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# CREDIT FLOW TO MSMES IN INDIA: A DESCRIPTIVE ANALYSIS USING RBI DATA (2021–2022)

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**Abstract**

This paper talks about how bank credit was given to Micro, Small, and Medium Enterprises (MSMEs) in India. That was during the time from July 2021 to July 2022 [4]. MSMEs play a big role in India's economy. But many of them, especially the small ones, have trouble in taking loans. This study used official data from the Reserve Bank of India (RBI). That data helped to show how credit was shared between different types of MSMEs. The graphs that were used were simple. These were made in R software. The results show one thing clearly. Credit to MSMEs has gone up during that one-year period. But the speed of increase was not the same for all. Medium enterprises got credit faster than Micro and Small ones. That means, even though the smaller firms are more in number, the medium ones are rising faster in bank support. This is a key point. The paper also gives some ideas. These are for how to improve credit access for smaller businesses. That is important because they still face many problems.

**Keywords:** MSMEs, RBI, Credit Flow, Medium Enterprises, Micro and Small, Financial Inclusion

## 1. Introduction

The Micro, Small, and Medium Enterprises (MSMEs) are an important part of India's economy. These are the businesses that help in job creation. They support local industries. That is why they matter so much. MSMEs also contribute around 30% to the country's income. They handle nearly 45% of exports [1]. That shows their value. Even with this importance, many of them still face trouble in taking loans from banks. This problem is not new. But during the COVID-19 pandemic, it became worse. That time, many small businesses could not survive. The reason was lack of funds [3]. The government did bring some support schemes. These were meant to help. But not all businesses got equal benefit from them. Medium enterprises got more loans. These recovered faster. That left the Micro and Small ones behind. The Reserve Bank of India does publish data about MSME credit. But there are not many studies that look into how credit is shared between Micro, Small, and medium businesses [4]. This is especially true for the time after COVID. This study takes official RBI data. That data is from July 2021 to July 2022. The credit trend is shown through simple graphs. These graphs were made using R software. The goal is clear. It wants to find out which MSME group got the most growth in credit. That will help in understanding the future of business lending in India.

## 2. Objectives of the Study

1. To analyse the trend of credit deployment to MSMEs from July 2021 to July 2022.
2. To compare credit growth of Micro & Small and Medium enterprises.
3. To study that the proportional changes in credit share across segments of MSMEs.
4. To interpret credit deployment using visual techniques from generated fig from R.
5. To derive policy recommendations based on the observed patterns of this study.

## 3. Review of Literature

The role of institutional credit in MSME growth is well known. That has been shown in many government reports. Academic research also talks about it. The Annual Report by the Ministry of MSME [1] gives an official view of the sector. That report tells how MSMEs add to GDP, create jobs, and help in exports. This shows why credit backed by policy is important. Chakrabarty [2] talked about financial inclusion. That means more support for small businesses. He said credit access is still a big hurdle for MSMEs.

One detailed report is from TransUnion CIBIL. That is the MSME Pulse report [3]. This report tracks how credit is given. It also checks default behavior across business sizes. That report shows one important thing. Credit volumes are going up. But Micro enterprises are still behind. That is due to problems in documents and business structure.

The RBI also shares credit data. These are in the sectoral credit deployment bulletins [4]. That data is very detailed. It shows how much credit went to Micro & Small vs Medium enterprises. These records are useful. This study uses them to make visual comparisons.

One more point is from the Standing Committee on Finance [6]. That committee said MSMEs face many bottlenecks in getting credit. It suggested long-term fixes. That was mainly for micro enterprises. These reports are helpful. But still, one thing is missing. There are very few studies that show credit data after 2021 using visual tools. That includes tools like R. This study tries to fill that gap.

## 4. Research Gap

Some earlier studies have looked at MSME credit issues. That work was done in a general way. But very few studies have checked the trends separately. That means trends for Micro, Small, and medium enterprises. These studies did not use the latest RBI data. That data is from the time after the pandemic. There is also one more gap. Not much use has been made of tools like R. These are helpful for showing credit trends through graphs. That is missing in most past research. This study wants to focus on that gap.

## 5. Research Questions

1. How has total credit deployment to MSMEs evolved after COVID which impacted adversely to the economy?
2. Which segment of MSMEs that has received the fastest-growing share of credit?
3. What are the proportional trends in credit between all three segments like Micro, Small, and Medium enterprises?

## 6. Hypotheses

- **H1:** Medium enterprises have experienced higher growth in credit deployment than Micro & Small enterprises.
- **H2:** Micro & Small enterprises continue to dominate in total credit share.
- **H3:** Overall MSME credit has significantly increased from July 2021 to July 2022.

## 7. Data Source and Methodology

This paper uses secondary data from Sectoral Deployment of Bank Credit reports of the RBI (July 2021, March 2022, and July 2022). The dataset was visualized using R programming. The figures which were generated:

- A line chart showing credit trends
- A stacked bar chart (absolute values)
- A 100% stacked bar chart (proportional share)
- A bar chart comparing year-on-year growth

## 8. Data Presentation and Interpretation

**Table 1: Gross Credit to MSMEs (₹ Crore)**

| Year | Micro & Small | Medium | Total MSME |
|---|---|---|---|
| Jul 2021 | 1209760 | 160312 | 1370072 |
| Mar 2022 | 1377138 | 213996 | 1591134 |
| Jul 2022 | 1441472 | 219327 | 1660798 |

*Source: RBI Sectoral Credit Deployment Reports [4]*

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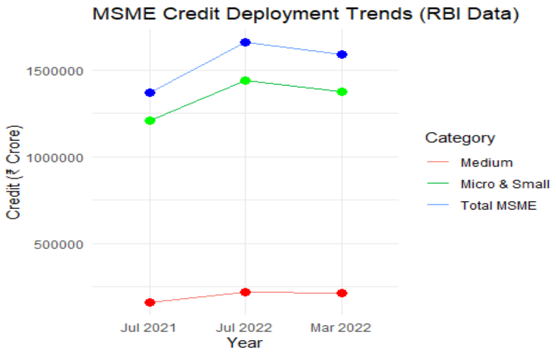


**Figure 1: MSME Credit Deployment Trends (2021–2022)** *[4] (Plotted using R)*

**Interpretation:**
Figure 1: Total credit to MSMEs has shown a steady rise. That trend continued over the period. There was a small drop in March 2022. That drop may be linked to fiscal cycle adjustments. Medium enterprises show a faster upward movement. That is sharper when compared to Micro and Small ones.

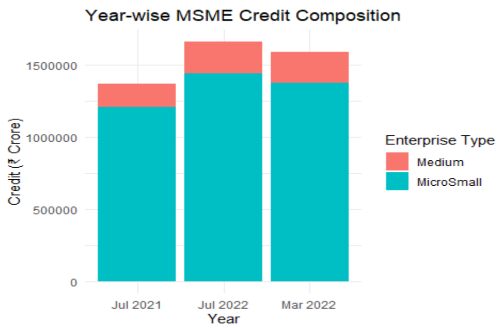


**Figure 2: Stacked Bar Chart – Absolute Credit by Segment** *(Plotted using R) [4]*

**Interpretation:**
Figure 2: Credit to Micro and Small enterprises increased. That went from ₹12.1 lakh crore to ₹14.4 lakh crore. Medium enterprise credit also went up. That rose from ₹1.6 lakh crore to ₹2.19 lakh crore. The relative growth is higher for Medium enterprises. That shows a faster rise in their credit share.

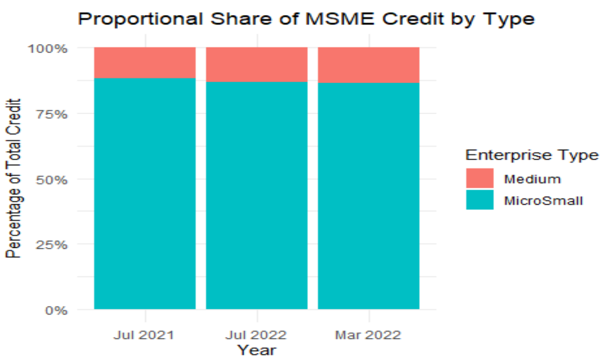


**Figure 3: 100% Stacked Bar Chart – Proportional Share***[4]*

*(Plotted using R)*

**Interpretation:**

Figure 3: Micro and Small enterprises hold the major portion of credit. That is around 85% to 88% of total MSME credit. Medium enterprises have a smaller share. That stays between 12% and 15%. Their credit is growing faster. But their overall share is still low compared to the other segments.

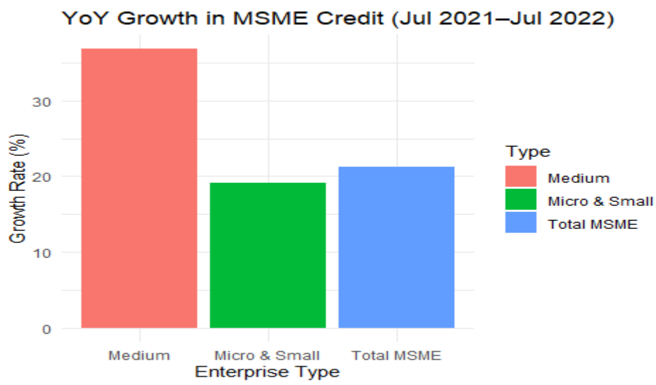


**Figure 4: Year-on-Year Credit Growth (Jul 2021–Jul 2022)** *[4]*

*(Plotted using R)*

**Table 2: Year-on-Year Growth Rates in MSME Credit (July 2021 – July 2022)** *[4]*

| **Enterprise Type** | **Growth Rate (%)** |
|---|---|
| Micro & Small | 19.2% |
| Medium | 36.8% |
| Total MSME | 21.2% |

*Source: RBI Sectoral Credit Deployment Reports [4]*

**Interpretation:**

**Figure 4, Table 2:** The year-on-year growth data shows one key trend. That is the strong credit rise for medium enterprises. Their growth rate is 36.8%. That suggests higher preference or eligibility for formal loans. Micro and Small enterprises are still larger in total credit volume. But their growth rate is lower. That stands at 19.2%. The full MSME sector saw credit rise by 21.2%. This supports the idea of a post-COVID recovery. That also points to better institutional support for MSMEs.

## 9. Findings and Discussion

The RBI credit data was studied. That data is from July 2021 to July 2022. It shows a clear upward trend. That means credit to MSMEs has been rising. This points to a slow financial recovery. That recovery came after the COVID period.

There are three segments in MSMEs. These are Micro, Small, and Medium enterprises. Among these, medium enterprises show the fastest growth. Their credit increased by around

36.8% in one year. Micro and Small enterprises also grew. But their rate was lower. That was about 19.2%.

Even with this gap in growth speed, Micro and Small enterprises still take most of the credit share. That stays near 85% of total MSME credit. This shows a strong structural pattern. That pattern gives more credit volume to smaller enterprises. But Medium enterprises are growing faster. That makes them catch up in terms of relative growth.

These findings match all three study hypotheses. The first hypothesis said medium enterprises would grow faster in credit. That has happened. The second one said Micro and Small enterprises would still hold the largest share. That is also true. The third hypothesis talked about overall growth in MSME credit during this time. That too has been confirmed.

This shows a dual trend. One part is steady credit use by Micro and Small enterprises. The other part is fast credit growth for medium enterprises. These trends matter. That is because they guide future policies. This also helps in planning better credit models for the MSME sector.

## 10. Policy Recommendations

1. There is a need to improve lending support. That is especially for Micro enterprises. This will help reduce the gap in credit access.
2. Medium enterprises are growing. That growth can continue if formalization support is given. These incentives should be maintained.
3. A new approach can be tried. That is to create flexible credit-sharing models. These should adjust based on how MSMEs are performing in real time.
4. One more step is needed. That is to make sure MSME credit data is published separately. This disaggregated data will help in better policy targeting.

## 11. Limitations of the Study

• This study looks at only three time points. That means longer-term trends are not included.

• It does not study MSMEs by region or sector. That part is missing within the Micro, Small, and medium categories.

• The data used is all secondary. That means no field visit or on-ground verification was done.

## 12. Conclusion

This paper studied credit trends for MSMEs in India. That focus was on the period after the pandemic. It looked at how credit was given to different segments. The results show that medium enterprises are growing faster in receiving formal credit. Micro and Small enterprises still hold most of the total credit. That makes them important in overall share. The study used graphs made in R. These helped in understanding the patterns more clearly. The findings show that MSME credit is improving. But there is still a need for better support. That support should match the needs of each type of enterprise. This kind of targeted approach can help MSMEs grow stronger. That will also support India's growth in jobs and industries.

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