

MSME lending target for PSBs raised 19.5%

FinMin sets fresh goal for FY26 at ₹17.31 trillion

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Amid increasing focus by the Union government for the micro, small, and medium enterprises (MSME) sector, the finance ministry has set a target for total MSME credit outstanding across all public-sector banks (PSBs) at ₹17.31 trillion for the financial year 2025-26 (FY26). This represents a projected increase of 19.5 per cent over the expected outstanding loans of ₹14.49 trillion for FY25, according to a senior government official.

According to the latest data sourced by *Business Standard*, the total MSME credit outstanding of PSBs as on February 28, 2025 stood at ₹13.04 trillion, reflecting a year-to-date (YTD) growth of 11.17 per cent compared to the outstanding balance of ₹11.73 trillion as of March 31, 2024.

Among the major creditors, the State Bank of India (SBI) leads with a target of ₹4.82 trillion for FY26, a 23 per cent growth over preceding year outstanding target. Punjab National Bank (PNB) follows with a 23.4 per cent growth at ₹1.58 trillion in outstanding credit.

However, bankers are worried about the bad loans in this sector.

“Despite the increase in credit outstanding and a notable fall in gross NPAs (non-performing assets) over the past four years, banks remain cautious about potential bad loans in this sector. However, the credit growth is largely being driven by the government’s focus on MSMEs, supported by various credit guarantee schemes,” said the senior government official. PSBs have shown significant improvement in asset quality, with the gross non-performing assets (GNPA) ratio in the MSME sector falling from 11 per cent in FY20 to 4 per cent in FY24, reflecting better credit

discipline and risk management within the sector. At the same time, MSME industry representatives said that the target seems audacious and is reflective of neither the prevailing economic conditions nor the ground realities of MSMEs. “Some credit percentage might increase with the inclusion of larger medium enterprises (up to turnover of ₹500 crore). But a better gauge of banking performance for MSMEs is the percentage of total non-farm credit to MSMEs,” said Anil Bhardwaj, secretary general of the Federation of Indian Micro and Small & Medium Enterprises (Fisme).

The finance ministry has called a meeting with MSME industry bodies, banks and regional rural banks on April 24 to discuss MSME credit-related matters, including grievance redressal mechanism, ombudsman, and special mention accounts (SMAs) in the sector, according to the senior government official.

“The meeting will also discuss the proposed credit cards for micro enterprises announced in the Union Budget 2025-26,” a second official said. For the MSME sector, schemes such as Credit Guarantee Scheme (CGS) for micro and small enterprises (MSEs), having provision of collateral-free loan up to ₹5 crore with guarantee coverage up to 90 per cent for various categories of loans; Prime Minister’s Employment Generation Programme (PMEGP) for setting up of new micro enterprises in the non-farm sector by providing margin money subsidy on the bank loan; Special Credit Linked Capital Subsidy Scheme with a provision of 25 per cent subsidy to SC/ST MSEs on institutional finance for procurement of plant & machinery/equipment; PM Vishwakarma Yojana; Pradhan Mantri Mudra Yojana, etc. have been implemented.

BANKS’ PERFORMANCE (in ₹ trn)

Name of the Bank	Outstanding credit*	Target for FY26
Bank of Baroda	1.4	1.77
Bank of India	0.97	1.26
Bank of Maharashtra	0.45	0.58
Canara Bank	1.43	1.84
Central Bank of India	0.58	0.75
TOTAL	13.04	17.31

Note: Total would not add up as all the banks are not included;
*Data as on February 28 Source: Government sources

