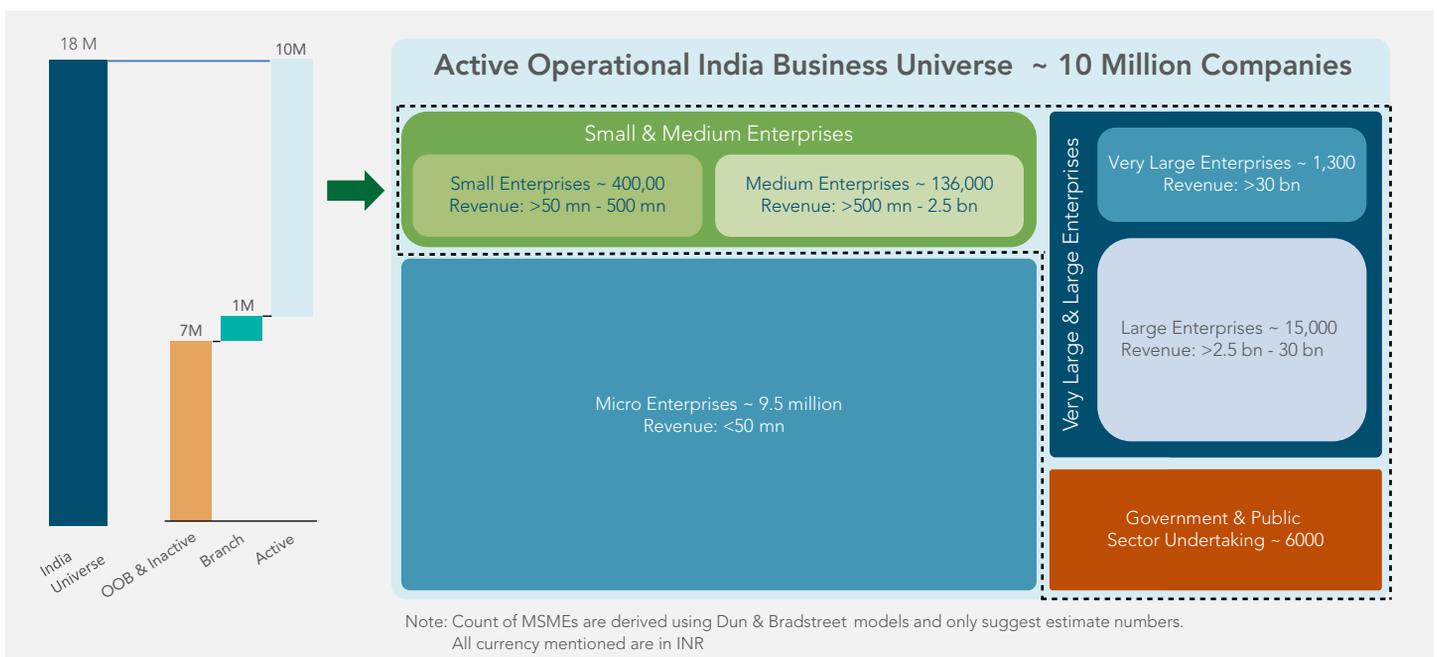


Dun & Bradstreet India Data Updates

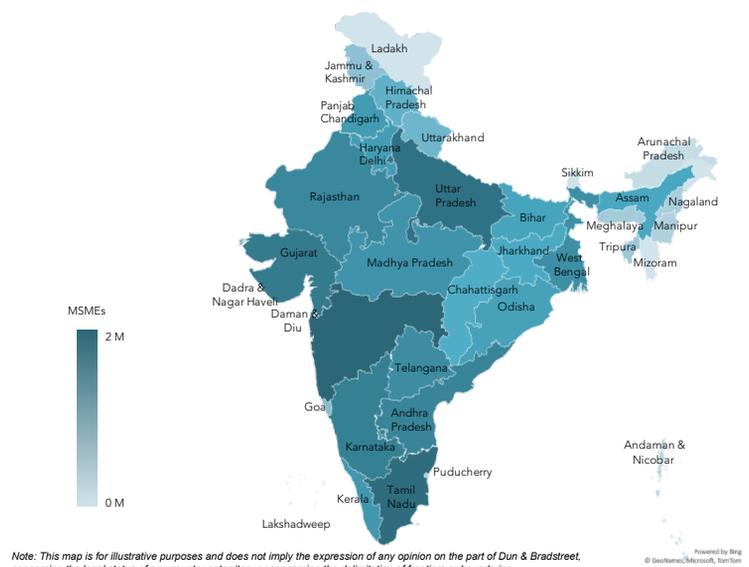
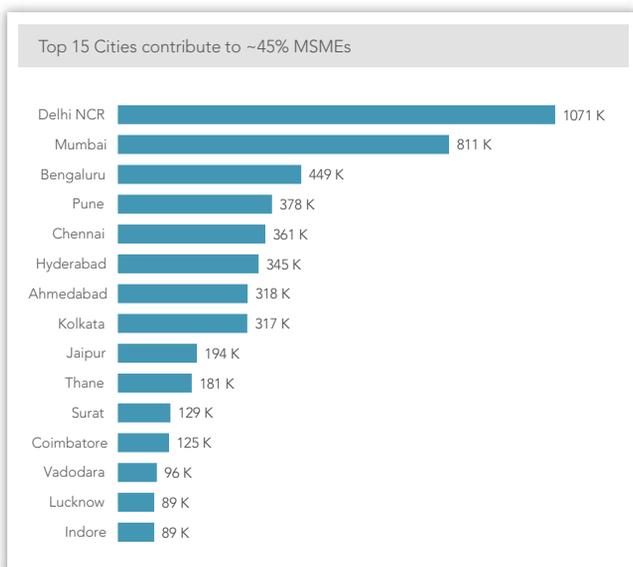
Coverage of MSMEs in Dun & Bradstreet India Data Cloud

95% of the active businesses in the Dun & Bradstreet India Data Cloud comprises of Micro Enterprises, followed by 4% Small and Medium Businesses (SMBs). Apart from these, there are 7 million SMBs that are categorized as Out of Business (OOB) / Inactive. Clients can benefit from the SMB coverage on active businesses and OOBs to create impactful go-to-market strategies, make smart credit decisions, accelerate due diligence and mitigate risk.



Regional Coverage of MSMEs

The state of Maharashtra covers about 19% of the total number of MSMEs, followed by Uttar Pradesh (10%) and Tamil Nadu (9%)



The most comprehensive cloud based database of Indian Companies

Company details | Management information
Legal & Compliance information

Check everything with the click of button

[Click here for more details](#)

The Current State of MSME Financing

By Dr. Arun Singh, Global Chief Economist, Dun & Bradstreet

In the previous edition of this bulletin, we saw the phenomenon of the 'Missing Middle' in India. This edition explains why micro enterprises struggle to scale up into small and medium sized businesses. Dun & Bradstreet has been closely engaged with Micro, Small and Medium Enterprises (MSMEs) for several years and the library of responses we have compiled now cover thousands of MSMEs. However, the problems they cite have not changed. Of the many problems, access to finance is the most critical challenge. The core challenges that MSMEs requiring external finance face include high collateral requirements, high interest rates and complex application procedures. Unpacking these three challenges indicate that the problem is more severe than it appears. Firstly, the average collateral-to-loan-value ratio in India is 250% in comparison to an average of 160% in high income OECD (Organisation for Economic Co-operation and Development) countries. Secondly, interest rates of MSME loans in developing countries is higher by 7-8 percentage points than developed countries, despite having lower default rates. Thirdly, with no credible information regarding the credit history of the borrower, lenders often rely on personal relations and soft information to determine the creditworthiness of the borrower. This results in procedural complications, lengthy application processing time and inevitably higher interest rates. These challenges have adversely impacted the access to credit for MSMEs.

A robust supply chain finance ecosystem can act as a lever to ease the credit constraints of MSMEs. However, penetration of supply chain finance is much less than 1% in India. This may sound like only

the MSMEs are at disadvantage, but given that the supply chain is interlinked, even the large/anchor companies get affected. Optimisation of working capital can help MSMEs invest more in their business, be more productive and supply goods or services at competitive prices to anchor companies. To quantify the effects of this optimisation on the top line of businesses, we analysed the data of companies across the spectrum – from micro to large companies. We found that, companies which decreased (improved) their working capital days witnessed an average of 6 percentage points higher net sales growth compared to those companies which increased (worsened) their working capital days.

The launch of Trade Receivables Discounting System (TReDS) is a commendable initiative, however, the level of participation by all stakeholders, particularly large corporates and micro enterprises must increase. The Ministry of MSME has mandated all large corporates with a turnover of more than Rs 5 bn and all Central Public Sector Enterprises (CPSEs) to register on the TReDS platform. However, there is no prescribed timeline within which the large corporates and CPSEs have to register themselves on the TReDS platform nor there is a penalty for non-compliance. In the TReDS platform, there is an obligation on the buyers (large corporates) to settle an invoice within 45 days. Hence large corporates could be reluctant to utilise the platform when they can negotiate softer terms offline. These are some of the challenges that require immediate attention to ease the credit constraints of MSMEs.

Want to reduce friction in your quote to cash process?

D&B Direct for Finance lets you automate decisions to manage risk, receivables, and collection priorities

[Click here for more details](#)