

MICRO & SMALL ENTERPRISES (MSE) INFORMATION KIT



CENTRAL BANK OF INDIA
MSME DEPARTMENT

**CENTRAL OFFICE,
MUMBAI**

INDEX

Sr. No	PARTICULARS	PAGE NO
1	MSMEs- Unique Features	3
2	MSMED Act & Definition of Micro, Small and Medium Enterprises	3
3	Targets for Domestic Commercial Banks.	5
4	The Banking Codes and Standard Board of India (BCSBI)- code of Bank's Commitment to Micro and Small Enterprises.	5
5	Common Guidelines instructions for lending to MSE sector	6
6	Committees on Flow of Credit to MSE Sector	10
7	Activities to be classified under Micro & Small Enterprises	13
8	Our MSE Products	15
9	Assessment of Credit for MSE units	18
10	Pricing	19
11	Rating	19
12	Security Norm	20
13	Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)	20
14	Simplified Common Loan Applications	22
15	MSME Initiative by Bank	22
16	Our expectations	23
17	New Development	24
18	Goal Post for current financial year	24

MSMEs – UNIQUE FEATURES

- ✓ MSME sector employs about 111 million persons spread over 51 million enterprises. In MSME in India account for over 95% of total number of industrial units. In India, MSME sector contributes 45% of the total manufacturing output and 40% to the exports from the country. The sector contributes 9% to GDP, which is expected to raise to level of 17% by 2020.
- Bank's exposure under MSE sector has shown significant growth during the financial year, 2012-13 to 2015-16 precisely, the sector grew by- 60.67%.

MSMED ACT & DEFINITION OF MICRO, SMALL AND MEDIUM ENTERPRISES

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 on June 16, 2006 which was notified on October 2, 2006

Definition of Micro, Small and Medium Enterprises :

Manufacturing Enterprises i.e. Subject to the definition in MSMED Act, 2006, manufacturing enterprises would mean enterprises engaged in the manufacture or production of goods as specified below:

- A Micro Enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;
- A Small Enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and
- A Medium Enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore.
- In case of the above enterprises, investment in plant and machinery, is the original cost excluding land and building and the specified by the Ministry of Small Scale Industries vide its notification No. S.O. 1722(E) dated October 5, 2006.

Service Enterprises: i.e. Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006) as specified below:

- A Micro Enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;
- A Small Enterprise is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs. 2 crore; and
- A Medium Enterprise is an enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

Priority Sector Guidelines for MSME sector

In terms of [Master Direction FIDD.CO.Plan.1/04.09.01/2016-17 dated July 7, 2016](#) on 'Priority Sector Lending - Targets and Classification', bank loans to Micro, Small and Medium Enterprises, for both Manufacturing and Service sectors are eligible to be classified under the Priority Sector as per the following norms:

Manufacturing Enterprises

The Micro, Small and Medium Enterprises engaged in the manufacture or production of goods to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951 and as notified by the Government from time to time. The Manufacturing Enterprises are defined in terms of investment in plant and machinery.

Service Enterprises

Bank loans up to Rs.5 crore per borrower / unit to Micro and Small Enterprises and Rs.10 crore to Medium Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006.

KHADI AND VILLAGE INDUSTRIES SECTOR (KVI)

All loans to units in the KVI sector will be eligible for classification under the sub-target of 7.5 percent prescribed for Micro Enterprises under priority sector.

Other Finance to MSMEs

- (i) Loans to entities involved in assisting the decentralized sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries.
- (ii) Loans to co-operatives of producers in the decentralized sector viz. artisans, village and cottage industries.
- (iii) Loans sanctioned by banks to MFIs for on-lending to MSME sector as per the conditions specified in the extant Master Direction on 'Priority Sector Lending - Targets and Classification'.
- (iv) Credit outstanding under General Credit Cards (including Artisan Credit Card, Laghu Udyami Card, Swarojgar Credit Card, and Weaver's Card etc. in existence and catering to the non-farm entrepreneurial credit needs of individuals).
- (v) Overdrafts extended by banks after April 8, 2015 up to Rs.5,000/- under Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts provided the borrower's household annual income does not exceed Rs.100,000/- for rural areas and Rs.1,60,000/- for non-rural areas. These overdrafts will qualify as achievement of the target for lending to Micro Enterprises.
- (vi) Outstanding deposits with SIDBI and MUDRA Ltd. on account of priority sector shortfall.

- To ensure that MSMEs do not remain small and medium units merely to remain eligible for priority sector status, the MSME units shall continue to enjoy the priority sector lending status up to **three years** after they grow out of the MSME category concerned.
- Since the MSMED Act, 2006 does not provide for clubbing of investments of different enterprises set up by same person / company for the purpose of classification as Micro, Small and Medium enterprises, the Gazette Notification No. S.O.2 (E) dated January 1, 1993 on clubbing of investments of two or more enterprises under the same ownership for the purpose of classification of industrial undertakings as SSI has been rescinded vide GOI Notification No. S.O. 563 (E) dated February 27, 2009.

TARGETS / SUB-TARGETS FOR LENDING TO MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) SECTOR BY DOMESTIC COMMERCIAL BANKS

- Advances to Micro, Small and Medium Enterprises (MSME) sector shall be reckoned in computing achievement under the overall Priority Sector target of 40 percent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, as per the extant guidelines on priority sector lending.
- Domestic Commercial Banks are required to achieve a sub-target of 7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, for lending to Micro Enterprises 7.5 per cent by March 2017.
- Bank loans above Rs.5 crore per borrower / unit to Micro and Small Enterprises and Rs.10 crore to Medium Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006, shall **not** be reckoned in computing achievement under the overall Priority Sector targets as above. However, bank loans above Rs.5 crore per borrower / unit to Micro and Small Enterprises would be taken into account while assessing the performance of the banks with regard to their achievement of targets prescribed by the Prime Minister's Task Force on MSMEs for lending to MSE sector.

In terms of the recommendations of the Prime Minister's Task Force on MSMEs, banks are advised to achieve a 20 per cent year on year growth in credit to Micro and Small enterprises and a 10 per cent annual growth in the number of Micro Enterprise accounts. In order to ensure that sufficient credit is available to Micro enterprises within the MSE sector, banks should ensure that:

- i. 20 per cent year-on-year growth in credit to Micro and small enterprises,
- ii. 10 per cent annual growth in the number of Micro enterprise accounts and
- iii. 60% of total lending to MSE sector as on preceding March 31st to Micro enterprises.

THE BANKING CODES AND STANDARD BOARD OF INDIA (BCSBI):

The Banking Codes and Standard Board of India (BCSBI) has formulated a Code of Bank's Commitment to Micro and Small Enterprises. This is a voluntary Code, which sets minimum

standards of banking practices for banks to follow when they are dealing with Micro and Small Enterprises (MSEs) as defined in the Micro Small and Medium Enterprises Development (MSMED) Act, 2006. It provides protection to MSE and explains how banks are expected to deal with MSE for their day-to-day operations and in times of financial difficulty.

The Code also mentions, inter alia, that the banks are expected to dispose of MSE loan application for a credit limit or enhancement in the existing credit limit up to Rs.5 lakh within two weeks; and for credit limit above Rs.5 lakh and up to Rs.25 lakh within 3 weeks; and for credit limit above Rs.25 lakh within 6 weeks from the date of receipt, provided the application is complete in all respects and is accompanied by documents as per 'check list' provided. While banks may voluntarily adhere to such time limits in the Code, every effort should be taken to reduce further the time taken to process and dispose of MSE loan applications. The Code does not replace or supersede regulatory or supervisory instructions issued by the Reserve Bank of India (RBI) and banks will comply with such instructions /directions issued by the RBI from time to time.

Objectives of the BCSBI Code

The Code is developed to:

- (a) Give a positive thrust to the MSE sector by providing easy access to efficient banking services.
- (b) Promote good and fair banking practices by setting minimum standards in dealing with MSE.
- (c) Increase transparency so that a better understanding of what can reasonably be expected of the services.
- (d) Improve understanding of business through effective communication.
- (e) Encourage market forces, through competition, to achieve higher operating standards.
- (f) Promote a fair and cordial relationship between MSE and banks and also ensure timely and quick response to banking needs.
- (g) Foster confidence in the banking system.

The complete text of the Code is available at the BCSBI's website (www.bcsbi.org.in)

COMMON GUIDELINES / INSTRUCTIONS FOR LENDING TO MSE SECTOR DISPOSAL OF APPLICATIONS:

All loan applications for MSE units up to a credit limit of Rs. 5 lakh should be disposed of within 2 weeks and those above Rs. 5 lakh and up to Rs. 25 lakh within 3 weeks, and for credit limit above Rs. 25 lakh within 6 weeks from the date of receipt provided the loan applications are complete in all respects and accompanied by a "check list" provided.

Issue of Acknowledgement of Loan Applications to MSME borrowers

Banks are advised to mandatorily acknowledge all loan applications, submitted manually or online, by their MSME borrowers and ensure that a running serial number is recorded on the application form as well as on the acknowledgement receipt. Banks are further advised to put in place a system of Central Registration of loan applications, online submission of loan applications and a system of e-tracking of MSE loan applications.

SPECIALISED MSME BRANCHES: Banks have been advised to open at least one specialised branch in each district. Further, banks have been permitted to categorise their MSME general banking branches having 60% or more of their advances to MSME sector in order to encourage them to open more specialised MSME branches for providing better service to this sector as a whole. As per the policy package announced by the Government of India for stepping

up credit to MSME sector, the public sector banks will ensure specialized MSME branches identified clusters/centres with preponderance of small enterprises to enable the entrepreneurs to have easy access to the bank credit and to equip bank personnel to develop requisite expertise. The existing specialised SSI branches have been redesignated as MSME branches.

DELAYED PAYMENT: Under the Amendment Act, 1998 of Interest on Delayed Payment to Small Scale and Ancillary Industrial Undertakings, penal provisions have been incorporated to take care of delayed payments to MSME units.

- i. In case the buyer **has** to make payment **to the supplier** on or before the date agreed on between him and the supplier in writing or, in case of no agreement before the appointed day. The period agreed upon between the supplier and the buyer shall not exceed forty five days from the date of acceptance or the day of deemed acceptance.
- ii. In case the buyer fails to make payment of the amount to the supplier, he shall be liable to pay compound interest with monthly rests to the supplier on the amount from the appointed day or, on the date agreed on, at three times of the Bank Rate notified by Reserve Bank.
- iii. For any goods supplied or services rendered by the supplier, the buyer shall be liable to pay the interest as advised at (ii) above.
- iv. In case of dispute with regard to any amount due, a reference shall be made to the Micro and Small Enterprises Facilitation Council, constituted by the respective State Government. Further banks, are advised to fix sub-limits within the overall working capital limits to the large borrowers specifically for meeting the payment obligation in respect of purchases from MSMEs.

Debt Restructuring Mechanism for MSMEs

- (i) All scheduled commercial banks are advised to follow the guidelines / instructions pertaining to SME Debt Restructuring, as contained in [circular DBR. No.BP.BC. 2/21. 04. 048/2015- 16 dated July 1, 2015](#) on 'Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances' and as updated from time to time.
- (ii) In the light of the recommendations of the Working Group on Rehabilitation of Sick MSEs (Chairman: Dr. K.C. Chakrabarty), all commercial banks are advised vide our [circular RPCD. SME & NFS.BC.No.102/06.04.01/2008-09 dated May 4, 2009](#) to:
 - (a) Put in place loan policies governing extension of credit facilities, Restructuring /Rehabilitation policy for revival of potentially viable sick units / enterprises (now read with guidelines on Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises issued on March 17, 2016) and non- discretionary One Time Settlement scheme for recovery of non-performing loans for the MSE sector, with the approval of the Board of Directors and
 - (b) Implement recommendations with regard to timely and adequate flow of credit to the MSE sector.
- (iii) Banks are advised to give wide publicity to the One Time settlement scheme implemented by them, by placing it on the bank's website and through other possible modes of dissemination. They may allow reasonable time to the borrowers to submit the application and also make payment of the dues in order to extend the benefits of the scheme to eligible borrowers.

Framework for Revival and Rehabilitation of MSMEs:

The Ministry of Micro, Small and Medium Enterprises, Government of India, vide their Gazette Notification dated May 29, 2015 had notified a 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises' to provide a simpler and faster mechanism to address the stress in the accounts of MSMEs and to facilitate the promotion and development of MSMEs. The Reserve Bank was advised to issue necessary instructions to banks for effective implementation and monitoring of the said Framework. After carrying out certain changes in the captioned Framework in consultation with the Government of India, Ministry of MSME so as to make it compatible with the existing regulatory guidelines on 'Income Recognition, Asset Classification and provisioning pertaining to Advances' issued to banks by RBI, the guidelines on the captioned Framework along with operating instructions were issued to banks on March 17, 2016. The revival and rehabilitation of MSME units having loan limits up to Rs.25 crore would be undertaken under this Framework. Banks were required to put in place their own Board approved policy to operationalize the Framework not later than June 30, 2016. The revised Framework supersedes our earlier Guidelines on Rehabilitation of Sick Micro and Small Enterprises issued vide our [circular RPCD. CO. MSME & NFS.BC. 40/06.02.31/2012-2013 dated November 1, 2012](#), except those relating to Reliefs and Concessions for Rehabilitation of Potentially Viable Units and One Time Settlement, mentioned in the said circular.

The salient features of the Framework are as under:

- i) Before a loan account of an MSME turns into a Non-Performing Asset (NPA), banks or creditors should identify incipient stress in the account by creating three sub-categories under the Special Mention Account (SMA) category as given in the Framework.
- ii) Any MSME borrower may also voluntarily initiate proceedings under this Framework
- iii) Committee approach to be adopted for deciding corrective action plan
- iv) Time lines have been fixed for taking various decisions under the Framework

State Level Inter Institutional Committee

In order to deal with the problems of co-ordination for rehabilitation of sick Micro and Small units, State Level Inter-Institutional Committees (SLIICs) have been set up in all the States.

Credit Linked Capital Subsidy Scheme

Government of India, Ministry of Micro, Small and Medium Enterprises has conveyed their approval for continuation of the Credit Linked Capital Subsidy Scheme (CLSS) for Technology Up gradation of Micro and Small Enterprises from X Plan to XI Plan (2007-12) subject to the following terms and conditions:

- i. Ceiling on the loan under the scheme is Rs. 1 crore.
- ii. The rate of subsidy is 15% for all units of Micro and Small enterprises up to loan ceiling at Sr. No. (i) above.
- iii. Calculation of admissible subsidy will be done with reference to the purchase price of plant and machinery instead of term loan disbursed to the beneficiary unit.
- iv. SIDBI and NABARD will continue to be implementing agencies of the scheme.

Streamlining flow of credit to Micro and Small Enterprises (MSEs) for facilitating timely and adequate credit flow during their 'Life Cycle':

In order to provide timely financial support to Micro and Small enterprises facing financial difficulties during their 'Life Cycle', guidelines were issued to banks vide our circular FIDD.MSME & NFS.BC.No.60/06.02.31/2015-16 dated August 27, 2015 on the captioned subject. Banks are advised to review and tune their existing lending policies to the MSE sector by incorporating therein the following provisions so as to facilitate timely and adequate availability of credit to viable MSE borrowers especially during the need of funds in unforeseen circumstances:

- i. To extend standby credit facility in case of term loans.
- ii. Additional working capital to meet with emergent needs of MSE units
- iii. Mid-term review of the regular working capital limits, where banks are convinced that changes in the demand pattern of MSE borrowers require increasing the existing credit limits of the MSMEs, every year based on the actual sales of the previous year.
- iv. Timelines for Credit Decisions.

Micro and Small Enterprises Sector – The imperative of Financial Literacy and consultancy support.

Keeping in view the high extent of financial exclusion in the MSME sector, it is imperative for banks that the excluded units are brought within the fold of the formal banking sector. The lack of financial literacy, operational skills, including accounting and finance, business planning etc. represent formidable challenge for MSE borrowers underscoring the need for facilitation by banks in these critical financial areas. Moreover, MSE enterprises are further handicapped in this regard by absence of scale and size. To effectively and decisively address these handicaps, Scheduled commercial banks were advised vide our circular RPCD.MSME & NFS.BC. No. 20/06.02.31/2012-13 dated August 1, 2012 that they could either separately set up

special cells at their branches, or vertically integrate this function in the Financial Literacy Centres (FLCs) set up by them, as per their comparative advantage. The bank staff should also be trained through customised training programs to meet the specific needs of the sector.

CLUSTERS

Clusters are defined as sectoral and geographical concentration of MSE units sharing common opportunities and threat. Bank will give thrust for recognized cluster based finance. UNIDO has identified 388 Clusters all over India activity wise. 60 clusters have been identified by the Ministry of Micro, Small and Medium Enterprises, Government of India for focused development of Small Enterprises sector.

As per Ganguly Committee recommendations (September 4, 2004), banks are advised that a full-service approach to cater to the diverse needs of the SSI sector (now MSE sector) may be achieved through extending banking services to recognized MSE clusters by adopting a 4-C approach namely, Customer focus, Cost control, Cross sell and Contain risk. A cluster based approach to lending may be more beneficial:

- (a) in dealing with well-defined and recognized groups;
- (b) availability of appropriate information for risk assessment and
- (c) monitoring by the lending institutions.

Clusters may be identified based on factors such as trade record, competitiveness and growth prospects and/or other cluster specific data.

The Ministry of Micro, Small and Medium Enterprises has approved a list of clusters under the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) and Micro and Small Enterprises Cluster Development Programme (MSE-CDP) located in 121 Minority Concentration Districts. Accordingly, appropriate measures have been taken to improve the credit flow to the identified clusters of Micro and Small entrepreneurs from the Minority Communities residing in the minority concentrated districts of the country.

(iv) In terms of recommendations of the Prime Minister's Task Force on MSMEs banks should open more MSE focused branch offices at different MSE clusters which can also act as Counselling Centres for MSEs. Each lead bank of a district may adopt at least one MSE cluster.

Committees on flow of Credit to MSE sector:

Report of the High Level Committee on Credit to SSI (now MSE) (Kapur Committee)

Reserve Bank of India had appointed a one-man High Level Committee (June 30, 1998) headed by Shri S L Kapur, (IAS, Retd.), Former Secretary, Government of India, Ministry of Industry to suggest measures for improving the delivery system and simplification of procedures for credit to SSI sector. The Committee made 126 recommendations covering wide range of areas pertaining to financing of SSI sector. These recommendations were examined by the RBI and it was decided to accept 88 recommendations which include the following important recommendations:

- (i) Delegation of more powers to branch managers to grant ad-hoc limits;
- (ii) Simplification of application forms;
- (iii) Freedom to banks to decide their own norms for assessment of credit requirements;
- (iv) Opening of more specialised SSI branches;
- (v) Enhancement in the limit for composite loans to Rs. 5 lakh. **(since enhanced to Rs.1 crore);**
- (vi) Banks to pay more attention to the backward states;

- (vii) Special programmes for training branch managers for appraising small projects;
- (viii) Banks to make customers grievance machinery more transparent and simplify the procedures for handling complaints and monitoring thereof.

Report of the Committee to Examine the Adequacy of Institutional Credit to SSI Sector (now MSE) and Related Aspects (Nayak Committee).

The Committee was constituted by Reserve Bank of India in December 1991 under the Chairmanship of Shri P. R. Nayak , the then Deputy Governor to examine the issues confronting SSIs (now MSE) in the matter of obtaining finance. The Committee submitted its report in 1992. All the major recommendations of the Committee have been accepted and the banks have been, inter-alia, advised to:

- (i) give preference to village industries, tiny industries and other small scale units in that order, while meeting the credit requirements of the small scale sector;
- (ii) grant working capital credit limits to SSI (now MSE) units computed on the basis of minimum 20% of their estimated annual turnover whose credit limit in individual cases is up to Rs.2 crore [since raised to Rs.5 crore];
- (iii) ensure that there should not be any delay in sanctioning and disbursal of credit. In case of rejection/curtailment of credit limit of the loan proposal, a reference to higher authorities should be made;
- (iv) not to insist on compulsory deposit as a `quid pro-quo' for sanctioning the credit;
- (v) open specialised SSI (now MSE) bank branches or convert those branches which have a fairly large number of SSI (now MSE) borrowal accounts, into specialised SSI (now MSE) branches;
- (vi) standardise loan application forms for SSI (now MSE) borrowers; and
- (vii) impart training to staff working at specialised branches to bring about attitudinal change in them.

Report of the Working Group on Flow of Credit to SSI (now MSE) Sector (Ganguly Committee)

As per the announcement made by the Governor, Reserve Bank of India, in the Mid-Term Review of the Monetary and Credit Policy 2003-2004, a "Working Group on Flow of Credit to SSI sector" was constituted under the Chairmanship of Dr. A S Ganguly. The Committee made 31 recommendations covering wide range of areas pertaining to financing of SSI sector. The recommendations pertaining to RBI and banks have been examined and RBI has accepted 8 recommendations so far and communicated to banks for implementation vide circular RPCD.PLNFS.BC.28/06.02.31(WG)/2004-05 dated September 4, 2004 which are as under:

- (i) Adoption of cluster based approach for financing MSME sector;
- (ii) Sponsoring specific projects as well as widely publicising successful working models of NGOs by Lead Banks which service small and tiny industries and individual entrepreneurs;
- (iii) Sanctioning of higher working capital limits by banks operating in the North East region to SSIs (now MSE) , based on their commercial judgment due to the peculiar situation of hilly terrain and frequent floods causing hindrance in the transportation system;
- (iv) Exploring new instruments by banks for promoting rural industry and to improve the flow of credit to rural artisans, rural industries and rural entrepreneurs.

Working Group on Rehabilitation of Sick SMEs (Chairman: Dr. K.C. Chakrabarty)

In the light of the recommendations of the Working Group on Rehabilitation of Sick MSEs (Chairman: Dr. K.C. Chakrabarty, the then CMD of Punjab National Bank), all commercial banks were advised vide our circular [RPCD. SME & NFS.BC.No.102/06.04.01/2008-09 dated May 4, 2009](#) to:

- a) put in place loan policies governing extension of credit facilities, Restructuring/Rehabilitation policy for revival of potentially viable sick units/enterprises and non- discretionary One Time Settlement scheme for recovery of non-performing loans for the MSE sector, with the approval of the Board of Directors and
- b) implement the recommendations with regard to timely and adequate flow of credit to the MSE sector as detailed in the aforesaid circular.

Prime Minister's Task Force on Micro, Small and Medium Enterprises:

A High Level Task Force was constituted by the Government of India (Chairman: Shri T K A Nair), in January 2010, to consider various issues raised by Micro, Small and Medium Enterprises (MSMEs). The Task Force recommended several measures having a bearing on the functioning of MSMEs, viz., credit, marketing, labour, exit policy, infrastructure /technology /skill development and taxation. The comprehensive recommendations cover measures that need immediate action as well as medium term institutional measures along with legal and regulatory structures and recommendations for North-Eastern States and Jammu & Kashmir. Banks are urged to keep in view the recommendations made by the Task Force and take effective steps to increase the flow of credit to the MSE sector, particularly to the Micro Enterprises.

**CATEGORIZATION OF ACTIVITIES UNDER MANUFACTURING OR SERVICES
UNDER THE MSMED ACT 2006**

MSME-Manufacturing	MSME-Services
<p>Loans given to enterprises engaged in the manufacture or production, processing or preservation of goods in general including the following:</p> <ul style="list-style-type: none"> ➤ Printing ➤ Printing and publishing as integrated unit. ➤ Medical Equipment and Ayurvedic Product ➤ Composite unit of Bacon Processing and Piggy Farm ➤ Beedi / Cigarette Manufacturing and other tobacco products. ➤ Manufacture of Bio Fertilizer ➤ Separation of iron scraps from slag pots. ➤ Generation of electricity through windmill. chemical treatment etc.) ➤ Seed processing (for genetic enhancement), (involving collection of germ plasm, cleaning, gravity separation, chemical treatment etc.,) 	<p>Loans given to enterprises engaged in providing or rendering of services in general including the following:</p> <p><i>Loans given to enterprises engaged in providing or rendering of services in general including the following:</i></p> <ul style="list-style-type: none"> ➤ Small Road and Water Transport Operators. ➤ Small Business ➤ Professional & Self-employed persons, ➤ And other service enterprises engaged in activities, viz, <ul style="list-style-type: none"> ○ Consultancy Services including management services ○ Composite Broker Services in risk and insurance management ○ Third Party Administration (TPA) services for medical insurance claims of policy holders ○ Seed grading services ○ Training-cum-Incubator centre ○ Educational Institutions ○ Training Institutes ○ Retail Trade ○ Practice of law i.e. legal services ○ Trading in medical instruments (brand new) ○ Placement and Management ○ Consultancy Services ○ Advertising Agency and

	<ul style="list-style-type: none"> ➤ Training Centers, etc. ➤ Publishing. ➤ Sanitation Services (Hiring of Septic tank cleaner) ➤ Clinical/Pathological Laboratories and Scanning, MRI tests. ➤ Hospitals ➤ Agri-clinic and agri-business. ➤ Restaurant with Bar ➤ Canteens ➤ Hotels ➤ Motel Industry ➤ Consultancy Services including management Services. ➤ Renting of Agriculture Machinery (Harvesting) ➤ Composite Broker Services in Risk and Insurance Management ➤ Practice of Law i.e. legal services ➤ Trading in Medical Instruments (branch new) ➤ Placement and management consultancy services ➤ Advertising Agencies and Training Centres ➤ Development of Software and providing software services ➤ Medical Transcription Service. ➤ Production of T.V.Serial and other T.V.Programmes, ➤ Ripening of Raw Fruits under controlled conditions, ➤ [Subject to norms prescribed by Food Safety and Standards Authority of India, (Ministry of Health and Family Welfare, Government of India)] ➤ Service rating Agency, ➤ (Rating and grading services across sectors based on set methodology and standards) ➤ Advertising Agencies ➤ Marketing Consultancies ➤ Industrial Consultancies ➤ Equipment Rental and Leasing ➤ Typing Centers ➤ Photo copying Centres ➤ Industrial R &D Labs ➤ Industrial Testing Labs ➤ Desktop Publishing ➤ Setting up of Cyber Cafes
--	---

	<ul style="list-style-type: none"> ➤ Auto Repairs Services and Garages ➤ Documentary Films on themes like family planning, social forestry, energy conservation, commercial advertising. ➤ Laboratories engaged in testing of Raw Materials and Finished Products. ➤ Servicing Industry undertakings engaged in maintenance , repairs, testing or servicing of all types of vehicles and machinery of any description including electronics / electrical equipments/ instruments i.e. measuring / control instruments, television, Tape Recorder, VCR, Radios, transformers, motors, watches etc. ➤ Laundry and Dry Cleaning ➤ X-Ray clinic ➤ Tailoring ➤ Servicing of agriculture farm equipment e.g. tractor, pumps, rig, boring machines etc. ➤ Weigh Bridge ➤ Photographic Lab ➤ Blue Printing and enlargement of drawing/ Design Facilities ➤ ISD/STD Booths ➤ Tele Printers/FAX services ➤ Sub-Contracting Exchanges (SCXs) established by industry associations. ➤ EDP institutes established by voluntary associations/ non-government organization. ➤ Colour and Black and White studios equipped with processing laboratories ➤ Ropeways in hilly areas. ➤ Installation and operation of cable TV Network ➤ Operating EPBAX under franchisee. ➤ Beauty Parlours and Crèches.
--	--

- The above list is illustrative and not exhaustive. Branches are advised to include similar activities under MSE classification after proper verification.

OUR SME PRODUCT

1. CENT MUDRA :

FOR EXTENDING FINANCE TO NON-FARM ACTIVITIES UNDER MSE

SECTOR. THE SCHEME IS AVAILABLE TO COVER CREDIT FACILITIES TO ELIGIBLE BORROWERS BOTH IN MANUFACTURING, SERVICES & TRADE SECTOR UNDER NON-FARM ACTIVITIES AND WHOSE FINANCIAL REQUIREMENT IS UP TO RS 10 LACS.

Loan Amount: Shishu : covering loans up to 50,000/-:

Kishor : covering loans above 50,000/- and up to 5 lakh

Tarun : covering loans above 5 lakh to 10 lakh

No collateral Security & Third Party Guarantee :

MARGIN: **SHISHU** - Loan up to Rs 50,000/--NIL

TARUN & KISHOR –Loan over Rs 50,000 and up to Rs. 10 lacs -25%

2. CENT Stand Up India : SCHEME ENVISAGES LOANS BETWEEN RS. 10 LAC AND RS. 1 CRORE FOR GREENFIELD ENTERPRISES SET UP BY SC/ST AND WOMEN BORROWERS. EACH BANK BRANCH WILL HAVE TO EXTEND LOAN TO AT LEAST ONE SC/ST AND ONE WOMEN BORROWER. IT IS INTENDED TO FACILITATE AT LEAST TWO SUCH PROJECTS PER BANK BRANCH, ON AN AVERAGE ONE FOR EACH CATEGORY OF ENTREPRENEUR.

ELIGIBILITY: SC/ ST BORROWERS AND WOMEN BORROWERS FOR SETTING UP NEW ENTERPRISES. APART FROM CONSIDERING WALK-IN ENTREPRENEURS, BANKS WOULD REACH OUT TO TRAINEES WHO HAVE UNDERGONE SKILL TRAINING / LIVELIHOOD TRAINING CONDUCTED BY NATIONAL SKILL DEVELOPMENT CORPORATION, MSME DEVELOPMENT CENTERS, OTHER GOVT. AGENCIES, RSETIS OR ANY STATE RUN CENTRES .

PROJECTS/ ACTIVITIES COVERED: GREEN FIELD ENTERPRISES IN THE NON-FARM SECTOR SET UP BY SUCH SC,ST AND WOMEN BENEFICIARIES.

LOAN AMOUNT: COMPOSITE LOAN BETWEEN RS. 10 LAC TO RS. 100 LAC INCLUSIVE OF WORKING CAPITAL COMPONENT.

REPAYMENT: REPAYABLE UP TO 7 YEARS

MARGIN MONEY OF THE } UP TO 25%
COMPOSITE LOAN }

3. CENT SAHYOG

TO PROVIDE FACILITIES TO ELIGIBLE BORROWERS IN MSE SECTOR (MANUFACTURING & SERVICES). ALL TYPES OF UNORGANISED SERVICE AND MANUFACTURING SECTOR INCLUDING SMALL SHOP OWNERS LIKE THOSE ENGAGED IN MOBILE / TV REPAIRING (NOT SELLING), SMALL GARAGE, JUICE SHOP, BAKERY OWNER, SWEET MEAT / FARSAN SHOP ETC.

QUANTUM OF LOAN: RS.100.00 LAKH PER BORROWER

SECURITY: NO COLLATERAL SECURITY AND GUARANTEE UP TO RS.100.00 LAKH (ACCOUNT TO BE COVERED UNDER CGTMSE)

4. SMALL ROAD AND WATER TRANSPORT OPERATOR SCHEME (SRTO)

TO PURCHASE ONE OR MORE NEW VEHICLE(S) MADE BY STANDARD

MANUFACTURING CONCERNS. AFTER GIVING DUE CONSIDERATION TO MERITS AND VIABILITY OF THE TRANSPORT OPERATOR(S). THE VEHICLES TO BE USED AS PUBLIC TRANSPORT CARRIER FOR TRANSPORT OF GOODS AND PASSENGERS

LIMIT: TERM LOAN MAXIMUM UP TO RS 50.00 LAKH OR MAXIMUM 5 VEHICLES PER BORROWER (INCLUDING EXISTING LOAN OUTSTANDING) WHICH EVER IS LOWER.

SECURITY: NO COLLATERAL SECURITY AND GUARANTEE (ACCOUNT TO BE COVERED UNDER CGTMSE)

5. CENT WEAVER CREDIT CARD:

THE CENT WEAVER CREDIT CARD PROVIDES ADEQUATE AND TIMELY ASSISTANCE TO ALL WEAVERS AND ANCILLARY WORKERS INVOLVED IN WEAVING ACTIVITIES TO MEET THEIR CREDIT REQUIREMENTS BY WAY OF WORKING CAPITAL AND TERM LOAN.

QUANTUM OF LOAN: RS.2.00 LAKH

SECURITY: NO COLLATERAL SECURITY AND GUARANTEE (ACCT. TO BE COVERED UNDER CGTMSE)

6. CENT DOCTOR

FOR PURCHASE OF EQUIPMENT, SETTING UP OF CLINIC, X-RAY LAB, PATHOLOGICAL LABORATORY, NURSING HOME, POLY CLINICS ETC, CLINIC CUM RESIDENCE EXPANSION / RENOVATION / MODERNIZATION OF EXISTING PREMISES.

QUANTUM OF LOAN: MINIMUM- Rs. 1.00 LAKH, MAXIMUM-Rs. 500.00 LAKH, RURAL/SEMI URBAN AREAS- Rs. 50.00 LAKH, URBAN/METRO- Rs. 500.00 LAKH

7. CENT TRADE

FOR ALL TYPES OF TRADERS INCLUDING RETAILERS / DISTRIBUTORS / COMMISSION AGENTS / DEALERS OF MAJOR COMPANIES ETC. AGAINST IMMOVABLE PROPERTY.

QUANTUM OF LOAN: MAXIMUM Rs. 500.00 LAKH

8. CENT MORTGAGE

TO MEET ANY SORT OF BUSINESS NEEDS, BUT NOT FOR ANY SPECULATIVE PURPOSE/REAL ESTATE ACTIVITY/CAPITAL MARKET ACTIVITY AGAINST IMMOVABLE PROPERTY.

QUANTUM OF LOAN: MINIMUM Rs. 1.00 LAKH, MAXIMUM Rs. 100.00 LAKH AGAINST PROPERTY LOCATED IN RURAL AREAS AND Rs. 1000.00 LAKH AGAINST PROPERTY LOCATED IN OTHER AREAS.

9. VENDOR FINANCING

SHORT TERM WORKING CAPITAL FINANCE AGAINST INVOICE DRAWN BY VENDORS ON THE COMPANY. THE FACILITY PROVIDES EASY ACCESSABILITY OF FUNDS AND IMPROVES CASH FLOWS AND BUDGET PREDICTABILITY FOR VENDORS.

10. DEALER FINANCING

FACILITATES DISCOUNTING OF BILLS RAISED BY CORPORATE / COMPANY ON ITS AUTHORIZED DEALERS HAVING DEALERSHIP APPOINTMENT ENGAGED IN MARKETING, SALE AND SERVICE.

11. CENT KALYANI

WOMEN ENTERPRISES ARE FINANCED UNDER THE SCHEME TO SET UP THEIR ENTERPRISES FOR GAINFUL EMPLOYMENT.

ASSESSMENT OF CREDIT FOR MSE UNITS

In tune with the liberalized environment, our Bank has adopted the following system for assessment of working capital requirements of the borrower.

Turnover Method: This method should be used for assessing fund based working capital requirements enjoyed from the banking system up to Rs.5.00 crore.

Traditional Method: Fund based working capital requirements under this method should be assessed under Method II of Tandon Committee for borrowers enjoying fund based working capital limits of above Rs.5.00 crore but less than Rs.50.00 crore.

Cash Budget Method.

This method would be applicable to borrowers who are :

- i. Falling under Cyclical Industries like Tea, Sugar etc.
- ii. Borrowers availing Fund Based Working Capital limits of Rs.50 crore and above from the banking system.

Term Loan Assessment

A term Loan is an advance given for a fixed period with provision for repayment according to agreed term. A term loan may be required to finance the following purposes:

- I. For Financing Specific Asset;
- II. For Financing modernization programme;
- III. For Financing expansion programme;
- IV. For Financing diversification programme;
- V. For Financing New Project;
- VI. For Financing Rehabilitation Project.

Sanction of term loan and working capital together: Term loans and working capital facilities to be sanctioned at the same time and pro rata share to be taken in case of Consortium/Multiple Banking.

A **composite loan** limit of Rs.1 crore can be sanctioned by banks to enable the MSE entrepreneurs to avail of their working capital and term loan requirement through Single Window.

Combined Level of stocks and receivables: CC/OD against stock and receivables to be allowed under one facility.

Rejection/Curtailment of credit limit to be approved by next higher authorities.

PRICING (W.E.F. 01.04.2016): As per Marginal Cost Lending Rate (MCLR) . MCLR (announced time to time) related with Annual reset clause i.e. 12 months.

LIMITS	Rate of Interest @ MCLR
Up to Rs 10 lacs	MCLR+0.50%
Above Rs. 10 lacs and & up to Rs. 100 lacs	MCLR+1.00%
Above Rs. 100 lacs	As per rating

RATING

Bank has formulated two separate scoring models, (MSE-I and MSE-II) for all advances up to Rs.2 crore falling under MSE sector.

- i. Scoring Model MSE-I is to be utilized for existing units and Scoring Model MSE-II is to be used for new units.
- ii. For advances above Rs.2 crore and up to Rs.5 crore scoring model similar to CART of SIDBI is to be utilized
- iii. For advances above Rs.5 crore LCRT of our Bank is to be utilized.

The credit rating as per this system is to be done by the branch on yearly basis and to be confirmed by the competent authority as mentioned below.

Sanctioning Authority	Confirming Authority
Branch Manager up to Scale III	Regional Manager
Chief Manager/Asstt. General Manager	Zonal Manager

RATING AGENCIES:

Bank has entered into an **MOU for Performance and Credit Rating Mechanism of National Small Industries Corporation (NSICs)** with following rating agencies.

1. CARE, 2. CRISIL 3. FITCH 4. ICRA 5. SMERA

If borrower opts for credit rating with **any of the above agencies**, bank will consider following concessions.

- Concession of 50% in Processing Charges
- Interest Concession of 0.25% for the following rating scale.

PERFORMANCE CAPABILITIES	FINANCIAL STRENGTH	INTEREST CONCESSION
	HIGH	
HIGHEST	SE 1A	0.25%
HIGH	SE 2A	0.25%

Bank is adopting the ratings assigned by the external rating agencies for the purpose of pricing only and not as a substitute for Bank's internal Credit Rating exercise.

Bank has also approved following agencies (empanelled with NSCIs) for Performance and Credit Rating. (MOU to be signed)

1. ONICRA Credit Rating Agency of India Limited
2. BRICKWORK Ratings.

SECURITY NORMS :

A. COLLATERAL FREE LOANS

It is mandatory to extend collateral free loans up to Rs.10.00 lac to the Micro and Small Enterprises (MSE) sector. No third party guarantee is required up to this limit.

Such loan will invariably be covered under credit guarantee scheme of CGTMSE.

Banks are also advised to extend collateral-free loans up to Rs. 10 lakh to all units financed under the Prime Minister Employment Generation Programme (PMEGP) administered by KVIC.

Banks are advised to strongly encourage their branch level functionaries to avail of the Credit Guarantee Scheme cover, including making performance in this regard a criterion in the evaluation of their field staff.

Composite loan:

A composite loan limit of Rs.1 crore can be sanctioned by banks to enable the MSE entrepreneurs to avail of their working capital and term loan requirement through Single Window.

Revised General Credit Card (GCC) Scheme:

In order to enhance the coverage of GCC Scheme to ensure greater credit linkage for all productive activities within the overall Priority Sector guidelines and to capture all credit extended by banks to individuals for non-farm entrepreneurial activity, the GCC guidelines were revised on December 2, 2013.

B. CGTMSE

It is also advised to cover all MSE loans under CGTMSE scheme invariably without any exception; so long the quantum of finance does not exceed the prescribed cap of Rs.1.00 crore.

If any finance is to be made outside the coverage of CGTMSE scheme, the branch must appraise its immediate controlling office on merits of such exclusion and obtain its approval for the same.

It is advised to strongly encourage to avail of the Credit Guarantee Scheme cover, as it has been included for making performance in this regard a criterion in the performance appraisal of staff.

CREDIT GUARANTEE TRUST FOR MICRO & SMALL ENTERPRISES (CGTMSE)

The Scheme was known as the Credit Guarantee Fund Scheme for Small Industries (CGFSI). It came into force from August 1, 2000. Subsequent to the enactment of MSMED Act-2006 the Trust was renamed as Credit Guarantee Fund Trust for Micro and Small Enterprises.

Bank will encourage financing viable Micro and Small enterprises for fund based and non fund based limits up to Rs.100 lac to 'eligible borrower' without 'collateral security' or third party guarantee by taking advantage of the Credit Guarantee Scheme of CGTMSE.

Guarantee Fee :CGTMSE has introduced differential guarantee fee w.e.f.01/04/16 , based on NPA % of bank & claim pay-out ratio to decide risk premium to be loaded on Standard rate of guarantee fee. Accordingly , our bank's annual guarantee fee rate is 40% of the Standard Rate i.e 1% S.R+15% RISK PREMIUM + 25% CLAIM PAYOUT RATIO = 140% of the Standard Rate w.e.f.01.04.16.

Extent of the guarantee :

The Trust shall provide guarantee as under:

Category	Maximum extent of Guarantee where credit facility is		
	Up to Rs.5 lakh	Above Rs.5 lakh Up to Rs.50 lakh	Above Rs.50 lakh Up to Rs.100 lakh
Micro Enterprises	85% of the amount in default subject to a maximum of Rs.4.25 lakh	75% / Rs.37.50 lakh	Rs.37.50 lakh plus 50% of amount in default above Rs.50 lakh subject to overall ceiling of Rs.50 lakh. Maximum guarantee cover up to 50 % i.e up to Rs. 50 lac
Women Entrepreneurs / Units located in North East Region (incl. Sikkim) other than credit facility up to Rs.5 lakh to Micro enterprises	80% of the amount in default subject to a maximum of Rs.40 lakh		Rs.40 lakh plus 50% of amount in default above Rs.50 lakh subject to overall ceiling of Rs.50 lakh. Maximum guarantee cover up to 50 % i.e up to Rs. 50 lac

All other category of borrowers	75% / Rs.37.50 lakh	Rs.37.50 lakh plus 50% of amount in default above Rs.50 lakh subject to overall ceiling of Rs.50lakh. Maximum guarantee cover up to 50 % i.e up to Rs. 50 lac.
---------------------------------	------------------------	--

The guarantee cover will commence from the date of payment of guarantee fee and shall run through the agreed tenure of the term credit in respect of term credit / composite credit. Where working capital alone is extended to the eligible borrower, the guarantee cover shall be for a period of 5 years or a block of 5 years, or for such period as may be specified by the trust in this behalf.

SIMPLIFIED COMMON LOAN APPLICATION:

This standardized common loan application form will be used by all borrowers in MSEs sector irrespective of the loan amount. However, for loan beyond Rs.25 lac bank might obtain additional information from the borrower, as deemed necessary, as shown in the checklist enclosed to the loan application form. Bank will also provide the application forms in local languages for the convenience of local MSE customers.

MSME - INITIATIVES BY THE BANK

Bank has taken key initiatives to improve financing under MSE sector.

Bank has identified 531 Specialised MSE.

- Specialised MSME Branches Rural Branches : -50
- Specialised Small and Medium Branches: 178
- Other Specialised MSME branches : 353
- 2 SME Credit Processing Cells (Area Specific) are created for processing proposals from Rs. 1 crore to Rs. 25 crore.
- 5 SME Credit Processing Cells (Product Specific) are created for processing proposals from Rs. 50 lakh to Rs. 3 crore.
- Bank has entered into an **MOU for Performance and Credit Rating Mechanism of National Small Industries Corporation (NSICs)** with following rating agencies.
 1. CARE 2. CRISIL 3. FITCH 4. ICRA 5. SMERA

If borrower opts for credit rating with **any of the above agencies**, bank will consider following concessions.

- Concession of 50% in Processing Charges
- Interest Concession of 0.25% for the following rating scale.

- Simplified loan applications have been introduced.
- MSE portal has been created on Bank's website.
- Separate MSME loan Policy issued.
- Extending collateral free credit facilities up to Rs.10.00 lac.

Bank has rationalised rate of interest which is very competitive in the market. ROI up to Rs.10 lac is MCLR +0.50% and above Rs.10 lac and up to Rs.100 lac ROI is MCLR +1.00% Above Rs.100 lac interest will be based on rating.

Establishment of 46 RSETI for imparting training to Rural Unemployed Youths for undertaking gainful enterprises.

Opened 48 FLCCs centres

□ Our bank has issued strict instruction to cover all loans (under MSE sector) under CGTMSE coverage and any deviations are required to be approved by next higher authorities.

OUR EXPECTATIONS.

- Proactive and target oriented.
- Specialised Branches have been assigned an average target of Rs.10 crore.
- Branches under Metro and Urban area have been given a target of Rs.3 crore.
- Branches under Semi Urban area have been given a target of Rs.1 crore
- Branches under Rural area have been given a target of 0.50 crore.
- Branches to cover all loans up to Rs.100 lac under CGS cover of CGTMSE.
- Branches to sanction loan without any collateral up to Rs.10 lac mandatory.
- Proper classification of advances in CBS system as per norm. (Circular for classification of MSE advances already issued).
- Tallying of CBS figure with branch figure.
- Filling of all information in CBS while opening of account and also fill necessarily activity code of the account. SIDBI is not accepting such account for refinance in the absence of activity code.

NEW DEVELOPMENT

- 5 more SME Credit Processing Cells (Product Specific) to be started shortly.
- Framework on Revival , Rehabilitation And Restructuring Of Micro, Small And Medium Enterprises (MSMEs) for stressed assets under SMA-0, SMA- 1, SMA -2 as per RBI guidelines given vide their circular no. RBI/201516/ 338 FIDD.MSME & NFS. BC. No.21/06.02.31/201516 March 17, 2016 is already implemented in the bank w.e.f. July 2016

GOAL POST FOR CURRENT FINANCIAL YEAR.

1. Increasing our MSE portfolio from Rs. 27800 crore to Rs. 35600 crore by March 2017.
2. Minimum 10% increase in number of accounts.
3. To achieve 60% share of Micro Enterprises to the total exposure of Micro Small Enterprises
4. To achieve overall growth of 28 % annually.
5. To achieve a sub-target of 7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, for lending to Micro Enterprises 7.5 per cent by March 2017

FOR MORE DETAILS REFER THE FOLLOWING:

1. MSE Loan Policy
2. RBI Master Circular no. RBI/FIDD/2016-17/37/Master Direction FIDD.MSME & NFS. 3/06.02.31/2016-17 on Master Direction – Lending to Micro, Small & Medium Enterprises (MSME) Sector dated 21.07.2016
3. RBI Master Direction Circular no. RBI/FIDD/2016-17/33/Master Director FIDD.CO.Plan.1/04/09.01/2016-17 dated 07.07.2016 (updated as on July 28, 2016) on Priority Sector Lending – Targets and classification
4. RBI circular
5. CGTMSE website for detailed guidelines on CGTMSE coverage
6. Cent Sahyog Scheme
7. Cent Weaver Credit Card
8. MSE web portal on our Bank's website for various relevant matters.
9. Simplified Common Loan Application approved by IBA is available on Bank's website.
10. Bank's Loan Policy.