

CHAPTER 5

BANK'S CONTRIBUTION TOWARDS FINANCING MSMEs

5.1 INTRODUCTION

As established, finance is an important factor for the growth of MSME sector. Moreover, the more there will be formal finance for MSMEs, the easier it is to bring the sector under the formal economic system. Banks are the most important mediator for finance to MSMEs because of various reasons which has been discussed in subsequent sections of the chapter. The MSME sector generally requires funds of two types viz. 'long term fund for investment in fixed assets for setting up new unit or expansion/modernization of existing unit' and secondly, 'working capital or short term funds to manage day-to-day operations of their businesses'. The 'long term credit funds' are mainly provided by the institutions like Small Industries Development Bank of India (SIDBI), Commercial Banks, State Financial Corporations (SFCs), Non-Banking Financial Companies (NBFCs), NEDFI, etc. and in a limited measure, from other sources like Foreign Direct Investment, Venture Capital/Private Equity funds, etc.. Similarly, the 'working capital needs' of the sector are largely met by the banking sector, including Scheduled Commercial Banks (SCBs), Regional Rural Banks (RRBs), Urban Co-operative Banks (UCBs), National Small Industries Corporation (NSIC) etc. The 'National Commission on Enterprises in the Unorganised Sector (NCEUS)' had estimated the credit gap only for the micro enterprises in the unorganised sector at ₹6.31 lakh crore (73%) as at end March 2012. As Economic Times reported on July 1st, 2015, even with banks' lending around ₹8 trillion to the MSME sector, the sector is still undercapitalised. According to International Finance Corporation (IFC), "MSME sector faces a severe capital shortage of ₹32.5 trillion. Out of this, debt shortfall is ₹26 trillion". This is the shortfall that organised financial sector will have to provide to MSMEs to ensure that MSMEs are properly capitalised and can continue to grow. For the banks, the challenge is to reach the MSME segment and for small business owners to access finance. The challenges which are normally faced by MSME in obtaining finance from formal sources are lack of systematic documentation as required by the finance providers. This chapter documents the extent of contribution of commercial banks towards MSME financing in Assam, i.e. the first objective of the study.

5.2 IMPORTANCE OF BANK AS A SOURCE OF FINANCE FOR MSMEs

The importance of adequate finance for MSMEs has been sufficiently highlighted. It is also understood that the source of finance is equally important for the sector. The more there will be formal finance for MSMEs, the easier it is to bring the sector under the formal economic system. Banks are the most important mediator for finance to MSMEs because of various reasons out of which the most relevant ones are:

- (i) Easy accessibility
- (ii) Convenient locations
- (iii) Intermediary for majority of government schemes.
- (iv) Regulated interest rates
- (v) Ethical conduct
- (vi) Professional handling of the process.

5.3 DATA AVAILABLE ON BANK AS A SOURCE OF FINANCE FOR MSMEs

An executive summary on ‘Sub- Group on Flow of Private Sector Investments for MSME Sector’ prepared by ‘Working Groups / Steering Committees for the Twelfth Five Year Plan (2012-2017)’ under the Planning Commission of India has delineated on the availability of data related to MSME credit as follows in Table 5.1:

Table 5.1 Limitation of MSME Credit Data Availability

Data type	Status of availability with sources
Working Capital	Credit outstanding to MSE sector from banks – Available from 2008
	Credit outstanding to medium enterprises - available from 2010
	Factoring data for MSMEs – Not available
	Data on NBFCs support to MSMEs – Available for total, not for SMEs
Term loans	Data from banks – Available from 2008
	Data on VC funds for SMEs - not available
	Long term support to MSMEs through FDI, securitization, NBFCs are not available
Credit outstanding in Break- up of term loans and working capital	N/A
Share of MSMEs in GDP	Not available in absolute terms

Source: Planning Commission, Govt. of India⁸

⁸ http://planningcommission.gov.in/aboutus/committee/wg_sub_pvtsec_MSME.pdf

As per the available literature, data on estimation of credit gap for the MSME sector are not available in India. However, the 'National Commission on Enterprises in the Unorganised Sector (NCEUS)' had estimated the credit gap only for the micro enterprises in the unorganised sector at ₹6.31 lakh crores (73%) as at end of March 2012, with the caveat that the number of such unorganized micro enterprises was estimated at ₹70 million with an average credit off take of ₹1.23 lakh per enterprise. This is in contrast to the MSME sector, which is estimated to have ₹32.2 million enterprises with an average credit off take of ₹7.16 lakhs as at end of March 2012, based on scheduled commercial banks data on number of MSME accounts. Some data related to 'credit linkage' of the MSME sector are available in the '4th Census on MSMEs, 2006-07'. According to the census, based on available data for 1.5 million MSMEs, formal financial institutions contributed 11.2% of the total credit outstanding to only 5.2% of total enterprises.

5.4 GOVERNMENT GUIDELINES AND MEASURES FOR CREDIT TO MSME SECTOR

5.4.1 Classification of MSME Sector

As per the 'Master Direction - Lending to Micro, Small & Medium Enterprises (MSME) Sector' issued by RBI, the following qualifies to be recognised under the category of MSMEs with regards to bank lending policies:

- (i) Manufacturing Enterprises as recognised under MSMED Act, 2006
- (ii) Service Enterprises as recognised under MSMED Act, 2006
- (iii) Khadi and Village Industries Sector (KVI)
- (iv) Other categories as follows:
 - (a) Loans to entities involved in assisting the decentralized sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries.
 - (b) Loans to co-operatives of producers in the decentralized sector viz. artisans, village and cottage industries.
 - (c) Loans sanctioned by banks to MFIs for on-lending to MSME sector as per the conditions specified in the extant Master Direction on 'Priority Sector Lending - Targets and Classification'.
 - (d) Credit outstanding under General Credit Cards

- (e) Overdrafts extended by banks after April 8, 2015 up to ₹5,000/- under Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts provided the borrower's household annual income does not exceed ₹100,000/- for rural areas and ₹1,60,000/- for non-rural areas.
- (f) Outstanding deposits with SIDBI and MUDRA Ltd.

5.4.2 Credit Directives Administered by RBI for MSME sector

The RBI has administered a series of credit directives to be followed by commercial banks in order to protect the interests of the MSME sector [‘Master Circular - Lending to Micro, Small & Medium Enterprises (MSME) Sector, 2015’]. These guidelines are:

Targets for lending to Micro and Small enterprises (MSE) sector by Domestic Commercial Banks and Foreign Banks operating in India

- (i) Advances to Micro and Small Enterprises (MSE) sector shall be reckoned in computing achievement under the overall Priority Sector target of 40 per cent (32 per cent for Foreign Banks operating in India with less than 20 branches) of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.
- (ii) In terms of the recommendations of the Prime Minister's Task Force on MSMEs, banks are advised to achieve a 20 per cent year-on-year growth in credit to micro and small enterprises and a 10 per cent annual growth in the number of micro enterprise accounts.
- (iii) In order to ensure that sufficient credit is available to micro enterprises within the MSE sector, banks should ensure that:
 - (a) 40 per cent of the total advances to MSE sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to ₹10 lakh and micro (service) enterprises having investment in equipment up to ₹4 lakh;
 - (b) 20 per cent of the total advances to MSE sector should go to micro (manufacturing) enterprises with investment in plant and machinery above ₹10 lakh and up to ₹25 lakh, and micro (service) enterprises with investment in equipment above ₹4 lakh and up to ₹10 lakh. Thus, 60 per cent of MSE advances should go to the micro enterprises.

(c) While banks are advised to achieve the 60% target as above, in terms of the recommendations of the Prime Minister's Task Force, the allocation of 60% of the MSE advances to the micro enterprises is to be achieved in stages viz. 50% in the year 2010-11, 55% in the year 2011-12 and 60% in the year 2012-13.

(iv) The target for lending to Micro Enterprises within the MSE sector (i.e. 60% of total lending to MSE sector should go to Micro enterprises) will be computed with reference to the outstanding credit to MSE sector as on the preceding March 31st.

Additionally, a 'sub target of 7.5 % of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of off Balance Sheet Exposure whichever is higher', also exists for all commercial banks in India for micro enterprises only.

5.4.3 Committees and Guidelines to Promote Credit to MSME sector

RBI further constituted the following committees in order to promote credit towards the sector [Master Circular - Lending to Micro, Small & Medium Enterprises (MSME) Sector, 2015].

5.4.3.1 Banking Codes and Standard Board of India (BCSBI)

The 'Banking Codes and Standard Board of India' (BCSBI) has formulated a Code of Bank's Commitment to Micro and Small Enterprises. This is a voluntary Code, which sets minimum standards of banking practices for banks to follow when they are dealing with Micro and Small Enterprises (MSEs) as defined in the Micro Small and Medium Enterprises Development (MSMED) Act, 2006. It provides protection to MSE and explains how banks are expected to deal with MSE for their day to-day operations and in times of financial difficulty.

5.4.3.2 Specialised MSME branches

Public sector banks have been advised to open at least one specialised branch in each district. Further, banks have been permitted to categorise their general banking branches having 60% or more of their advances to MSME sector as specialized MSME branches

in order to encourage them to open more specialised MSME branches for providing better service to this sector as a whole.

5.4.3.3 Structured Mechanism for monitoring the credit growth to the MSE sector

In view of the concerns emerging from the deceleration in credit growth to the MSE sector, an Indian Banking Association (IBA)-led Sub-Committee (Chairman: Shri K.R. Kamath) was set up in 2013 to suggest a structured mechanism to be put in place by banks to monitor the entire gamut of credit related issues pertaining to the sector. An e-tracking of MSE loan applications and monitor the loan application disposal process in banks, giving branch-wise, region-wise, zone-wise and State-wise positions has been proposed. The position in this regard is to be displayed by banks on their websites.

5.4.3.4 Cluster Approach

All SLBC Convenor banks have been advised to incorporate in their Annual Credit Plans, the credit requirement in the clusters identified by the Ministry of Micro, Small and Medium Enterprises, Government of India. As per Ganguly Committee recommendations (September 4, 2004), banks have been advised that a full-service approach to cater to the diverse needs of the SSI sector (now MSE sector) may be achieved through extending banking services to recognized MSE clusters by adopting a 4-C approach namely, Customer focus, Cost control, Cross sell and Contain risk. A cluster based approach to lending may be more beneficial: (a) in dealing with well-defined and recognized groups; (b) availability of appropriate information for risk assessment and (c) monitoring by the lending institutions.

5.4.3.5 Committees on flow of Credit to MSE sector

Reserve Bank of India had appointed a one-man High Level Committee (June 30, 1998) headed by Shri S L Kapur, (IAS, Retd.), Former Secretary, Government of India, Ministry of Industry to suggest measures for improving the delivery system and simplification of procedures for credit to SSI sector. The Committee made 126 recommendations covering wide range of areas pertaining to financing of SSI sector out of 88 recommendations were accepted and implemented. Another committee constituted 'to examine the adequacy of Institutional credit to SSI Sector (now MSE) and related

aspects’ (Nayak Committee). The Committee was constituted by Reserve Bank of India in December 1991 under the Chairmanship of Shri P. R. Nayak, examine the issues confronting SSIs (now MSE) in the matter of obtaining finance. The Committee submitted its report in 1992 and all the major recommendations of the Committee have been accepted. A ‘Working Group on Flow of Credit to SSI sector’ was constituted under the Chairmanship of Dr. A. S. Ganguly in 2003-04 and the Committee made 31 recommendations covering wide range of areas pertaining to financing of SSI sector of which 8 recommendations were accepted so far and commended to banks for implementation. A ‘High Level Task Force’ was constituted by the Government of India (Chairman: Shri T K A Nair), in January 2010, to consider various issues raised by Micro, Small and Medium Enterprises (MSMEs).The Task Force recommended several measures having a bearing on the functioning of MSMEs, viz., credit, marketing, labour, exit policy, infrastructure/technology/skill development and taxation. This was one of the paradigm shifting changes to the issue of lending to MSME sector that covers legal and regulatory structures and recommendations.

5.5 BRANCH NETWORK IN THE STATE OF ASSAM

The number of bank branches bank-wise for the year ending 2017-18 is as follows:

Table 5.2 Table showing bank branch’s network in Assam bank-wise for the year ending 2017-18.

Sl No	Bank Name	Rural	Semi Urban	Urban	Total
1	Allahabad Bank (ALB)	41	22	13	76
2	Andhra Bank (ANB)	1	1	7	9
3	Bank of Baroda (BOB)	8	13	15	36
4	Bank of India (BOI)	14	19	16	49
5	Bank of Maharashtra (BOM)	0	5	5	10
6	Canara Bank (CAN)	18	34	22	74
7	Central Bank of India(CBI)	60	33	29	122
8	Dena Bank (DEN)	2	3	6	11
9	Industrial Development and Bank of India (IDBI)	3	16	11	30
10	Indian Bank (IND)	9	15	12	36
11	Indian Overseas Bank (IOB)	9	11	10	30
12	Oriental Bank of Commerce (OBC)	0	10	11	21
13	Punjab National Bank (PNB)	30	19	14	63
14	Punjab and Sind Bank (PSB)	2	1	11	14
15	State Bank Of India (SBI)	186	100	81	367
16	Syndicate Bank (SYN)	8	12	16	36
17	United Bank of India (UNI)	169	57	31	257
18	UCO Bank (UCO)	71	42	25	138

19	Union Bank of India (UBI)	26	22	21	69
20	Vijaya Bank (VJB)	3	8	13	24
21	Corporation Bank (CB)	0	9	8	17
Public Total		660	452	377	1489
1	HDFC Bank (HDFC)	9	27	27	63
2	Federal Bank (FED)	0	2	10	12
3	ICICI Bank (ICICI)	6	30	30	66
4	IndusInd Bank (INDUS)	3	14	15	32
5	AXIS Bank (AXIS)	4	34	24	62
6	YES Bank (YES)	0	4	7	11
7	Kotak Mahindra Bank (KMB)	0	2	2	4
8	South Indian Bank (SIB)	0	0	2	2
9	Karnataka Bank Ltd	0	0	2	2
10	Bandhan Bank	41	16	13	70
Private Total		63	129	132	324
1	Assam Gramin Vikash Bank (AGVB)	311	83	20	414
2	Langpi Dehangi Rural Bank (LDRB)	52	7	0	59
RRB Total		363	90	20	473
1	Assam Co-op. Apex Bank (ACAB)	18	20	29	67
AACB Total		18	20	29	67
Grand Total		1104	691	558	2353

Source: State Level Banker's Committee Report on Branch Network, 2017-18.

5.6 DISBURSEMENT OF CREDIT TO MSME SECTOR (MICRO, SMALL OR MEDIUM) BY COMMERCIAL BANKS IN ASSAM FOR THE YEAR 2016-17

For the secondary data collection, only those banks have been included for which data on credit towards MSME sector is available since the year 2012-13 for MSME disbursals for the state of Assam. The State Level Bankers Committee, Northeast (SLBC-NE, 2019) data showing the credit disbursals towards MSME sector by commercial banks in Assam for the year 2016-17 as a percentage of their total credit disbursements does not show a favourable picture for the MSMEs. Majority of the banks' (77 per cent) MSME credit disbursal as a proportion of total credit disbursals ranges between 1 to 10 per cent. This is presented in Table 5.3:

Table 5.3: Credit disburseals towards MSME sector segregated for unit type by commercial banks in Assam during 2012-18
(₹ in lakhs)

	2012-13					2013-14				
	Credit disbursed to micro units (in ₹)	Credit disbursed to small units (in ₹)	Credit disbursed to medium units (in ₹)	Credit disbursed to MSE units (in ₹)	Total disbursal by bank for the year (in ₹)	Credit disbursed to micro units (in ₹)	Credit disbursed to small units (in ₹)	Credit disbursed to medium units (in ₹)	Credit disbursed to MSE units (in ₹)	Total disbursal by bank for the year (in ₹)
ALB	10854.18	12945.17	141.56	23799.35	441002.4	23137.86	26943.81	0	50081.67	536816.7
AND	0	0	0	0	43809.82	291.21	741.64	189	1032.85	35279.23
BOB	3963.56	1368.24	60.85	5331.8	230851	13789.84	0	0	13789.84	253913.9
BOI	385.6	75	2400	460.6	82660.42	19591.91	7397.67	0	26989.58	139371.2
BOM	138.52	78.82	0	217.34	7220.24	130.84	76.74	0	207.58	6624.63
CAN	688.61	977.65	7699.11	1666.26	501214.9	10731.5	12396.5	2714.83	23128	399795.1
CBI	3541	3590	280	7131	381540	4651	3290	19	7941	503825
DEN	0	59	0	59	28842	0	702	0	702	24700
IDBI	271	1267	4227.9	1538	396960.5	1476.22	4512.16	6293.01	5988.38	397522.1
IND	321	2826	5431	3147	148816.9	1009.9	2624.65	879.84	3634.55	156512.3
IOB	1310.27	2568.97	0	3879.24	121898.3	1082.74	2860.02	228.3	3942.76	135274.3
OBC	26	649.82	20	675.82	29878.56	6	726	0	732	25559.34
PNB	472.34	678.66	0	1151	530189.5	20470.32	11680	23726	32150.32	585462.2
PSB	195	0	0	195	15528.61	823.28	626.28	0	1449.56	32371.93
SBI	5404.08	12452.33	3060.54	17856.41	4648362	7700	17700	15700	25400	5155117
SYN	1085.21	910.81	349.01	1996.02	80300.06	0	357.78	1359.26	357.78	62755.29

UBI	47395	23635	820	71030	1382398	41360	32465	2000	73825	1600421
UCO	701	492	0	1193	476976.6	553	1559	122.99	2112	539177.2
UNI	1716.53	711.53	4.12	2428.06	178740.5	1875.97	1700.62	0	3576.59	197318.4
VJB	80.53	155	0	235.53	68575.58	3340.75	1773.23	0	5113.98	84718.42
HDFC	11365.7	26491.81	2329.3	37857.51	373083.9	22305.75	20158.34	4541.86	42464.09	574333.9
FED	430	1682.1	944.94	2112.1	80971.94	55.14	76.04	220.1	131.18	86930.9
ICICI	0	457	0	457	191221	3117	6349	0	9466	145819
INDUS	0	0	0	0	100390.9	11640.47	13223.68	0	24864.15	182071.1
AXIS	69	2015	3545	2084	271838	1388	2423	1725	3811	223560
AGVB	43859.29	3451.86	210	47311.15	1144523	50040.96	8233.43	2260	58274.39	1372751
LDRB	1124.67	0	0	1124.67	73755.23	571.52	0	0	571.52	84301.81

(Table 5.3 Cont.)

	2014-15					2015-16				
	Credit disbursed to micro units (in ₹)	Credit disbursed to small units (in ₹)	Credit disbursed to medium units (in ₹)	Credit disbursed to MSE units (in ₹)	Total disbursement by bank for the year (in ₹)	Credit disbursed to micro units (in ₹)	Credit disbursed to small units (in ₹)	Credit disbursed to medium units (in ₹)	Credit disbursed to MSE units (in ₹)	Total disbursement by bank for the year (in ₹)
ALB	14515	21543	0	36058	502483.5	21117.29	20199.56	4638.62	41316.85	685169.3
AND	556.91	1408.47	0	1965.38	101891.4	1192.44	2821	0	4013.44	56478.67
BOB	6293.72	0	0	6293.72	239292.8	9600.34	0	0	9600.34	299773.5
BOI	4428	921	600	5349	121792.5	7021	4674	0	11695	179874.8
BOM	92.87	267.57	13.4	360.44	123339.8	1698	1025.13	1111.33	2723.13	19536.28
CAN	4202	9386.06	924.91	13588.06	503015.2	7558.99	7858.79	1701.98	15417.78	585596.5

CBI	6780	5310	867	12090	461580	5562	3091	131.58	8653	729422
DEN	2	2092	178	2094	146289	0	0	0	0	52091
IDBI	1631.35	2388.79	1455	4020.14	356015.9	12322.41	24616.7	13591.46	36939.11	451116.3
IND	4243.72	5208.63	375	9452.35	158029.1	5231.4	8841.25	3000	14072.65	278321.8
IOB	3071.11	3189.71	146	6260.82	96728.95	2037	7898	139	9935	98840.52
OBC	1730.08	0	0	1730.08	182695.3	0	0	0	0	43660.82
PNB	7003.74	10606.5	7832.25	17610.24	483279.5	16956	15583	3340	32539	766946.1
PSB	922.38	1485.12	0	2407.5	21337.32	325.77	579.63	0	905.4	42874.95
SBI	16300	33900	23300	50200	4024468	27800	43200	4880	71000	7582375
SYN	1782.46	3051.2	33	4833.66	476079	7916.71	4711.9	675	12628.61	129799.5
UBI	33739	18672	36	52411	1444693	23159	363	26	23522	1997085
UCO	1250	1861	0	3111	513248.4	907.26	1579.67	518.18	2486.93	628716.2
UNI	4486	1687.21	222.33	6173.21	197710.7	3001.7	1582.57	1818.83	4584.27	302584
VJB	4619.58	4357.93	0	8977.51	72266.35	5481.03	2825.43	0	8306.46	108172
HDFC	19517.74	7995.38	3174.49	27513.12	684631.2	32697.12	15589.27	0	48286.39	935862.5
FED	4367.21	6262.76	3078.42	10629.97	94375.29	10831.56	14839.82	4693.81	25671.38	108755.8
ICICI	22772.82	19138.96	3406.2	41911.78	185763.1	31425.81	21446.53	6146.84	52872.34	246763.8
INDUS	9145.98	17146	750.42	26291.98	218606.7	8991.4	10284.38	2281.63	19275.78	139641.1
AXIS	70.96	359.32	1961.7	430.28	403803	565.63	0	0	565.63	512802.7
AGVB	61029.92	8830.12	2607.84	69860.04	1508218	50901.49	11095.04	2163.99	61996.53	1633199
LDRB	386.87	27	0	413.87	94127.22	1212.24	2.17	0	1214.41	112996.2

(Table 5.3 Cont.)

	2016-17					2017-18				
	Credit disbursed to micro units (in ₹)	Credit disbursed to small units (in ₹)	Credit disbursed to medium units (in ₹)	Credit disbursed to MSE units (in ₹)	Total disbursement by bank for the year (in ₹)	Credit disbursed to micro units (in ₹)	Credit disbursed to small units (in ₹)	Credit disbursed to medium units (in ₹)	Credit disbursed to MSE units (in ₹)	Total disbursement by bank for the year (in ₹)
ALB	16992.45	16993.61	1480	33986.06	764337.2	17295.78	14658.8	1575	31954.58	839151.1
AND	298.11	705.25	0	1003.36	71263	2175	1353	1551	3528	32630.86
BOB	6573.4	0	0	6573.4	317009.1	10705.64	5893.9	2264.84	16599.54	277029.9
BOI	29248	27055	2354	56303	190445	66272	32690	2512	98962	236250
BOM	592.33	40	55	632.33	18481.86	24	20	48	44	23511.41
CAN	15166	27298	3659	42464	617822	10225.82	11538.82	6190.65	21764.64	647034.6
CBI	4604	1972	3469	6576	720636	4292	2758	85	7050	722233.7
DEN	1127.46	1055	2	2182.46	50695	2413	213	0	2626	25188
IDBI	12650	1634	88	14284	375590.1	14886.1	1889.62	2076.96	16775.72	317910.5
IND	12495	5241	1430	17736	344686.9	1777.14	8162.19	3213.63	9939.33	324128.9
IOB	533	2825.5	650	3358.5	164761.9	5421	2921	643	8342	201874.7
OBC	340	574	0	914	49597	19944.81	8673.95	619.73	28618.76	62431.64
PNB	12931	3514	9780	16445	853390.3	3726.54	632.42	5155.06	4358.96	915371.5
PSB	978	678	51	1656	44211.23	1669.78	765.38	5	2435.16	51667.37
SBI	25700	30100	7200	55800	7585763	10105	3422	5946	13527	8383618
SYN	2083	3285	0	5368	140872.8	11433.96	2992.51	0	14426.47	145967.4
UBI	22670	14110	410	36780	1657132	17479	13752	1450	31231	1687687
UCO	1802.65	953.67	812.24	2756.32	652712.8	3116	1322	0	4438	698355.5
UNI	2649.39	743.23	95.78	3392.62	323979.1	8225.26	1797.58	216.42	10022.84	474974

VJB	5498.46	2358.22	98	7856.68	152151.5	7016.79	3989.28	37.5	11006.07	153495.3
HDFC	54964.09	22628.26	7049.14	77592.35	1143191	65555.66	37571.96	6761.14	103127.6	1511616
FED	10959.98	12081.1	7203.33	23041.08	120755.8	13546.83	17228.48	4353	30775.31	144370.7
ICICI	49732	19618	6883	69350	325348.3	56766.46	30442.93	11535.73	87209.39	425700
INDUS	3795	11834	529	15629	281363.1	5957.14	16612.8	12.73	22569.94	374809.4
AXIS	2989.41	2623	363	5612.41	578617.4	8904.23	12827.4	6652.08	28383.71	791927.2
AGVB	41749.5	11872.31	1904	53621.81	1627673	48983.26	20275.43	4229	73487.69	1596108
LDRB	1058	0	0	1058	138095.9	2264.17	764.53	0	3028.7	156780.9

Source: State Level Bankers' Committee Reports

Table 5.4: Proportion of MSME out of total credit and proportion of micro out of total credit and total MSME credit
(₹ in percentage)

Bank	2012-13			2013-14			2014-15			2015-16			2016-17			2017-18		
	% of Micro out of total Disburseals	Micro as % of total MSE Disbur sal	MSME as % of total Disbursements)	% of Micro out of total Disbur sals	Micro as % of total MSE Disbur sal	MSME as % of total Disburse ments)	% of Micro out of total Disbur sals	Micro as % of total MSE Disbur sal	MSME % of total Disburse ments)	% of Micro out of total Disbur sals	Micro as % of total MSE Disbur sal	MSME as % of total Disburse ments)	% of Micro out of Total Disbur sals	Micro as % of total MSE Disbur sal	MSME as % of total Disburse ments)	% of Micro out of total Disbur sals	Micro as % of total MSE Disbur sal	MSME as % of total Disburse ments)
<i>PUBLIC SECTOR BANKS</i>																		
ALB	2.46	46%	5.43	4.31	46%	9.33	2.89	40%	7.18	3.08	51%	6.71	2.22	50%	4.64	2.06	54%	4.00
AND	0.00	0%	0.00	0.83	28%	3.46	0.55	28%	1.93	2.11	30%	7.11	0.42	30%	1.41	6.67	62%*	15.57
BOB	1.72	74%*	2.34	5.43	100%*	5.43	2.63	100%*	2.63	3.20	100%*	3.20	2.07	100%*	2.07	3.86	64%*	6.81
BOI	0.47	84%*	3.46	14.06*	73%*	19.37	3.64	83%*	4.88	3.90	60%*	6.50	15.36*	52%	30.80	28.05*	67%*	42.95
BOM	1.92	64%*	3.01	1.98	63%*	3.13	0.08	26%	0.30	8.69*	62%*	19.63	3.20	94%*	3.72	0.10	55%	0.39
CAN	0.14	41%	1.87	2.68	46%	6.46	0.84	31%	2.89	1.29	49%	2.92	2.45	36%	7.47	1.58	47%	4.32
CBI	0.93	50%	1.94	0.92	59%	1.58	1.47	56%	2.81	0.76	64%*	1.20	0.64	70%*	1.39	0.59	61%*	0.99
DEN	0.00	0%	0.20	0.00	0%	2.84	0.00	0%	1.55	0.00	0%	0.00	2.22	52%	4.31	9.58*	92%*	10.43

IDBI	0.07	18%	1.45	0.37	25%	3.09	0.46	41%	1.54	2.73	33%	11.20	3.37	89%*	3.83	4.68	89%*	5.93
IND	0.22	10%	5.76	0.65	28%	2.88	2.69	45%	6.22	1.88	37%	6.13	3.63	70%*	5.56	0.55	18%	4.06
IOB	1.07	34%	3.18	0.80	27%	3.08	3.17	49%	6.62	2.06	21%	10.19	0.32	16%	2.43	2.69	65%*	4.45
OBC	0.09	4%	2.33	0.02	1%	2.86	0.95	100%*	0.95	0.00	0%	0.00	0.69	37%	1.84	31.95*	70%*	46.83
PNB	0.09	41%	0.22	3.50	64%*	9.54	1.45	40%	5.26	2.21	52%	4.68	1.52	79%*	3.07	0.41	85%*	1.04
PSB	1.26	100%*	1.26	2.54	57%	4.48	4.32	38%	11.28	0.76	36%	2.11	2.21	59%	3.86	3.23	69%*	4.72
SBI	0.12	30%	0.45	0.15	30%	0.80	0.41	32%	1.83	0.37	39%	1.00	0.34	46%	0.83	0.12	75%*	0.23
SYN	1.35	54%	2.92	0.00	0%	2.74	0.37	37%	1.02	6.10	63%*	10.25	1.48	39%	3.81	7.83*	79%*	9.88
UBI	3.43	67%*	5.20	2.58	56%	4.74	2.34	64%*	3.63	1.16	98%*	1.18	1.37	62%*	2.24	1.04	56%	1.94
UCO	0.15	59%	0.25	0.10	26%	0.41	0.24	40%	0.61	0.14	36%	0.48	0.28	65%*	0.55	0.45	70%*	0.64
UNI	0.96	71%*	1.36	0.95	52%	1.81	2.27	73%	3.23	0.99	65%*	2.12	0.82	78%*	1.08	1.73	82%*	2.16
VJB	0.12	34%	0.34	3.94	65%	6.04	6.39	51%	12.42	5.07	66%*	7.68	3.61	70%*	5.23	4.57	64%*	7.19
<i>PRIVATE SECTOR BANKS</i>																		
HDFC	3.05	30%	10.77	3.88	53%	8.18	2.85	71%#	4.48	3.49	68%#	5.16	4.81	71%#	7.40	4.34	64%#	7.27
FED	0.53	20%	3.78	0.06	42%	0.40	4.63	41%	14.53	9.96#	42%	27.92	9.08#	48%	25.05	9.38#	44%	24.33
ICICI	0.00	0%	0.24	2.14	33%	6.49	12.26#	54%	24.40	12.74#	59%	23.92	15.29#	72%#	23.43	13.33#	65%#	23.20
INDUS	0.00	0%	0.00	6.39	47%	13.66	4.18	35%	12.37	6.44	47%	15.44	1.35	24%	5.74	1.59	26%	6.03
AXIS	0.03	3%	2.07	0.62	36%	2.48	0.02	16%	0.59	0.11	100%#	0.11	0.52	53%	1.03	1.12	31%	3.58
<i>REGIONAL RURAL BANKS</i>																		
AGV B	3.83	93%\$	4.15	3.65	86%\$	4.41	4.05	87%\$	4.80	3.12	82%\$	3.93	2.56	78%\$	3.41	3.07	67%\$	4.60
LDRB	1.52	100%\$	1.52	0.68	100%\$	0.68	0.41	93%\$	0.44	1.07	100%\$	1.07	0.77	100%\$	0.77	1.44	75%\$	1.93

Source: Table 5.3

Table 5.5: Percentage of banks in Assam which have achieved sub-targets to micro sector classified by public, private and RRBs

Banks	2012-13		2013-14		2014-15		2015-16		2016-17		2017-18	
	7.5% Micro out of total Disbursements	Micro as 60% of total MSE Disbursement	7.5% Micro out of total Disbursements	Micro as 60% of total MSE Disbursement	7.5% Micro out of total Disbursements	Micro as 60% of total MSE Disbursement	7.5% Micro out of total Disbursements	Micro as 60% of total MSE Disbursement	7.5% Micro out of total Disbursements	Micro as 60% of total MSE Disbursement	7.5% Micro out of total Disbursements	Micro as 60% of total MSE Disbursement
Percentage of Public sector banks which have achieved sub-target	0%	30%	5%	25%	0%	20%	5%	40%	5%	50%	20%	75%
Percentage of Private sector banks which have achieved sub-target	0%	0%	0%	0%	20%	20%	40%	40%	40%	40%	40%	40%
Percentage of RRBs which have achieved sub-target	0%	100%	0%	100%	0%	100%	0%	100%	0%	100%	0%	100%

In Table 5.4, the proportion of banks which were able to achieve their ‘sub-targets as advised by RBI’, i.e., ‘7.5% of total credit⁹ to Micro’ and ‘60% of MSE (Micro and Small Enterprises) credit to micro’, have been categorised under public (*), private (#) and Regional Rural Banks (\$), and presented in Table 5.5.

From Table 5.4, it is comprehensible that apart from Bank of India, United Bank of India and Corporation banks, public sector banks are directing a significantly lower proportion of aggregate credit being disbursed towards the MSME sector, when compared to private sector banks. It is also interesting to note from Table 5.5 that less than 50% of public and private banks on an average were able to achieve the ‘sub- target of at least 60% of total credit to MSE sector’ towards the micro sector. It is also observed that significantly less than 50% of public sector banks, private sector banks and Regional Rural Banks were able to achieve sub-target of 7.5% of total credit to micro sector. Though the percentage of banks achieving both sub-targets has improved over the years, there is still a long way to go in 100% achievement of the sub targets.

5.7 TARGETS AND ACHIEVEMENT OF CREDIT TO MSME SECTOR OVER THE YEARS IN ASSAM UNDER ANNUAL CREDIT PLAN

“The Block credit plans compiled from the branch credit plan by branch managers/ village level workers of developmental agencies are put forward for approval in the District level consultative committee meetings. The credit plan has to start from the village and aggregated at grass-root level, i.e. first at branch-level, thereafter at block level and finally at district level. These District Credit Plans, are approved at district level and forwarded by the Lead Banks of various districts in the State to the SLBC Convenor Bank of the State where these Plans are aggregated and compiled to form Annual Credit Plan” (About SLBC and its Objectives, 2019). To evaluate the scenario in a more detailed manner, a study of the targets and achievements bank-wise for MSME sector credit disbursal in Assam under Annual Credit Plan has been done as shown in Table 5.6.

⁹ Since data for ANBC of all banks is not available, total credit by each bank has been taken as a fill in as ANBC is generally higher than total credit if not equivalent.

Table 5.6: Targets and achievement of MSME sector credit over the years bank-wise in Assam under ACP
(₹ in lakhs)

PERIOD	2010-11		2011-12		2012-13		2013-14	
Bank Name	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
ALB	4786	3675	4786.7	10405.9	3143	11526.8	21399	22770
ANB	105.4	49	105.4	1.86	136	<u>346.9</u>	518	692
BOB	700	522	783.3	357.9	847	3284.8	6549	6842.9
BOI	440.8	1150	440.8	895.9	742	1212.5	4665	9932
BOM	184.1	18	184.1	62.5	163	137.02	71	26.18
CNB	2703.3	583	2703.3	2707.9	1422	7831.3	9699	6636.6
CBI	3315.1	706	3315.1	891	6373	5080	11054	4203
DNB	106.1	55	106.13	83	132	16	726	517
IDBI	3213.4	41	3213.4	97.9	335	1238	23884	4623.3
INB	1900.8	1910	1900.8	227	1479	334	4531	3895.4
IOB	3900	2604	2170.3	249.6	1025	1964.1	7838	373.3
OBC	234.5	74	234.54	<u>80</u>	269	86	1195	96
PNB	1706.1	9900	1706.1	468.3	2814	223.5	34649	18168.3
PSB	285.5	224	285.53	<u>144.5</u>	290	65	200	434.9
SBI	9962.1	6815	9962.1	5900	18341	7300	102000	16900
SYB	801.7	275	801.7	383.7	559	469.2	3517	1270
UNI	16142.5	11124	16142.5	18900	10673	24215	53001	11185
UCO	3409.2	283	3409.2	407	5238	553	7308	165

UNI	1850	459	1850	2998.5	3484	777.2	9160	313.63
VB	607.5	11	607.5	21	908	74	435	2085.5
HDFC	6842	6191	1449.5	<u>11449.7</u>	5500	16708.3	12807	19503.9
FB	201	3	209.6	756	216	1058.5	4916	274.9
ICICI	8124	9722.4	573.4	2587	727	100	275	6278
INDUS	177.5	<u>2820</u>	177.5	5641	182	<u>3327</u>	<u>597.5</u>	6104.4
AXIS	1093.6	<u>5.7</u>	1093.6	11.3	935	2401	20409	2026
AGVB	8874.5	5112	8874.5	13138	16864	21275.7	39043	28450.6
LDRB	596.9	78	596.9	502.74	742	475.5	307	189.1

(Table 5.6 cont.)

PERIOD	2014-15		2015-16		2016-17		2017- 18	
Bank Name	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
ALB	7653	16577	10000	21168.9	10120	18582	13897	10060
ANB	900	1002.4	1200	1003.4	1140	137	428	1693
BOB	3601	1977.4	5000	4236.5	4990	2769.3	4276	7062.5
BOI	5515	2260	8000	2563	7120	17150	6842	26919
BOM	1125	177.7	1200	2766	1420	268.1	855	23
CNB	5965	8678.5	8000	8451.5	8550	12086	11545	3222
CBI	13842	2316	20000	1954	15680	3064	20097	3952
DNB	1013	619	1500	355	1420	1046	1497	740
IDBI	2701	6672	3700	4767.8	3700	8048.5	4062	8969.9
INB	3826	3310.5	5500	6722.6	4990	7938.5	4704	2344.3
IOB	3151	2607	4500	150	4130	2811.6	4276	5309
OBC	1463	865	1800	913	1710	914.4	2138	8697.6

PNB	8778	13093	9000	17970	12970	8970.3	10690	2810.5
PSB	788	553.86	1200	147.3	1140	709.3	428	353.1
SBI	36913	19600	50000	18200	40630	4200	50789	251
SYB	2476	2077	3500	2286	3700	1497.9	4490	2031.8
UNI	27122	9890	35000	7507	30220	14329	26395	6091
UCO	16543	1458	22000	2077.6	20670	2629	17153	1250
UNI	7090	1561.3	1000	2453.4	7890	30382	10476	1501.8
VB	1913	2928.2	2500	2321.7	2560	3060.4	2566	2811.3
HDFC	4840	10021.7	7000	26146.3	7120	39204.3	6842	31217.2
FB	1350	2757	1800	6415.8	1710	8726.3	641	9244.8
ICICI	5740	12158.9	8000	24392	6410	20259	8124	27346.4
INDUS	1013	9883.8	1200	13098	1420	11509	2352	10313.9
AXIS	4051	8226	5200	14768	7790	4528	6628	56594
AGVB	44566	31475.5	62000	26414.2	8120	25009.4	54236.6	21162.7
LDRB	6415	171.3	9000	618.4	6700	283	12614	877.7

Source: Compiled from State Level Bankers' Committee Reports (2019) (interpolated in MS Excel for missing data, underlined cases are missing data)

The bank-wise disbursement of credit to the MSME sector from 2011 to 2018 separately for public sector, private sector and regional rural banks has been presented graphically as follows in fig. 5.7-5.9:

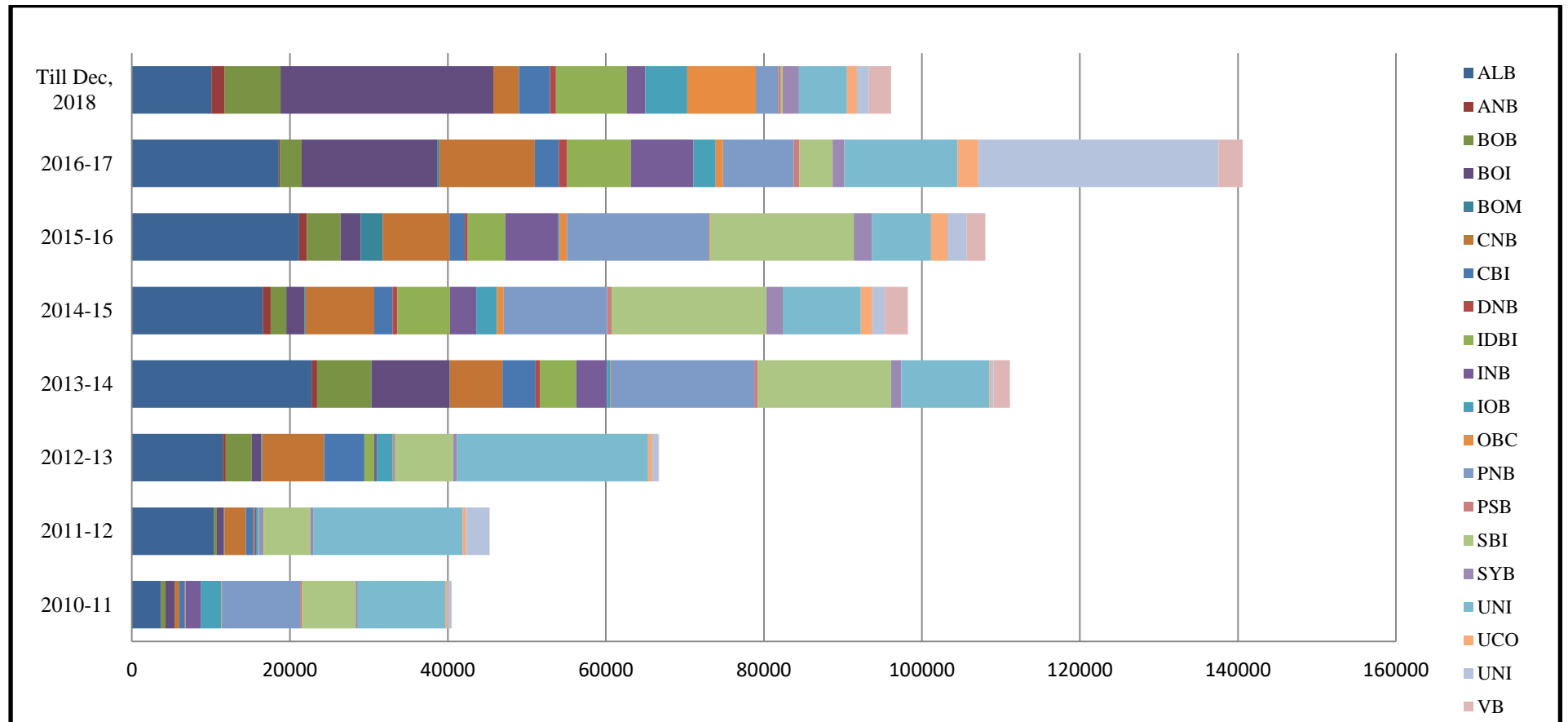


Figure 5.1 Chart showing bank-wise disbursement of credit to the MSME sector during 2011 to 2018 for public sector banks in Assam

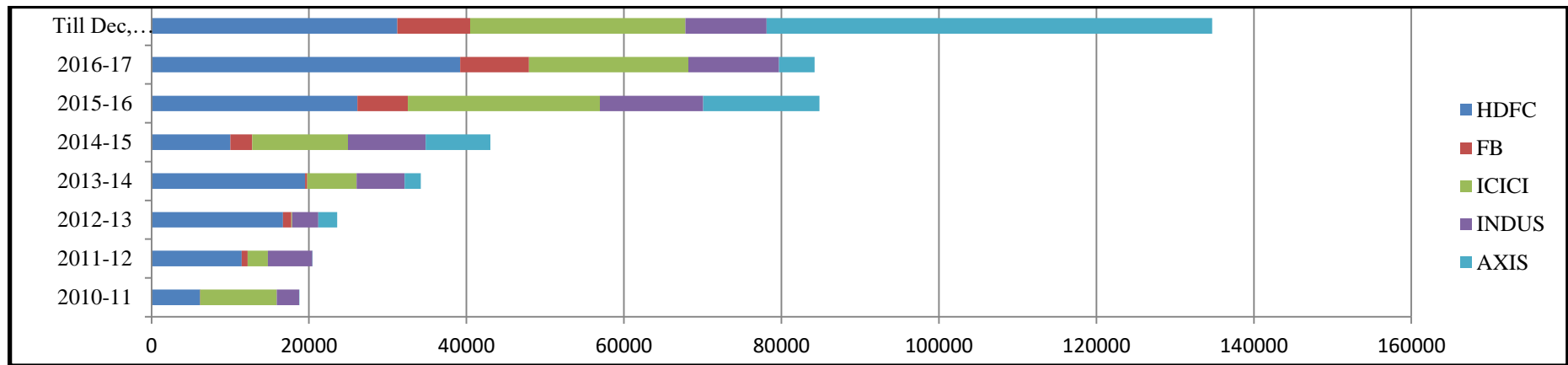


Figure 5.2 Chart showing bank-wise disbursement of credit to the MSME sector during 2011 to 2018 for private sector banks in Assam

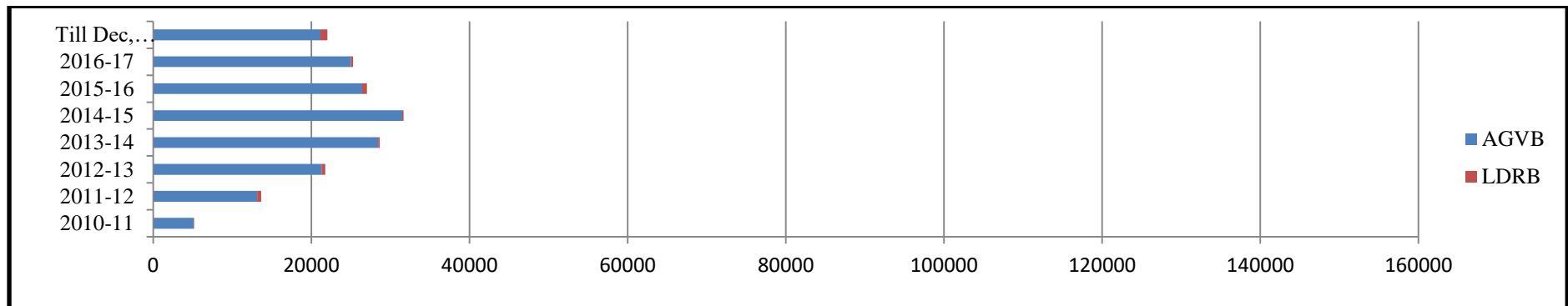


Figure 5.3 Chart showing bank wise disbursement of credit to MSME sector during 2011-18 for RRBs in Assam

Using the data in Table 5.6, average targets and achievements per year as well as the percentage of target that has been achieved, have been calculated and presented in Table 5.7:

Table 5.7: Average targets and achievements (MSME sector) and performance in Assam under Annual Credit Program

(₹ in lakhs)

PERIOD	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Average Target (in lakhs) for public sector banks	2817.72	2735.43	2918.65	15119.95	7618.9	9730	9237.5	9880.2
Average Achievement (in lakhs) for public sector banks	2023.9	2264.19	3336.72	5556.50	4911.19	5400.74	7029.66	4804.64
Average Target (in lakhs) for private sector banks	3287.61	700.72	1512	7800.9	3398.8	4640	4890	4917.4
Average Achievement (in lakhs) for private sector banks	3748.42	4089	4718.96	6837.43	8609.5	16964.01	16845.32	26943.25
Average Target (in lakhs) for RRBs	4735.71	4735.71	8803	19675	25490.5	35500	7410	33425.3
Average Achievement (in lakhs) for RRBs	2595	6820.37	10875.59	14319.89	15823.4	13516.33	12646.23	11020.2
Bank Name	Proportion of target achieved each year by individual banks (in %) (Achievement/Target)							
ALB	76.79	217.39	366.75	106.41	216.61	211.69	183.62	72.39
ANB	46.41	1.76	254.41	133.5	111.37	83.61	12.02	395.56
BOB	74.57	45.69	387.82	104.49	54.91	84.73	55.50	165.17
BOI	260.87	203.25	163.41	212.90	40.98	32.04	240.87	393.44
BOM	9.78	33.95	84.06	36.87	15.79	230.50	18.88	2.69
CNB	21.57	100.17	550.72	68.43	145.49	105.64	141.36	27.91
CBI	21.30	26.88	79.71	38.02	16.73	9.77	19.54	19.66
DNB	51.82	78.21	12.12	71.21	61.11	23.67	73.66	49.43
IDBI	1.28	3.05	369.55	19.36	247.02	128.86	217.53	220.83
INB	100.48	11.94	22.58	85.97	86.53	122.23	159.09	49.84
IOB	66.77	11.50	191.62	4.76	82.74	3.33	68.08	124.16
OBC	31.55	34.18	31.97	8.03	59.13	50.72	53.47	406.81
PNB	580.27	27.45	7.94	52.44	149.16	199.67	69.16	26.29

PSB	78.45	50.6	22.41	217.47	70.29	12.27	62.22	82.50
SBI	68.41	59.22	39.80	16.57	53.10	36.40	10.34	0.49
SYB	34.30	47.86	83.94	36.11	83.89	65.31	40.48	45.25
UNI	68.91	117.08	226.88	21.10	36.46	21.45	47.42	23.08
UCO	8.30	11.94	10.56	2.26	8.81	9.44	12.72	7.29
UNI	24.81	162.08	22.31	3.42	22.02	245.34	385.07	14.34
VB	1.81	3.46	8.15	479.42	153.07	92.87	119.55	109.56
HDFC	90.49	789.89	303.79	152.29	207.06	373.52	550.62	456.26
FB	1.49	360.69	490.05	5.59	204.22	356.43	510.31	1442.24
ICICI	119.68	451.14	13.76	2282.91	211.83	304.90	316.05	336.61
INDUS	1588.91	3178.39	1828	1022.44	975.69	1091.50	810.49	438.52
AXIS	0.51	1.04	256.79	9.93	203.06	284.00	58.13	853.86
AGVB	57.60	148.04	126.16	72.87	70.63	42.60	308.00	39.02
LDRB	13.07	84.22	64.08	61.61	2.67	6.87	4.22	6.96

Source : Table 5.6

The average targets and achievements of banks in Assam under ACP over the years using line graph is presented in following Fig. 5.4-5.6:

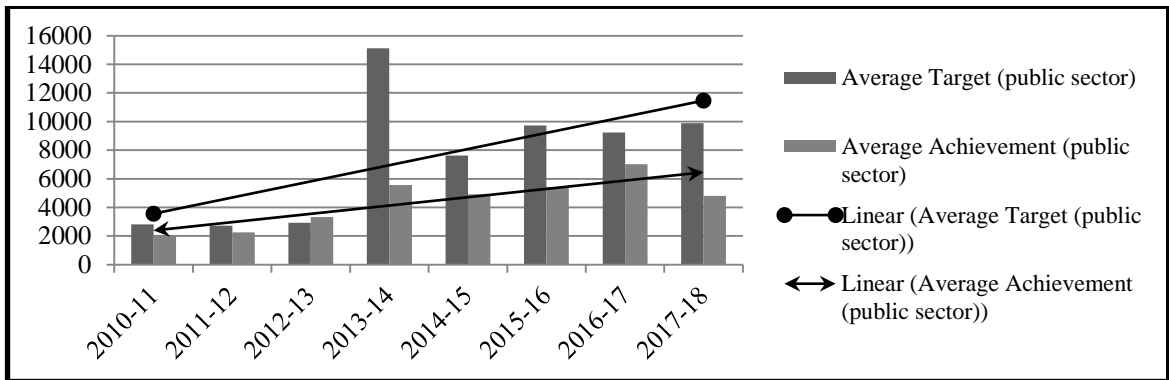


Figure 5.4 Average annual targets and achievements of MSME sector (Public sector banks)

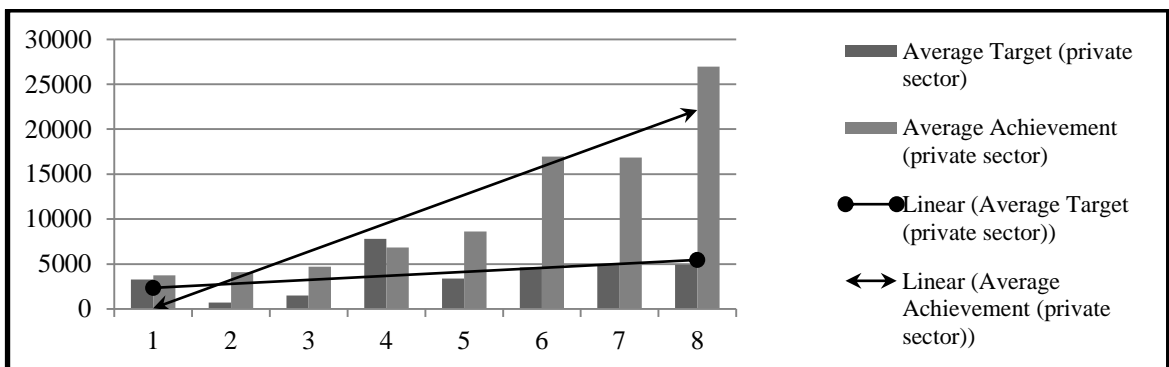


Figure 5.5 Average annual targets and achievements of MSME sector (Private sector banks)

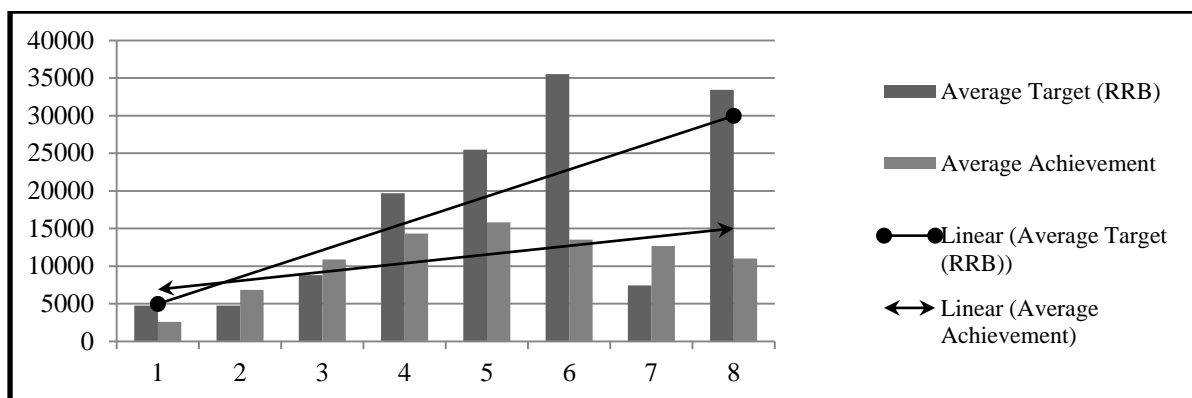


Figure 5.6 Average annual targets and achievements of MSME sector (RRBs)

From the above figures, it can be seen that overall average targets over the years under ACP have been fluctuating while overall average achievements under ACP that has been achieved showing a steady growth and in two instance average achievement was seen to surpass average target in 2012-13 and in 2016-17. Average targets decreased substantially after 2014, owing to the economic slowdown in 2014 (Report on Trend and Progress of Banking in India 2014-15). Average achievement seems to show a growing trend for public sector and private sector banks but comparatively, private banks show a steeper growth compared to public sector banks. RRBs show a consistent growth although average achievement seems to have declined post 2015. From Table 5.7, it is found that following percentages of banks were able to achieve their targets.

Table 5.8 Percentage of targets achieved by banks in Assam classified as public, private and RRBs as prescribed by RBI under ACP

Banks	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Public sector banks	15%	25%	40%	30%	30%	35%	35%	35%
Private sector banks	40%	80%	80%	60%	100%	100%	80%	100%
RRBs	0%	50%	50%	0%	0%	0%	50%	0%

Source: Table 5.7

If we look at Table 5.8, we observe that private banks have been able to achieve their targets of lending towards MSME under sector under ACP, significantly better when compared to public sector banks and RRBs. However, when corroborated with Table 5.5, it is found that private banks have marginally failed to achieve the ‘sub-target of 7.5% credit towards micro enterprises’ when compared to public sector and RRBs. It implies that the private sector banks have neglected the micro enterprises within the MSME sector.

Further, the percentage of target achieved each year by individual banks has been plotted using bar graphs separately for public sector banks, private sector banks and RRBs as follows:

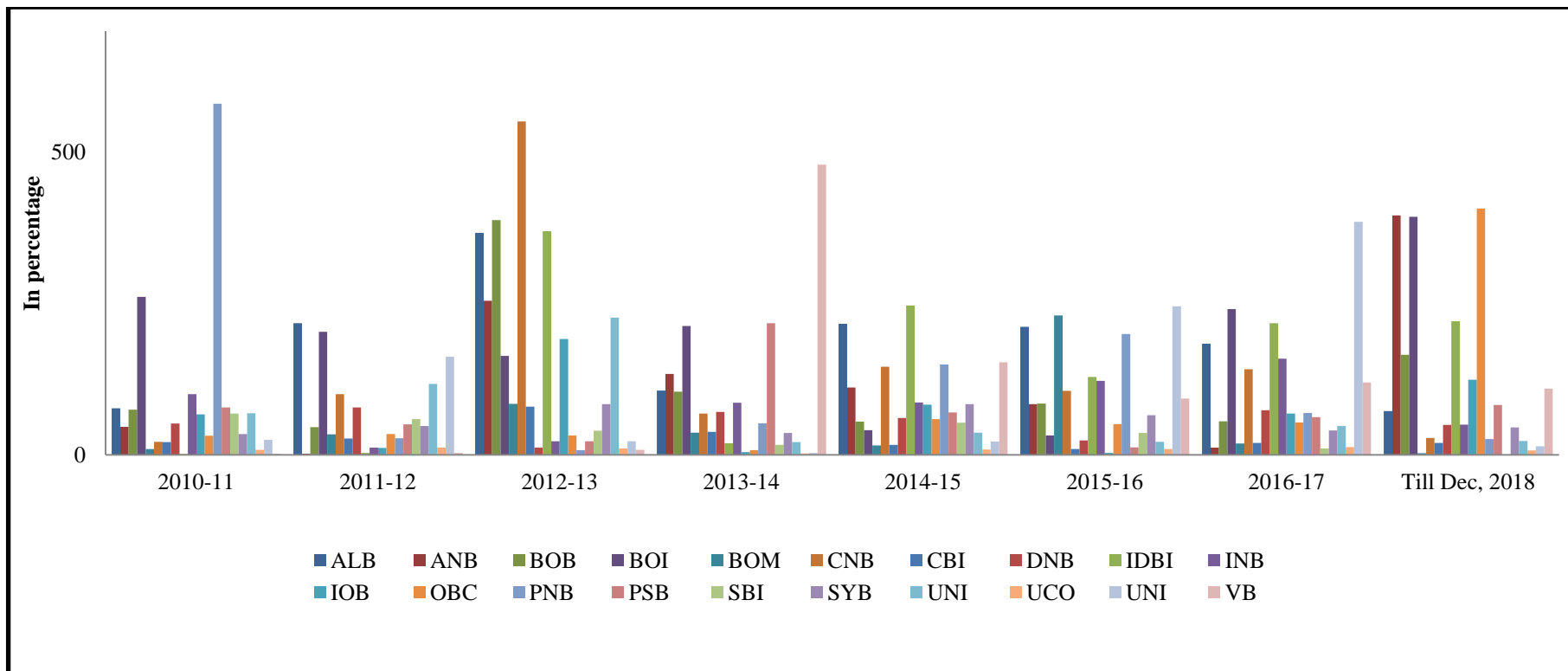


Figure 5.7: Proportion of targets achieved by public sector banks in Assam

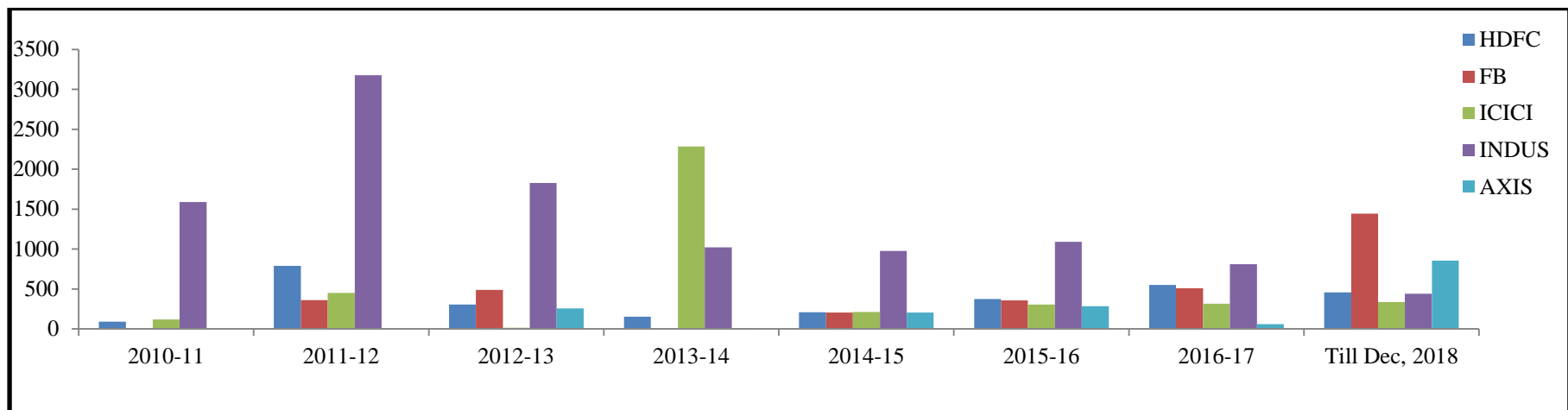


Figure 5.8 Proportion of targets achieved by private sector banks in Assam

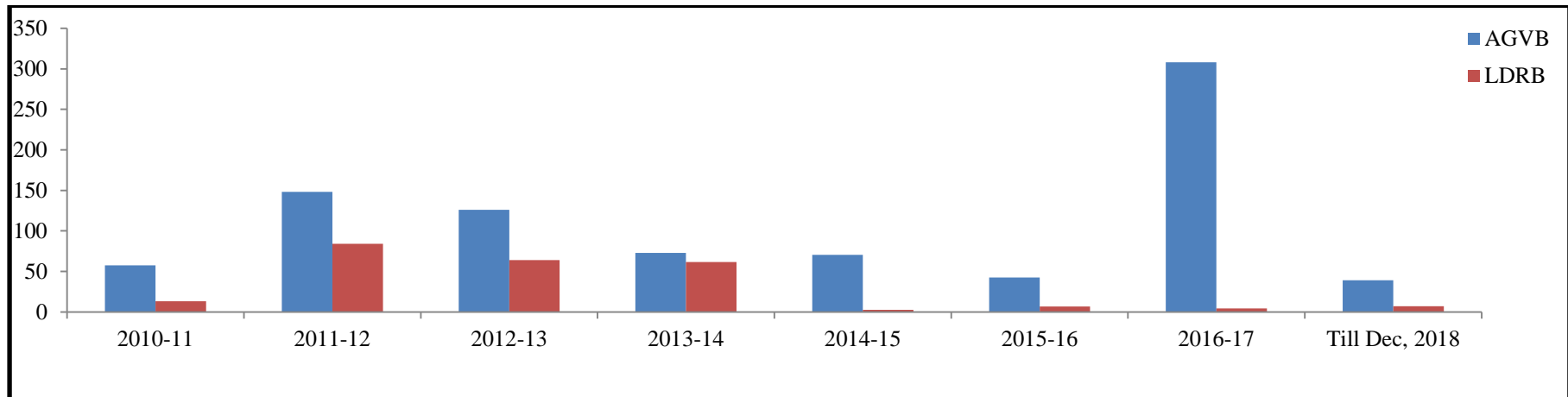


Figure 5.9: Proportion of targets achieved by RRBs in Assam

From fig 5.7-5.9, major observation is that private banks like HDFC, ICICI, INDUS and AXIS were seen to have achieved comparatively higher than public sector banks. Most of the public sector banks are seen to struggle to achieve a 100% of targets over the years. In case of RRBs, AGVN has been observed to be doing reasonably well compared to LDRB.

5.8 COMPARISON OF TRENDS OF FLOW OF CREDIT TO MSME SECTOR IN ASSAM AND PAN INDIA

5.8.1 Comparison of flow of bank credit to MSMEs in Assam and India

In order to find out the status of aggregate credit flow to MSME sector in comparison to aggregate credit flow, reports published by State Level Bankers Committee, Reserve Bank of India reports and Annual Reports by Ministry of MSME were used. Table 5.9 shows the flow of credit to MSME sector as well as aggregate flow of credit to the state as well as the country as a whole.

Table 5.9: Aggregate credit and MSME credit by banks in India and Assam

Year	Aggregate credit to MSME sector by banks in Assam (in ₹ crores)	Aggregate credit by banks in Assam (in ₹ crores)	Aggregate credit to MSME sector by banks in India (in ₹ crores)	Aggregate bank credit in India (in ₹ crores)	Proportion of MSME credit by banks to total credit in Assam (in %)	Proportion of MSME credit by banks to total credit in India (in %)	Proportion of MSME credit by banks in Assam to All India banks (in %)
2008	686	12990	151137	1361595	5.28	11.1	0.45
2009	1018	16082	191408	1693876	6.33	11.3	0.53
2010	1282	17751	276319	2109076	7.22	13.1	0.46
2011	1460	20911	369430	2493498	6.9	14.81	0.39
2012	2054	25605	368600	4491200	8.02	8.21	0.55
2013	2029	27401	409000	4964200	7.40	8.24	0.49
2014	3417	31743	456500	5447100	10.76	8.38	0.74
2015	4332	36477	506500	6102300	11.87	8.3	0.85
2016	7480	46852	485800	6650000	15.96	7.3	1.53
2017	6907	38621	474500	7134700	17.88	6.65	1.45

Source: Compiled from SLBC Reports, RBI Reports and Ministry of MSME Annual Reports (percentages are author calculated)

It has been attempted to represent the data from Table 5.9 using bar graphs and line charts as follows from Fig 5.10 to Fig 5.14.

Table 5.10: Year-over-year growth in Aggregate credit and MSME credit by banks in India and Assam

(in %)

Year	Y-o-Y growth in aggregate credit to MSME sector by banks in Assam (in %)	Y-o-Y growth in aggregate credit by banks in Assam (in %)	Y-o-Y growth in aggregate credit to MSME sector by banks in India (in %)	Y-o-Y growth in aggregate bank credit in India (in %)
2009	48.40	23.80	26.65	24.40
2010	25.93	10.38	44.36	24.51
2011	13.88	17.80	33.70	18.23
2012	40.68	22.45	-0.22	80.12
2013	-1.22	7.01	10.96	10.53
2014	68.41	15.85	11.61	9.73
2015	26.78	14.91	10.95	12.03
2016	72.67	28.44	-4.09	8.98
2017	-7.66	-17.57	-2.33	7.29

Source: Computed from Table 5.9

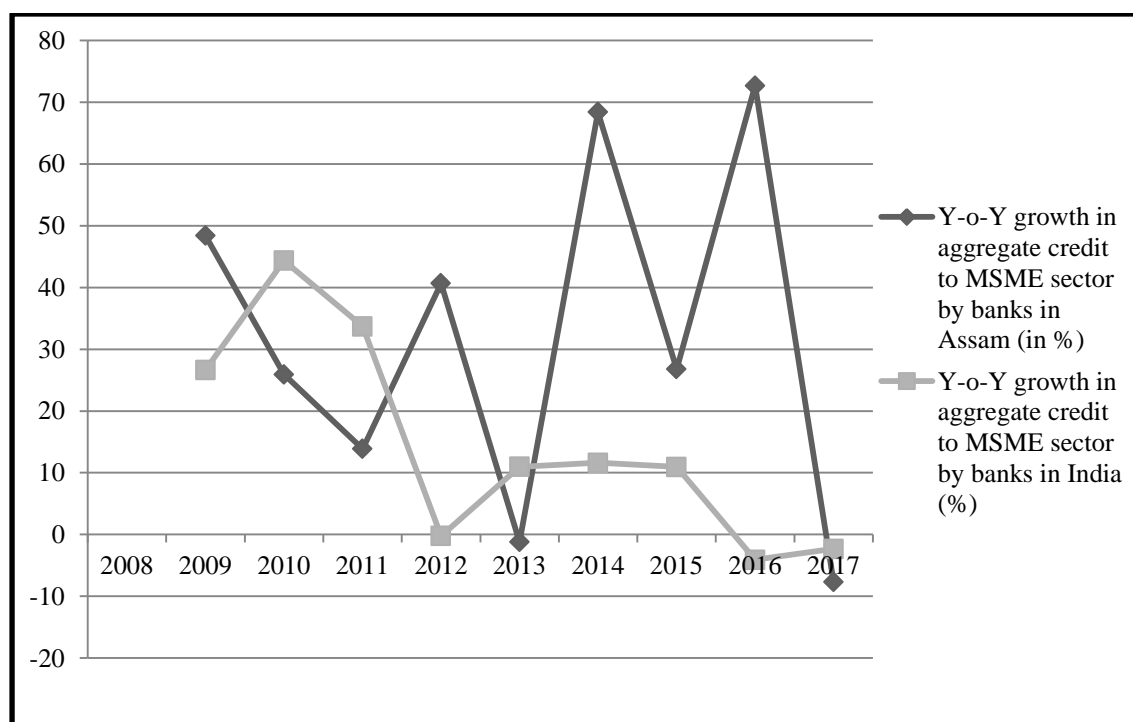


Figure 5.10 Year over year growth in aggregate credit to MSME sector by banks in Assam and banks pan India

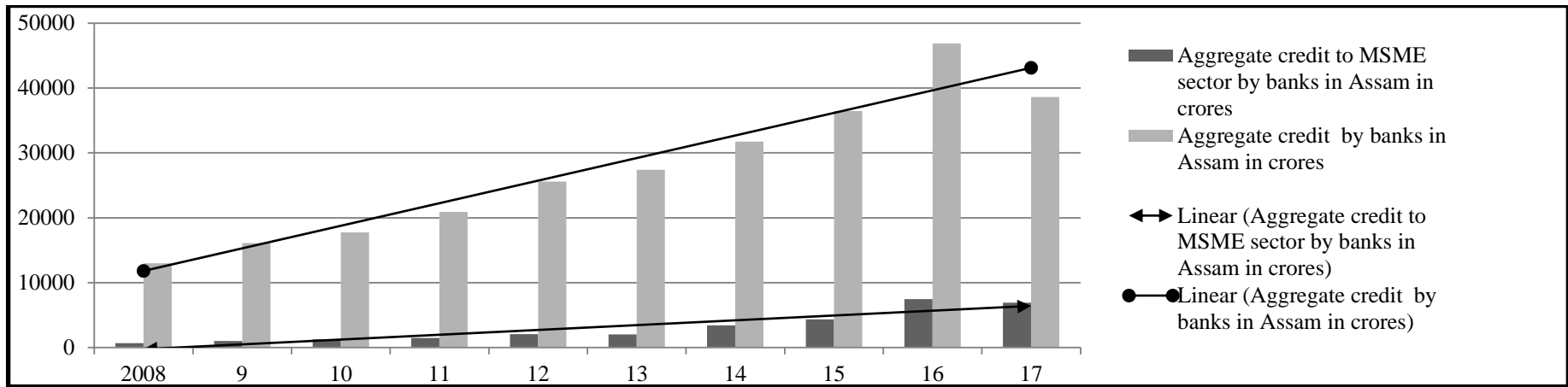


Figure 5.11 Bank credit in Assam (in ₹ crores)

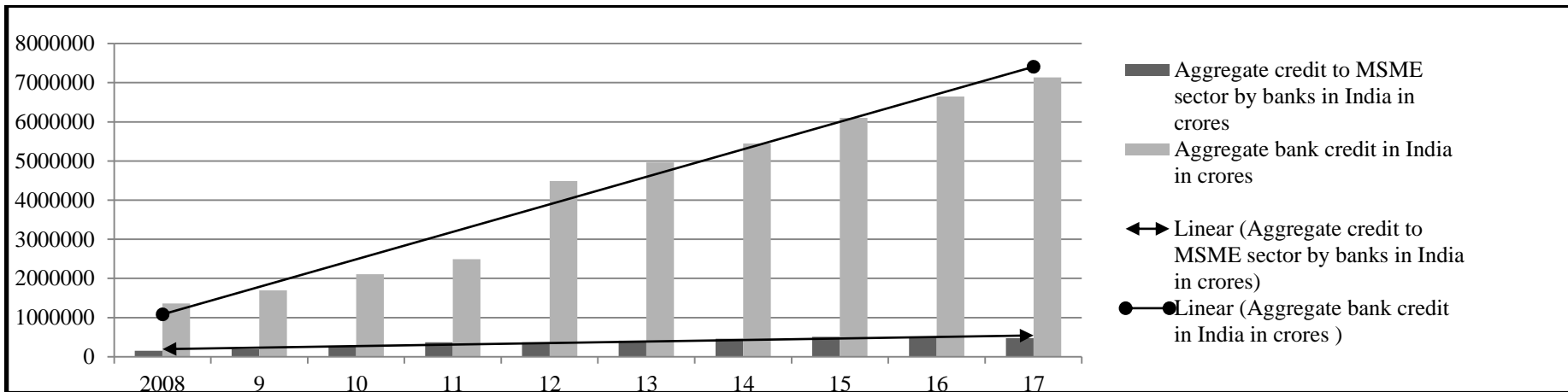


Figure 5.12 Bank credit in India (in ₹ crores)

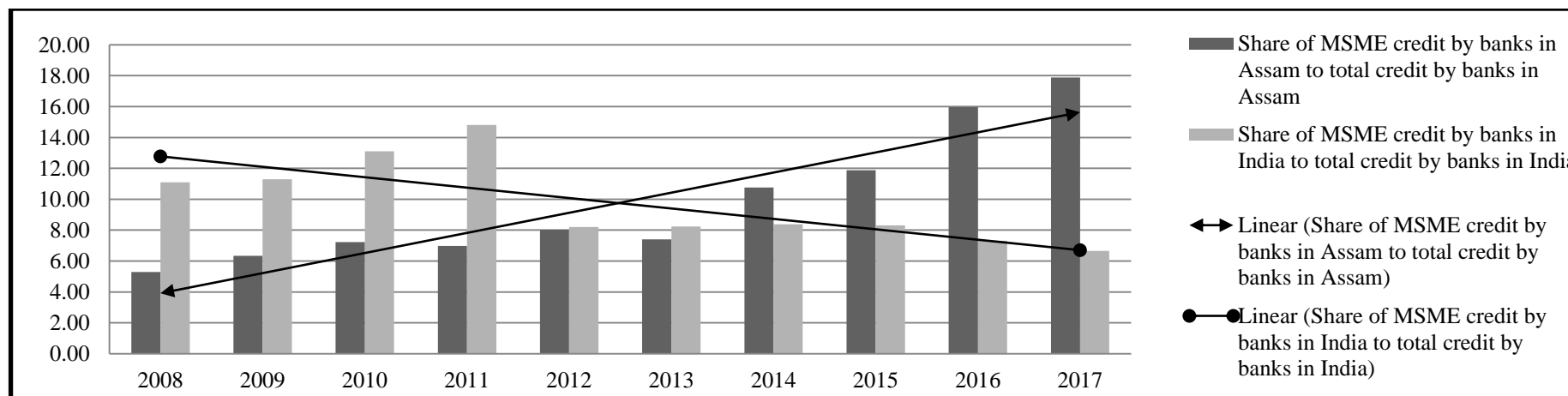


Figure 5.13 Share of MSME credit to aggregate credit (in %)

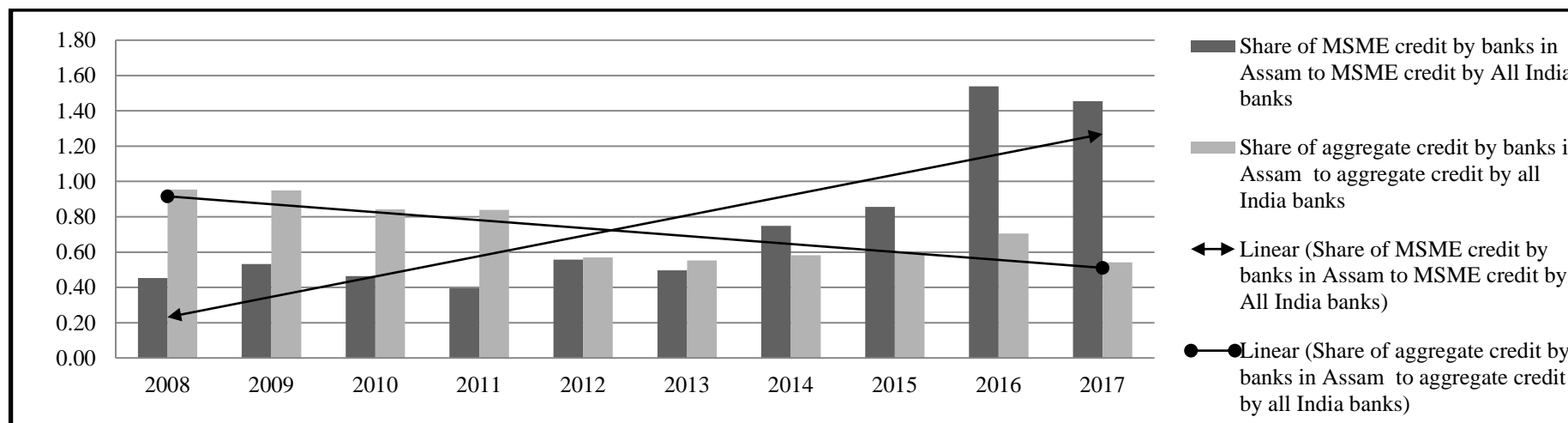


Figure 5.14 Share of credit disbursed in Assam to credit disbursed in India

From Table 5.10 and Figures 5.10-5.14, it is observed that though both aggregate credit by banks in Assam and aggregate credit by banks in India are increasing, credit to MSME sector remains proportionately and almost consistently lower. But if compared, proportion of credit to MSME as compared to aggregate credit, in Assam, is higher than for all India since 2013. As seen from fig 5.13, share of MSME credit to total credit in Assam has started to improve post 2013 in contrast to all India levels.

Also from fig 5.14, it is observed that share of MSME credit by banks in Assam to MSME credit by all India banks have started increasing compared to share of aggregate credit by banks in Assam to aggregate credit by all India banks after 2012.

5.9 SUMMARY OF FINDINGS

When individual contributions are compared private sector banks as well as RRBs seem to take the cake by a huge margin over public sector banks in Assam in lending to the MSME sector. In case of public sector banks, only United Bank of India, Allahabad bank and Bank of India have been observed to be sizeable contributors. It is also observed that for the year 2016-17 less than 50% of banks were able to achieve the 'sub-target of at least 60% of total credit to MSME sector towards the micro sector' as implemented by RBI. The proportion of MSME credit out of total credit by banks in Assam has been consistently lower than the proportion of MSME credit out of total credit by banks in India till 2012, after which it seems to have increased. Though it shows a positive picture the 'Year on year growth of MSME credit' and total credit gives a more detailed insight. After 2015 the aggregate credit to MSME sector at all India level has decreased whereas the aggregate credit to all sectors has increased. On the other hand, in 2017 it is observed that aggregate credit to MSME sector by banks in Assam has decreased and the aggregate credit to all sectors has also decreased. Moreover the proportion of MSME credit by banks in Assam to MSME credit by banks in India has been increasing over the years but the absolute figure still remains very low ranging from 0.45% to 1.45%. Average achievements (in lending to MSMEs) of banks over the years seem to be increasing for all banks. But only private sector banks seem to have increased average achievements at a steep rate compared to public sector and regional rural banks. Also only private sector banks' average achievements seems to have surpassed the average targets post 2012, while public sector and regional rural banks failed to do so. When the

proportion of targets to MSME sector that has been achieved is compared, it is seen that only private sector banks have been able to achieve the targets set for MSME sector as prescribed by RBI. The public sector banks have fluctuated highly in their performance and no consistent trend has been observed. Private banks such as HDFC, ICICI, INDUS and AXIS have achieved higher targets compared to their counterparts. These four banks have almost achieved consistently well over their prescribed targets. However, when it comes to achievement of sub target of 60% of MSE credit to micro sector, private sector banks have comparatively failed. Public sector banks such as Allahabad bank, Bank of Baroda, Bank of India, IDBI and Indian bank seem to have performed reasonably better compared to counterparts. Assam Gramin Bikash Bank has performed considerable better than Langpi Dehangi Rural bank.

The most apparent finding from this chapter is that aggregate credit as well credit to MSME sector seems to be increasing over the years for Assam as well as all India. But the question is, is it enough? The average growth in achievement of targets for MSME disbursement from 2012-13 to 2014-15 was ₹ 20 lakhs (from Table 5.6) and in the same year new MSME units that were registered were 2,629 units (from MSME Annual Reports). However statistics show that only negligible proportions of MSMEs actually get registered. It is evident that growth in average MSME disbursement is not sufficient to meet the growth in number of MSMEs. The Prime Ministers Task Force has issued certain guidelines to be adhered by banks with regard to prescribed lending to MSME sector which is implemented and monitored by the RBI. But wide fluctuations were observed in target setting of these banks. MSME sector is inherently disliked as investment option because of the associated risks. But over time MSMEs have proved to be quite a lucrative investment destination because of which it is seen that private sector banks have higher credit disbursed to the sector when compared to public sector banks. With time MSMEs have proved to be booming investment hubs and therefore, with proper screening, it is advisable that banks increase their investment in the sector.