

# Private banks treble share in small business loan to 70%

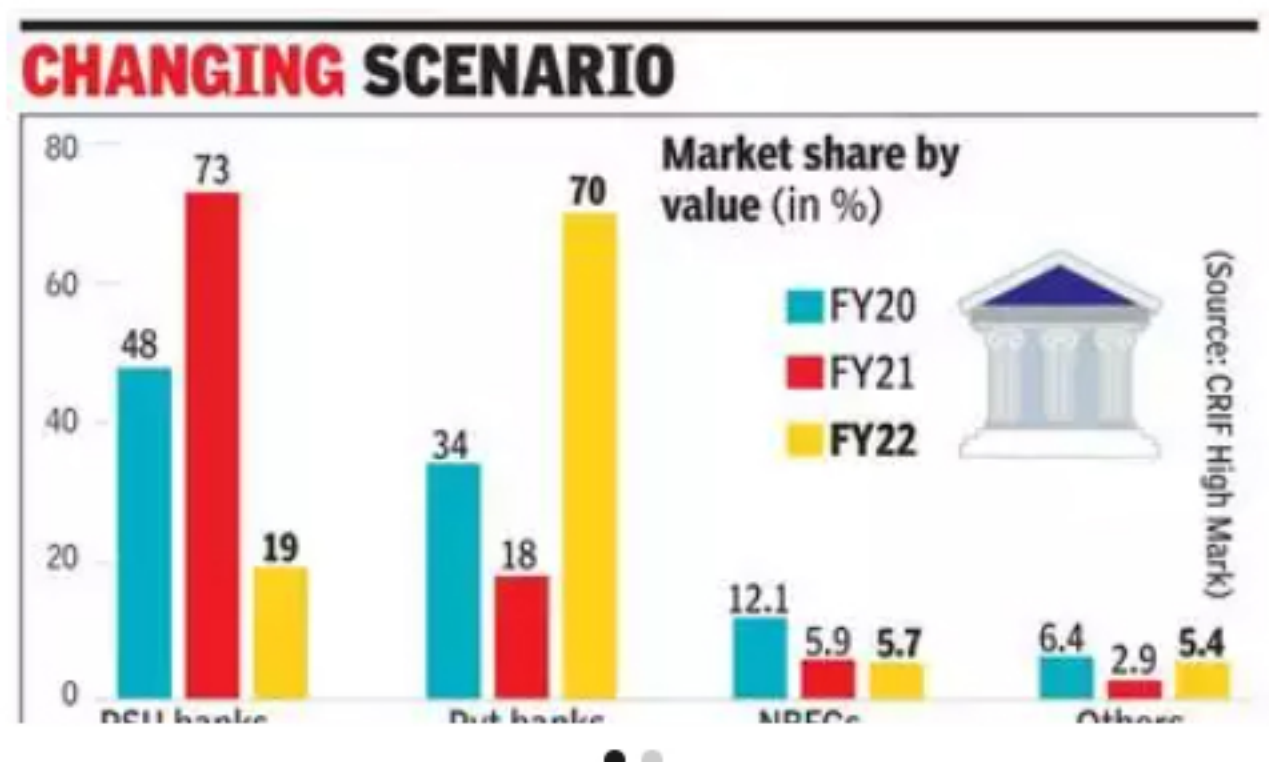
TNN / Updated: Jun 27, 2022, 10:59 IST



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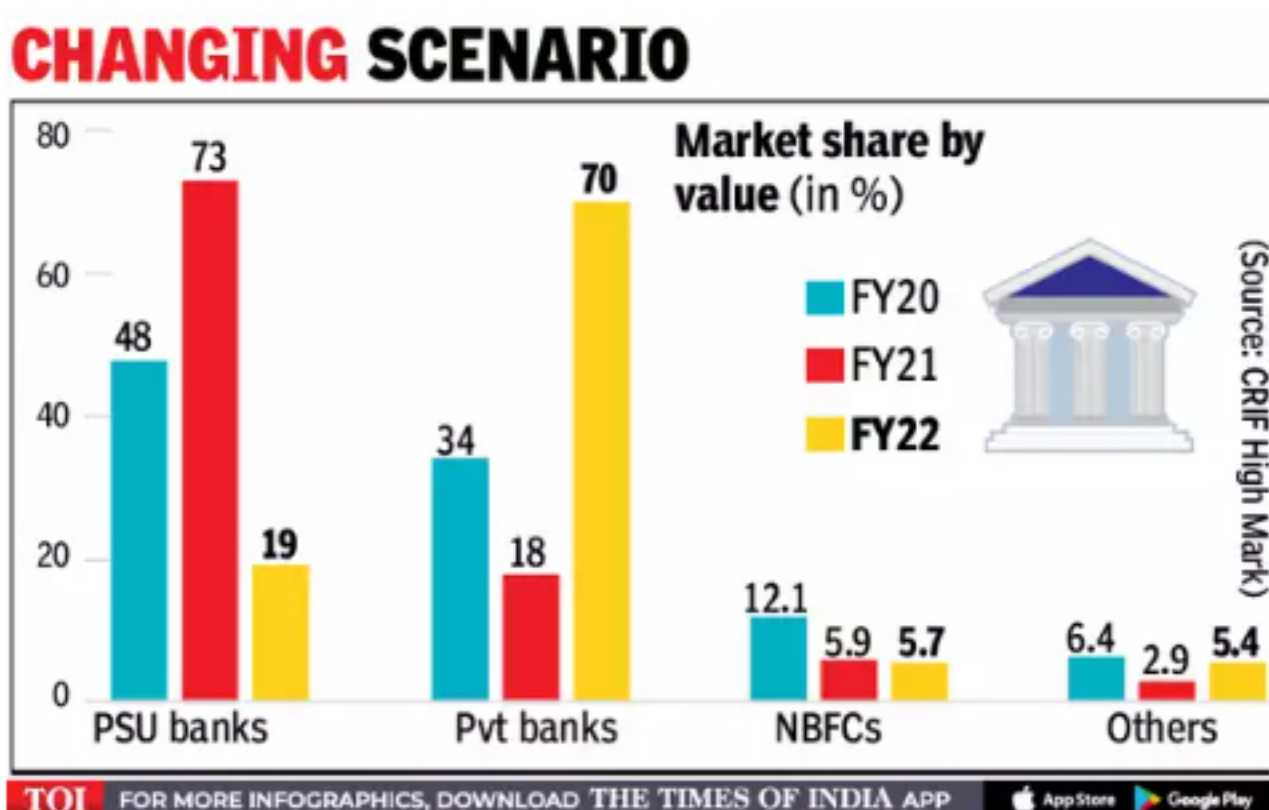


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MUMBAI: Private sector banks more than tripled their share in loans sanctioned to the micro, small and medium enterprise (MSME) sector to 69.8% in FY22 from the previous year's levels. Earlier, private banks had almost halved their share in FY21 to 18.2% from 33.6% in FY20.

Public sector banks, which accounted for 48% of all loan sanctions to MSMEs in FY20, increased the share to 73% in FY21 after the pandemic with a majority of this going towards Mudra loans.



However, in FY22 when competition for credit picked up, the share of PSU banks in lending to small segments dropped to 19.1%.

Before the pandemic, many private sector banks had turned cautious on loans to small businesses and started cutting their exposure as soon as the pandemic broke out. With government guarantees coming in and stress turning out to be less than expected, they sharply increased their market share in FY22.

A report by credit information company CRIF High Mark has said that the portfolio outstanding for the MSME industry stood at Rs 22.7 lakh crore as of March this year — an 18% growth over March 2021 and 36% over March 2020. The value of the total sanctioned amount of loans at the end of FY22 stood at Rs 37.3 lakh crore — a 5% growth over FY21 and 182% growth over FY20. There has been a 92% growth in the average ticket size of MSME loans from Rs 37.7 lakh in FY20 to Rs 72.4 lakh in FY22.

Credit to small businesses during the pandemic was bolstered by the government providing a guarantee for fresh exposures under the Emergency Credit Line Guarantee Scheme (ECLGS). Also, the post-pandemic period saw large corporates, which have historically been dominant consumers of bank credit, deleverage by repaying loans and holding back on borrowings. The MSME segment is expected to continue to remain in focus with the Reserve Bank of India deciding to have FY23 as the year of MSME. The government is also looking to small businesses for job creation.

According to the CRIF High Mark report, in terms of the number of borrowers, the total active loans for the MSME industry stood at 137.4 lakh accounts as of March 2022 — a 7% growth over March last year and 43% growth over Mar 2020. The top five districts of Mumbai, Mumbai Suburban, Chennai, Kolkata and Bengaluru made up 56% of the overall originations value in FY22.