

SIDBI offers 100% funding for MSMEs' green and clean projects

Synopsis

Public sector banks aim double digit growth in MSME loan book in FY24.



Kalantri suggested SIDBI and commercial banks to set up MSME advisory committee at the headquarter level as well as at various regions to provide advisory services to MSMEs periodically.

Small Industries Development Bank of [India \(SIDBI\)](#) has announced 100% funding for green and clean projects of MSMEs, marking a significant step towards green financing.

SIDBI is the country's primary financial institution for promoting, developing and financing MSME (Micro, Small and Medium Enterprise) sector.

“We invite MSMEs to avail of SIDBI’s financial schemes for installing [solar energy](#) and adopting [energy efficient](#) machineries and business processes. SIDBI extends 100% loans at interest rate as low as 7%-8% depending on the credit rating of MSMEs for installing rooftop and ground mounted solar rooftop power projects. We lend upto Rs. 7.5 crore to eligible MSMEs without charging processing fee by taking 25% margin money as security under our new credit scheme in partnership with [Tata Power](#). Our objective is to promote energy efficient and green business operations to protect the environment,” said Jay Kumar Gupta, Deputy General Manager, SIDBI at an event organised by WTC Mumbai and All India Association of Industries.

Ashwani Dhingra, Zonal Head, [Central Bank of India](#), said, “This year, we aim 61% growth in MSME credit at our Mumbai and Goa Zone from Rs. 6,577 crore as of March 2023 to Rs. 10,618 crore by March 2024. [Credit growth](#) to MSMEs is expected to outperform overall credit to industry this year in Mumbai and Goa Zone, which is our largest zone in India. Consequently, the share of MSMEs in the overall credit outstanding in this zone is targeted to grow from 12% as of March 2023 to 15% by March 2024.”

Dhingra further informed that the bank does not insist on external credit rating for MSME loans upto Rs. 25 crore and entrepreneurs can avail upto 25% of their last financial year’s GST payment as loan under its CentGST scheme.

Sherine Mendez, General Manager (Priority Sector Group), [IDBI Bank](#) also addressed the event and shared the loan schemes of her bank for MSME borrowers and women self help groups.

Sunil Daga, President – Business Banking Assets, [Kotak Mahindra Bank Limited](#) pointed out that private banks are ahead in MSME lending as they have 65% share in the outstanding MSME credit of the overall banking system. Kotak Mahindra Bank is committed to meet the credit needs of MSMEs as it has 6% market share in this segment.

In his remarks, Gagandeep Singh, Senior Manager, Primary Market Relationship, National Stock Exchange of India Limited (NSE) pointed out to the recent surge in the number of MSMEs raising equity capital from stock exchanges. He informed, “So far in the current financial year, 46 MSMEs have listed on the NSE Emerge Platform and raised Rs. 1,400 crore equity capital, far higher than Rs. 1,300 crore raised by 62 MSMEs in the full year 2022-23.”

Singh further informed that since 2012, NSE Emerge has helped 355 MSMEs raise Rs. 6,600 crore equity capital. Gujarat and Maharashtra are the leading states as 102 enterprises and 101 enterprises respectively from these states have listed on this platform so far.

Vijay Kalantri -Chairman, MVIRDC WTC Mumbai suggested banks to handhold and support the credit needs of MSMEs, especially at the time of business slowdown, as they are the most compliant borrowers compared to large industries.

He mentioned that banks should refrain from reducing credit limit for small companies citing slowdown in sales or export orders. Instead, credit should be adequately available to sustain production, build inventory and meet new orders as business cycle picks up in future. "Historically, the recovery rate from banks' MSME portfolio is higher compared to large corporate portfolio. Despite this, the share of MSMEs in priority sector lending of the banking system has been falling from 12.5% in the past to 8.5% today. [RBI](#) data shows MSME credit is growing at 13% as of August this year; but this growth is lower than the 47% growth seen last year. Private banks are more willing to lend to MSMEs than public sector banks in recent years."

Kalantri emphasized the need to bridge the credit gap in the MSME sector to attain USD 5 trillion economy and USD 1 trillion exports. According to an RBI Committee, the unmet credit needs in MSME sector is more than Rs. 25 lakh crore. Financial institutions should also provide sustainable finance to encourage adoption of green technologies by MSMEs.

Kalantri suggested SIDBI and commercial banks to set up MSME advisory committee at the headquarter level as well as at various regions to provide advisory services to MSMEs periodically. Also, RBI and government may implement all the recommendations of PJ Nayak Committee, UK Sinha Committee and other expert committees on MSME credit.