- Purchase of Plant and Machinery including lab equipment, testing equipment, furniture, electric fittings, etc.
- Meeting working capital requirements, like raw materials, stock-in-progress, finished goods, etc.
- Trade Finance (Bill discounting) – for paying the creditors, while awaiting payment from debtors.
- Launch of new product range, expansion of business, warehousing need, credit for marketing and advertising purpose.

## **Definition of MSMEs(as on March 2021)**

- Earlier, the MSMEs were defined on the basis of investments put in, now the revised definitions will also include turnover of the company.
- There will be no more distinction between Manufacturing and Service MSMEs.

## **Micro units**

- MSMEs will now be called Micro units if they have investments upto Rs 1 crore and turnover of less than Rs

5 crore.

- The definition earlier was on investment criteria of up to Rs 10 lakh for Service MSMEs earlier and Rs 25 lakh for manufacturing.

### **Small units**

- For an MSME to be defined as a Small unit, its investment limit has been raised from Rs 5 crore to Rs 10 crore with a turnover of less than 50 crore.
- This applies to all MSMEs including the Service enterprises which earlier came under investment of up to Rs 2 crore.

### **Medium units**

- Enterprises with investments up to Rs 20 crore with a turnover of less than Rs 100 crore will now be called Medium units.
- Earlier, the investment limit for Medium units was up to Rs 10 crore and Service enterprises up to Rs 5 crore.