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ASSET QUALITY OF MSME LOANS MAY CONTINUE TO FACE STRESS IN FY20. SAYS MR. CHOWDHURY



mumbainewsexpress O October 16, 2019 BANKING/FINANCE, CORPORATE / BUSINESS.

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by Suman Gupta

"There has been a significant decline in the Credit Ratio i.e. upgrade to downgrade ratio for Acuité Ratings to 1.14 times in FY19 from 1.88 times in FY18. Clearly, the lower proportion of upgrades to downgrades which is expected to continue in FY20, partly reflects the challenges in the MSME sector such as higher working capital requirements due to delayed customer increased payments. challenges and the visible signs of a growth slowdown from the second half FY19." said of Mr. Suman Chowdhury, President - Rating Operations, Acuité Ratings Research Limited at a programme 'Evolving Modes of MSMF on Financing'. The programme was jointly organised by MVIRDC World Trade India Center Mumbai and Industries Association of Mumbai.

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However, Mr. Chowdhury expects credit flow to MSMEs improve in the next 2-3 years because of policy measures taken by RBI. "With the growth slowdown and a modest inflation regime, RBI has not only cut rates by 135 bps in the current calendar but is also trying to ensure that such rate cuts are effectively transmitted. We therefore expect to see a significant change in the funding environment both in terms of availability and interest rates over the near term. Acuité believes that with the emergence of the new age digital fintech platforms, funding to the MSME sector particularly trade finance will witness a boost over the next 2-3 years,"

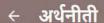
Speaking on this occasion, Ms. Rachana Bhusari, Vice President-SME, National Stock Exchange India suggested small and medium enterprises to raise long term capital from the exchange's SME platform -Emerge. Ms. Bhusari said, "Currently, more than 200 companies have raised funds through this platform and these companies represent diverse industry base such as and entertainment, manufacturing, textiles, media chemicals, agriculture, engineering, finance, processing and construction etc."

The event was also addressed by other dignitaries viz. **Mr. Jaikrishnan G,** Director, Financial Services, Management Consulting, KPMG Advisory Services, **Mr. G. Ramachandran,** Director, Keiretsu Forum, **Mr. Arun Nayyar,** CEO, NeoGrowth Credit, **Mr. T. D. Sivakumar,** General Manager, Corporate Banking Group, EXIM Bank of India, **Mr. Pankaj Gupta,** Senior Vice President and Chief Finance and Risk Officer, SBI Global Factors and **Mr. Abhijeet Angane,** Senior Vice President and Regional Head – West – Relationship, India Factoring And Finance Solutions

Earlier in his welcome remarks, Mr. Y.R. Warerkar, Director General, MVIRDC World Trade Center Mumbai said, "The topic of today's programme assumes great significance as finance is the lifeline of any business activity. Timely access to credit at a reasonable cost is a pre-requisite to the effective functioning of MSME enterprises and ensuring the viability of this sector. There is a dire need to promote alternative sources of funding as the MSME sector is stifled due to unmet credit need of Rs. 20-25 lakh crore, according to International Finance Corporation. I believe the programme will create ample awareness on how MSMEs can benefit from emerging sources of funding such as fintech companies, angel investment, SME platforms of stock exchanges, among others."

Ms. Rupa Naik, Senior Director, MVIRDC World Trade Center Mumbai proposed vote of thanks for the event.

The event was attended by representatives from trade and industry, financial institutions, consular corps and academia.



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- October 16, 2019

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However, Mr. Chowdhury expects credit flow to MSMEs improve in the next 2-3 years because of policy measures taken by RBI. "With the growth slowdown and a modest inflation regime, RBI has not only cut rates by 135 bps in the current calendar but is also trying to ensure that such rate cuts are effectively transmitted. We therefore expect to see a significant change in the funding environment both in terms of availability and interest rates over the near term. Acuité believes that with the emergence of the new age digital fintech platforms, funding to the MSME sector particularly trade finance will witness a boost over the next 2-3 years,"

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Mumbai: "There has been a significant decline in the Credit Ratio i.e. upgrade to downgrade ratio for Acuité Ratings to 1.14 times in FY19 from 1.88 times in FY18. Clearly, the lower proportion of upgrades to downgrades which is expected to continue in FY20, partly reflects the challenges in the MSME sector such as higher working capital requirements due to delayed customer payments, increased funding challenges and the visible signs of a growth slowdown from the second half of FY19," said Mr. Suman Chowdhury, President – Rating Operations, Acuité Ratings & Research Limited at a programme on 'Evolving Modes of MSME Financing'. The programme was jointly organised by MVIRDC World Trade Center Mumbai and All India Association of Industries at WTC Mumbai.

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