

MSMEs seek credit scheme extension

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Industry bodies representing micro, small, and medium enterprises (MSMEs) have urged the Reserve Bank of India (RBI) to consider extending the Emergency Credit Line Guarantee Scheme (ECLGS) and introducing a more transparent and standardised lending framework to strengthen the resilience of India's small businesses.

The proposal was made at a meeting convened last week by the RBI's financial inclusion and development department to address challenges facing the MSME sector due to the impact of 50 per cent US tariffs.

Chaired by RBI Executive Director Neeraj Nigam, the meeting brought together key industry associations including the India SME Forum, Laghu Udyog Bharati, Dalit Indian Chamber of Commerce and Industry, Madhya Pradesh Small Scale Industries Association, Coimbatore District Small Industries Association, Karnataka Small Scale Industries Association, and the All India Association of Industries.

Leading banks such as State Bank of India, Punjab National Bank, HDFC Bank, Axis Bank, and Kotak Mahindra Bank, along with representatives from the Indian

A helping hand

- MSMEs sought a transparent and standardised lending framework to strengthen small businesses
- Called for creation of a transparent application interface within ULI to ensure uniformity in loan processing
- Proposed that temporarily stressed MSMEs be differentiated from chronic defaulters under special mention account and revival and rehabilitation frameworks
- Recommended automatic restructuring eligibility for borrowers with strong repayment records

Banks' Association (IBA), also participated.

Sushma Morthania, director general of the India SME Forum and president of the Women Entrepreneurs Forum, said MSMEs across critical sectors such as textile, pharmaceutical, agriculture, and gems and jewellery are grappling with sudden tariff shocks that disrupt cash flows and risk

pushing fundamentally viable enterprises into default.

"An extension of the ECLGS will provide a vital liquidity lifeline to MSMEs struggling with tariff-related financial stress," Morthania said, emphasising that timely credit and transparent lending mechanisms are essential to prevent viable enterprises from slipping into distress.

The forum also sought creation of a transparent application interface within the Unified Lending Interface to ensure uniformity in loan processing, margin requirements, fees, and penal charges — minimising branch-level discretion and ensuring fair treatment of borrowers.

On the regulatory front, the forum proposed that viable but temporarily stressed MSMEs be clearly distinguished from chronic defaulters under the special mention account and revival and rehabilitation frameworks, recommending automatic restructuring eligibility for borrowers with strong repayment records — such as those who have repaid over 50 per cent of dues — through proportionate extensions of 12-24 months.

