

Performance and Credit Rating Scheme for Micro & Small Enterprises

An initiative by Ministry of MSME



सत्यमेव जयते

MSME

MICRO, SMALL & MEDIUM ENTERPRISES

सूक्ष्म, लघु एवं मध्यम उद्यम

Government of India

Ministry of Micro, Small and Medium Enterprises

(An ISO 9001:2008 Certified Organisation)

<http://msme.gov.in/mob/home.aspx>



एक कदम स्वच्छता की ओर



KALRAJ MISHRA

Minister of
Micro, Small & Medium Enterprises
Government of India
New Delhi



GIRIRAJ SINGH

Minister of State for
Micro, Small & Medium Enterprises
Government of India
New Delhi

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Introduction

Performance & Credit Rating Scheme was formulated in consultation with Industry Associations, Indian Banks' Association (IBA) and Rating Agencies, with the objective of creating awareness amongst Small Scale Units (now known as micro & small enterprises) about the strengths and weaknesses of their existing operations and to provide them an opportunity to enhance their organizational strengths. The Scheme launched in April, 2005 has been well appreciated by the various stakeholders. Indian Banks' Association (IBA) circulated the scheme among its member banks mentioning that the government expects the rating product to help SSI units in accessing credit from banks faster and on better terms. Rating under the scheme is being carried out through empanelled rating agencies i.e. CRISIL, ONICRA, ICRA, SMERA, Brickwork, India Ratings (earlier known as FITCH) and CARE. The rating methodology under the Scheme is a combination of credit and performance factors including parameters measuring operational, financial, business and management risks. A uniform rating scale, covering the combination of credit and performance factors, is prescribed under the scheme, which is being followed by all empanelled rating agencies. Micro & Small enterprises are at liberty to select any of the rating agencies. The entire process of rating is to be completed by the rating agency in a month from the date of receipt of all information from the applicant unit. The existing provision

under this scheme envisaged that the fee payable by MSE to the rating agencies is subsidized upto 75% of the fee, which is categorized into three slabs based on the turnover of the units

Reserve Bank of India (RBI) also recognized the Scheme at the time of informing the Policy Package for stepping up credit to Small & Medium Enterprises. In the year 2005, RBI had informed all banks that 'The National Small Industries Corporation has recently introduced a Credit Rating Scheme for encouraging SSI units to get themselves credit rated by reputed Credit Rating Agencies. Banks may consider these ratings as per availability and wherever appropriate structure their rates of interest depending on the ratings assigned to the borrowing SME Units'. RBI reiterates these guidelines every year vide its master circular.

Objective

The main objective of the scheme is to provide a trusted third party opinion on the capabilities and creditworthiness of the Micro & Small Enterprises (MSEs) so as to create awareness amongst MSEs about the strengths and weakness of their existing operations. This is to provide them an opportunity to improve & enhance their organizational strengths and credit worthiness, so that they can access credit at cheaper rates and on easy terms. The scheme is also to facilitate them in increasing their acceptability from the Banks/Financial Institutions, Customers / Buyers and Vendors.

Strategy

The strategy adopted for implementation of the scheme is explained below:

- i. NSIC is the nodal agency for implementing the scheme of performance and credit rating for Micro & Small Enterprises through its various branches/offices located in the country.
- ii. The unit's rating is a combination of performance and credit worthiness of the unit. The MSEs rating methodology is covering a combination of credit and performance factors including parameters measuring operational, financial, business and management risks.
- iii. NSIC is maintaining a database about the units awarded Rating by different Rating Agencies.
- iv. Micro & Small Enterprise is at liberty to select any of the rating agencies empanelled under the rating scheme with NSIC.
- v. The rating process is being undertaken in the following manner:
 - a. Request for Rating from MSE.
 - b. Collection of Information from the MSE.
 - c. Onsite meeting with MSE Management.
 - d. Analysis of Information obtained from the MSE.
 - e. Assign Rating.
- vi. The validity of a rating is for a period of one year from the date of issue of the rating letter.

Target Group

Micro & Small Enterprises



Benefits

The major benefits accruing under the scheme to the rated units include:

- i) Rating is an independent, trusted third party opinion on capabilities and credit worthiness of MSEs.
- ii) Rating enables MSE units to ascertain the strengths and weaknesses of their existing operations and take corrective measures to enhance their organizational strength.
- iii) Good rating enables MSEs to access to funds at cheaper rates and better terms,
- iv) Rating facilitates prompter credit decisions from Banks on proposals of MSEs.
- v) Good rating enhances the acceptability of the MSEs with their customers and buyers.
- vi) Facilitate buyers in capability & capacity assessment of MSEs before finalizing purchase contracts.

- vii) An independent evaluation of the strengths and weaknesses of the applicant unit will help Banks and Financial Institutions in taking faster credit decisions and leveraging their risks.

More than 30 banks / financial institutions have signed MOU with the Rating Agencies / NSIC to extend the benefits to the units rated under the Scheme

Interventions

Though RBI had advised all banks to consider ratings assigned under the scheme as per availability and wherever appropriate structure their rates of interest depending on the ratings assigned to the borrowing SME Units, banks should give due recognition to the ratings while considering the loan proposals of Micro & Small Enterprises so as to extend the benefits to the good rated units.

Implementation Strategy

To propagate the scheme and create wider awareness among Micro & Small Enterprises in the country, NSIC in association with Local Industry Associations, banks organize focused campaigns and seminars highlighting the benefits accruing to MSEs under the scheme, so that they can get themselves rated under the scheme.

Procedure for availing of financial assistance under the scheme

The following procedure is adopted for availing financial assistance under the scheme:-

- i. Micro & Small Enterprise is at liberty to select any of the rating agencies empanelled under the rating scheme with NSIC.
- ii. MSE can apply directly to the rating agency (selected by it) or through any branch of NSIC, clearly indicating the name of the rating agency from whom they want to get rated.
- iii. The Rating Agencies have different fee structure for their rating of various clients including Micro & Small Enterprises. The Rating Agencies have devised their fee structure for MSEs under this Scheme separately.
- iv. As the evaluation criteria for award of Rating is different with various Rating Agencies and their acceptability also varies with the users, the rating fee to be charged by the Rating Agencies is varying.
- v. The Rating Agencies is free to decide their rating fee which is being intimated to NSIC at the time of empanelment, so that fee is well known in advance to the applicant unit as well as NSIC. The rating fees may, however, be reviewed by Rating Agencies from time to time due to the competition and the number / size of clientele.

- vi. Micro & Small Enterprises has to pay their contribution towards the rating fee along with its application. The payment can be made by way of pay order / demand draft drawn in favour of the Rating Agency selected by MSE.
- vii. The fee to be paid to the rating agencies shall be based on the turnover of the MSEs which has been categorized into three slabs. The slabs of the Turnover and the share of Ministry of MSME towards the fee charged by the Rating Agency have been indicated in the table given below:-

Turnover	Fee to be reimbursed by Ministry of MSME
Up to Rs.50 lacs	75% of the fee charged by the rating agency subject to a ceiling of Rs.25,000/-
Above Rs.50 lacs to Rs.200 lacs	75% of the fee charged by the rating agency subject to a ceiling of Rs.30,000/-
Above Rs.200 lacs	75% of the fee charged by the rating agency subject to a ceiling of Rs.40,000/-

The balance amount towards the fee shall be borne by the MSEs.

- viii. The portion of the fee to be subsidized by the Ministry shall be released through NSIC after submission of the Rating Report to NSIC by the Rating Agencies.

Financial Assistance

2014-15 (Physical and Financial)

Budget Estimates	:	Rs. 70.00 Crore
Revised Estimates	:	Rs. 90.00 Crore
Actual Expenditure	:	Rs. 88.00 Crore
Physical Achievements	:	23,048 nos.

Future Plan – 2015-16 (Physical and Financial)

Budget Estimates	:	Rs. 28.00 Crore
Physical Targets	:	8000 nos.



Achievements

The scheme has been accepted very well by the MSE sector. This is corroborated from the growth in the number of units as depicted in the following table:

Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
units rated (Nos.)	3850	5011	7531	10327	13547	19676	24886	23374

Since inception of the scheme in 2005 to March, 2015, more than 1,10,828 units have been rated under the Scheme.

Way Forward

- The critical importance of the PCR scheme is also emphasized as by the stipulations made by the Government Ministries, Department and Public Sector Undertakings are mandated to procure minimum of 20% of their annual value of goods or services from MSEs. It has also been indicated by the policy to develop appropriate vendors so as to meet the target of fulfilling the 20% requirements of bulk buyers, which can be attained leveraging PCR scheme as it would serve as a tool to help in vendor development.
- Presently, the rating under the scheme covers a combination of credit and performance factors, which include

operational, financial, business and management aspects. In order to support the vendor development, it is proposed that the rating may also cover the 'capacity assessment' of the applicant unit as a part of its Performance Rating under the scheme.

- iii. The rating serves as a trusted third party opinion on MSE's capabilities and creditworthiness. It enables MSEs to secure credit from banks and financial institutions with comparative ease and favorable interest rates. Rating also facilitates vendors/buyers in judging the capabilities and capacity of the MSEs for taking a decision on finalization of purchase contract with them and thus helps the overall growth of MSE sector. The contribution of MSE sector to the economy will improve by way of higher production, exports and other global competitive advantages.



Udyami Helpline

1800 - 180 - 6763
1800 - 180 - MSME [**Toll Free**]

Information about

MARKETING ASSISTANCE

CREDIT SUPPORT

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SCHEMES OF MINISTRY OF MSME

Udyami Helpline to provide assistance and guidance to prospective as well as existing entrepreneurs about opportunities and facilities available under various schemes of the Government.

Udyami Helpline 1800-180-6763 (Toll Free)

Timings : 6.00 to 10.00 p.m. in Hindi / English

We welcome all entrepreneurs to avail this facility.



MINISTRY OF MICRO, SMALL & MEDIUM ENTERPRISES

GOVERNMENT OF INDIA

www.msme.gov.in

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Ministry of Micro, Small & Medium Enterprises
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**Prime Minister
Employment Generation
Programme(PMEGP)**

A credit linked Scheme to facilitate participation of financial institutions for higher credit flow to micro sector. Its objectives are to generate continuous and sustainable employment opportunities in Rural and Urban areas of the country through start-ups.

[Read more](#)

National Manufacturing Competitiveness Programme

To promote growth oriented enterprise through 10 interventions like lean manufacturing, design clinic, quality management systems etc.

[Read more](#)**ASPIRE**

To promote Innovation & Rural Entrepreneurship through rural livelihood incubator, technology business incubator and fund of funds To establish Technology Centre Network to promote Innovation, Entrepreneurship and Agro-industry. I propose to set up a fund with a corpus of Rs.200 crore - 105B -

[Read more](#)

Scheme of Fund for Regeneration of Traditional Industries(SFURTI)

Making traditional Industries more productive and competitive by organizing the traditional Industries and artisans into clusters

[Read more](#)

Performance & Credit Rating Scheme

To create an eco-system of MSEs for easier/ cheaper access to credit for the rated enterprises. The rating done for MSEs generates an awareness about the strengths and weaknesses of the operations and creditworthiness of the enterprise.

[Read more](#)

Assistance to Training Institution

To promote entrepreneurship and skill development through capital grant for creation/strengthening of infrastructure and programme support for conducting entrepreneurship development and skill development programmes

[Read more](#)

Marketing Assistance

To assist MSMEs to organise/ participate in exhibition of their products and services in domestic and global markets. Organizing Buyer-Seller Meets, Intensive Campaigns and Marketing Promotion Events are also included.

[Read more](#)

Credit Linked Capital Subsidy Schemes(CLCSS)

To enable micro and small enterprises to adopt modern technology to improve their productivity

[Read more](#)