

Interest rate on fresh rupee loans to MSMEs falls 1.9% since October 2019

Reserve Bank of India has reduced policy repo rate by 1.85% during 2019-20. However, the interest rate on outstanding loans to MSMEs has not fallen commensurately, shows the Annual Report 2019-20 released by RBI on August 25, 2020. However, for fresh loans sanctioned to MSMEs, interest rate has fallen commensurately, the report shows.

The weighted average interest rate on outstanding MSME loans sanctioned by all scheduled commercial banks in India declined hardly 0.13% compared to the decline of 0.75% for loans to large corporate entities, data published in the Annual Report shows. As of June 2020, the weighted average interest rate on outstanding loans to MSMEs declined to 10.84% (average for all commercial banks) from 11.29% in March 2020.

However, the interest rate on fresh rupee loans sanctioned to MSMEs since October 2019 has declined 1.98%, the Annual Report shows. Public sector banks have reduced lending rate for fresh loans to MSMEs by 1.6% since October 2019, while private banks reduced interest rate by 1.9%, the report shows.

As of June 2020, for fresh loans, public sector banks charge interest rate 5.8% higher than the policy repo rate (which is 4.0%). Thus, for a typical MSME borrower, interest rate on fresh loans from public sector banks comes to around 9.8%. Private sector banks, on the other hand, charge 7.0% higher interest than the repo rate for loans to MSMEs. Thus, a typical MSME can borrow at 11% interest rate from a private commercial bank. This interest rate is indicative and may change according to the risk profile of the MSME borrower.

Notifications

Press Information Bureau, Government of India

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<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1648415>

CSIR-CMERI invites collaboration with small enterprises in agro technology

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1648553>

PIB's Daily Bulletin on COVID

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1648570>

Structural reforms are key priority of government

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1648487>

RBI

Annual Report 2019-20

<https://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/ORBIAR201920DA64F97C6E7B48848E6DEA06D531BADF.PDF>

DGFT

Amendment in export policy of personal protection equipment masks

<https://content.dgft.gov.in/Website/dgftprod/044dee49-bea7-4bf0-9cb7-5511f5cdab52/Noti%20%2029%20Eng.pdf>