

RBI to hear out demands of MSMEs ahead of Budget

Central bank wants to understand initiatives that may be viable for the sector

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Ahead of the Union Budget 2024-25, the Reserve Bank of India (RBI) has scheduled a meeting with several micro, small, and medium enterprise (MSME) associations on Monday to understand their needs.

“The MSMEs are the backbone of the Indian economy, playing a crucial role in economic growth, employment generation, and technological advancement. It has been decided to conduct a meeting with heads of MSME associations to further understand the requirements of MSMEs,” RBI said in an email to MSME associations. *Business Standard* has reviewed a copy of the email.

An industry official, who preferred not to be identified, said that the meeting will be attended by two deputy governors of the RBI, M Rajeshwar Rao and Swaminathan J.

“RBI wants to understand the schemes and initiatives that will be viable for MSMEs before conveying its views to the finance ministry ahead of the Budget,” said the official.

An email query sent to RBI did not elicit any response until the time of going to press.

The official also highlighted that the meeting will be attended by Laghu Udyog Bharati, the India SME Forum, the Association of Lady Entrepreneurs of India, the Bombay Chamber’s MSME Forum, the Coimbatore District Small



Industries Association, and the Federation of Small & Medium Industries, West Bengal.

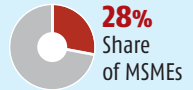
“This meeting seems very important for MSMEs since RBI wants to hear from us. This will also provide RBI with an on-the-ground report, assisting them in addressing our actual needs,” another industry official said.

Earlier this week, RBI Governor Shaktikanta Das held meetings with managing directors and chief executive officers of public sector banks and select private sector banks. During the meetings, they discussed credit flow to MSMEs and the participation of banks in the innovation activities of the central bank.

Business Standard reported on

LENDING AN EAR

- Meeting to be held before RBI sends its views to FinMin for the Budget
- RBI DGs M Rajeshwar Rao and Swaminathan J to attend the meet
- Overall outstanding bank credit in FY24
- RBI Governor Shaktikanta Das had on Wednesday discussed the issue of credit flow to MSMEs with public and private lenders



Thursday that the Union government is considering relaxing the non-performing asset classification period for MSMEs from 90 days at present to 180 days in the upcoming Budget to support MSMEs and improve their ability to repay loans.

According to RBI data, the share of outstanding bank credit to MSMEs in 2023-24 was only 28 per cent of the total credit to the industry segment, with the remaining 72 per cent going to large enterprises.

In 2023, the Ministry of MSMEs, in a reply to the Rajya Sabha, said that the expert committee on MSMEs constituted by the RBI in December 2018 estimated the overall credit gap in the MSME sector to be in the range of ₹20-25 trillion.

RUNUP TO THE



BUDGET 2024-25