

‘₹3.3 lakh crore MSME funds stuck’

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Large corporates holding up receivables: Brickwork Ratings

Close to ₹3.3 lakh crore of MSME funds are stuck with strong large corporates in the form of receivables, Brickwork Ratings said in a study.

This was because of their low bargaining power with large corporates to have payment released for materials supplied or services provided, according to the study.

Stating that the liquidity challenges faced by MSMEs in the past two years had aggravated in the first quarter of the current fiscal year due to the COVID-19 impact, Brickwork said apart from the money stuck with corporates, MSMEs had been impacted by the lack of a funding line from the banking system. However, it said access to funding from the organised banking sector had eased owing to the announcement of the ₹3 lakh crore collateral-free loans in the Aatmanirbhar Bharat Abhiyaan package.

Liquidity stretched

Despite this, the liquidity of MSMEs continues to be stretched, given the long credit period extracted from MSMEs by large corporates, many of which have sufficient liquidity of their own, it said. Rajat Bahl, chief ratings officer, Brickwork Ratings, said, “Even if 50% of the funds held up by strong large corporates with high creditor days are released, it will shore up the liquidity for the MSME sector by close to ₹1.6 lakh crore and significantly reduce their liquidity pressure and working capital burden.” The study is based on the data analysis of the top 1,000 companies in terms of market capitalisation and focused on companies that have negative or low working capital requirement, albeit high creditor days. While some of these corporates had weak liquidity and credit profiles, others had strong credit profiles and liquidity, it said.