

MSMEs:High sounding Promises but Bank credit shrinks

The manufacturing sector is has not recovered from the shock inflicted on it by demonetization and GST. The BJP government repeatedly claimed that institutional credit has been increased to Medium, small and Micro Enter-prises(MSME) and Mudra loans have helped the sector very much. The only solution the FM had in the budget is starting assembly units for electronic goods.

The MSMEs contribute 30 per cent of GDP and provides employment to 80 per cent of work force. The gross loans to this sector in November Rs.4.65 lakh crore from 4.81 lakh crore in March. The reduction of loans to small and micro business is continuing for the last few years. The contraction in November is 3.4 percent as against 2.7 percent last year, while that of medium enterprises reduced by 3.6 percent and 1.4 per cent during the same time frame.

While 30 big business families are responsible for the bad loans of public sector banks, the managements are cutting loans in the name of risk-averse lending to the much needed MSMEs.

This is impeding the recovery of manufacturing sector. This is punishing the innocent instead of criminal money launderer.
