Collateral-free loans a big boost for MSMEs

Union Budget Devpt-Oriented, Inclusive: Min

Team TOI

The new credit guarantee scheme unveiled in the Union budget will ensure collateral-free loans for the micro, small, and medium enterprises (MSME), benefiting the sector significantly, the state govt said on Tuesday.

"Accordingly, a self-financed guarantee fund will be established to offer a guarantee cover of up to Rs 100 crore for each borrower. The initiative will benefit small units in the state that are unable to repay loans on time due to unavoidable reasons and will also help prevent their accounts from becoming Non Performing Assets (NPAs)," a state govt spokesperson said.

He added that the new provisions in the budget will inject new energy into the MSME sector in the state.

UP minister for MSME, khadi and village industries, Rakesh Sachan, described the general budget for 2024-25 as "inclusive and development-oriented." He said MSME units currently face significant difficulties in obtaining loans from banks, which adversely affects their stability.

To address this issue, a new credit assessment model will be introduced to simplify the loan approval process based on digital footprints. "This new system will facilitate obtaining loans from banks, which have traditionally provided loans based on assets and turnover," he observed.

The budget also announced an increase in the loan limit under the PM Mudra Yojana from Rs 10 lakh to Rs 20 lakh. This facility will be available to units that have repaid previous loans within the stipulated time frame.

Sachan said over the next three years, 24 new SIDBI branches will be opened in MSME clusters to facilitate loan access to the units. He added that the e-commerce export hubs based on the PPP model will assist MSMEs and traditional artisans in selling their products in national and international markets.

Additionally, 100 NAB-accredited food testing labs will be established to provide high-quality testing services to food processing units.