

Ecom boosts MSME financing, eases loan access: Icrier survey

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Ecommerce integration helps micro-, small, and medium- enterprises (MSMEs) mitigate financial barriers by fostering business expansion and creating a stronger information ecosystem that helps them receive external finance and collateral-free loans, according to a survey by the Indian Council for Research on International Economic Relations (Icrier).

The New Delhi-based think tank found in its survey that among ecommerce-integrated firms, 51 per cent found their ecommerce presence useful in raising external finance from banks and non-banking financial corporations. Medium (60 per cent) and small (55 per cent) enterprises do better on this front than micro enterprises (48 per cent).

"Additionally, 30 per cent of integrated firms found ecommerce beneficial for rais-

ing collateral-free loans, with medium firms (33 per cent) leading, followed by small (31 per cent), and micro (29 per cent)," the survey found.

For non-integrated MSMEs, access to markets and finance are the most significant challenges, according to the survey.

"When asked to rank challenges, about one-third of non-integrated surveyed enterprises listed market access and financing among their top five obstacles to operations and business expansion. Other major challenges included customer retention, hiring the right employees, and effective product marketing," the survey report stated.

The survey found that around 55 per cent respondents have not accessed government programmes in the past three years. "A higher proportion of small- and medium-sized enterprises have not accessed these benefits (55 per cent and 60 per cent respectively, and 54 per cent

for micro firms)," the report stated.

Financial institutions perceive MSMEs as high-risk borrowers due to a lack of data on creditworthiness. MSMEs typically do not have fixed assets, machinery, or equipment. On average, fixed assets owned per establishment were valued at ₹3,18,000 in 2022-23 for unincorporated non-agriculture enterprises. The value was lower (₹2,15,000) when only manufacturing enterprises were considered.

In India, unsecured loans accounted for only a quarter of the total credit disbursed by scheduled commercial banks as of March 2024 while private banks mainly lend this at relatively high interest rates.

"As a result, MSMEs face higher borrowing costs than larger firms due to the higher risk premiums charged by lenders, exacerbated by informational asymmetries that increase banks' risk perception," the report stated.