

## Need of the Hour: Integrating all the MSME Oriented Schemes

The Ministry of MSME is simultaneously running a number of schemes through its various Boards, Corporations and Commissions to facilitate the growth of MSMEs. However, the growth of the MSMEs has still been rather slow. There are two basic problems that can be attributed for the slow growth. One, most of the MSMEs are not even aware of the benefits that they can reap under the various schemes being run by the ministry of MSME. A credit information system is required to be put in place to educate the MSMEs about the various schemes, increase their penetration and help the intended MSMEs avail the benefits of these schemes. Two, all these schemes are being run independently and in isolation of each other. As a result, there is no structured database available for the MSMEs, mainly the small enterprises, who are availing benefits under the various schemes. Every time they have to approach the Ministry/ department concerned, these units have to go through the tedious process of providing data and documents which have already been provided to the Ministry under a different scheme. There is thus a crying need to unify databases and create a unique ID for all the MSMEs to save time and energy of the units and provide a readily accessible and structured data source to the Government. It will also help to improve the efficiency of the systems and processes by removing the redundancies.

To support the growth of MSMEs and enable them to modernize, improve their financial position and adopt sound principles of management with the view of helping them cater to a wider domestic market and face global competition, a need was perceived to create awareness among the MSMEs about their strengths and weaknesses. To address the issue, Performance and Credit Rating (PCR) Scheme was introduced in 2004-05 by the Ministry of MSME of the Government of India. The scheme is implemented by National Small industries Corporation (NSIC) and provides a third party opinion by registered rating agencies on the capabilities and credit worthiness of the units. For forming this opinion, the rating agencies combine and analyze data on various parameters including operations, finance, business and management. These rating agencies are consequently a storehouse of the vast data in respect of the MSMEs rated by them over the years, which is readily available in a structured format. Even the rating reports prepared by the rating agencies, such as Onicra, provide a lot of information about the rated entity. The PCR Scheme can be allied with other schemes and the database and third party opinion (called ratings) of the rating agencies can be readily used by the other Departments, Boards and Commissions created under the ministry of MSME to streamline, coordinate and improve the schemes implemented by them.

The penetration of the PCR Scheme could be increased and the units registered under this Scheme can then be identified for their eligibility to avail benefits under other MSME schemes. Since most of the data pertaining to a unit is collated during this Scheme, it can provide leads to spread the benefits of other schemes. For instance, under the Scheme for International Co-operation, the Ministry not only provides financial assistance to the MSMEs but also helps MSMEs in their technology upgradation through information exchange with trading countries. Under the Market Development Assistance Scheme, the Ministry supports the MSMEs to explore areas for market expansion and enhance their international presence. The Screening Committees appointed by the Ministry under the above two



schemes assess the units on their past performance in terms of maintaining regular audited accounts, performance track record, and international participation before providing any financial assistance. The rating reports prepared under the PCR Scheme could be ready reference for the Screening Committee(s). It can also guide on the allocation of funds from various perspectives such as allocation aimed at regional growth (J&K, North East, etc. based units) or category-based allocation (units owned by OBC, SC, ST, Minority, etc.). A higher rating by the agencies would indicate a higher potential of the units to meet the objective of financial assistance.

Another scheme being implemented by NSIC is the Bank Credit Facilitation (BCF) Scheme. In this scheme, NSIC has entered into the Memorandum of Understanding with public and private sector banks to arrange credit support without any cost to MSMEs. In yet another scheme called the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), SIDBI aims to promote entrepreneurship by providing collateral free bank loans. In these schemes, most of the documentation pertaining to completion and submission of credit proposal to banks shall be available with the rating agency which has rated the entity. The agencies can associate with the banks to help save time and cost of MSMEs and help them avail the desired benefits.

The PCR Scheme has already proved to be advantageous to MSMEs in terms of easy access to credit, lower interest cost, relaxed collaterals, better acceptance by buyers and vendors, improvement in internal processes of the rated entity based on the feedback provided in the reports, etc. The requirement today is to create a network between various schemes to optimize the benefits of PCR to other potential users who aim for the development of the MSMEs.

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