MSME POLICY

Preamble:

Worldwide, the Micro, Small and Medium Enterprises have been accepted as the engine of economic growth and for promoting equitable distribution of credit to overall industrial economy of the country. In recent years, the sector has immensely registered higher growth rate compared to other industrial sector. The major advantage in this sector is its employment potential at a low capital cost. The Govt. of India has also been making concerted effort for the promotion and the development of MSME sector which ended the sector to grow at a higher pace. To facilitate the development of this sector, the Govt. of India has enacted the MSME ACT, 2006 effective from 2nd October 2006. The Policy initiative methodology by the Government has been inclusion of credit to MSME sector under priority sector lending. The Govt. of India has notified new criteria for classifying the enterprises as Micro, Small and Medium Enterprises and it came into effect from July 01, 2020.

Scope of Policy

The MSME sector looks to the Banks for

- Single window dispensation.
- Quick decision with least Turnaround Time, and above all,
- Better service.

It is therefore the Bank's priority:-

- to provide timely and adequate credit to the MSMEs,
- to encourage their Technology Upgradation, for better quality and competitiveness of their product(s), and
- even pro-actively detect sick and viable units in time, so as to nurse them back to health through appropriate restructuring.

RBI GUIDELINES:

RBI guidelines mandate that every bank shall have to put in place an MSME policy duly approved by its Board of Directors. Accordingly the Bank's MSME policy and Strategies encompassing the various schemes and norms within the overall ambit of the Govt / RBI directives is given hereunder.

This policy would cover all credit related exposures (both fund based and non-fund based) and the guidelines relating to Credit Risk Management, credit delivery, credit monitoring and recovery shall be uniformly applicable to the MSME policy. With changes in any of these guidelines, at appropriate levels, the MSME policy would also automatically stands amended.

Eligibility for becoming a Micro, Small or Medium Enterprises

Any person who intends to establish a micro, small or medium enterprise may file Udyam Registration online in the Udyam Registration portal, based on self-declaration with no requirement to upload documents, papers, certificates or proof. On registration, an enterprise (referred to as "Udyam" in the Udyam Registration portal) will be assigned a permanent identity number to be known as "Udyam Registration Number". On completion of registration process, an e-certificate, namely, "Udyam Registration Certificate" shall be issued.

MSME Definition

The definition of MSMEs (also mentioned in the loan policy section No.21) shall be as per Government of India (GoI), Gazette Notification S.O. 2119 (E) dated June 26, 2020 read with circular RBI/ 2020-2021/ 10 FIDD .MSME & NFS.BC.No .3/ 06.02.31 / 2020-21 read with FIDD.MSME & NFS. BC. No.4 /06.02.31/2020-21 dated July 2, 2020, August 21, 2020 respectively on 'Credit flow to Micro, Small and Medium Enterprises Sector' and updated from time to time. Further, such MSMEs should be engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service or services.

In terms of definition, the following advances would presently be covered under MSME:

An enterprise shall be classified as a Micro, Small or Medium enterprise on the basis of the following criteria, namely:

i) a **micro enterprise**, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
ii) a **small enterprise**, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; and
iii) a **medium enterprise**, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees

Composite criteria of investment and turnover for classification

i) A composite criterion of investment and turnover shall apply for classification of an enterprise as micro, small or medium.
ii) If an enterprise crosses the ceiling limits specified for its present category in either of the two criteria of investment or turnover, it will cease to exist in that category and be placed in the next higher category but no enterprise shall be placed in the lower category unless it goes below the ceiling limits specified for its present category in both the criteria of investment as well as turnover.
iii) All units with Goods and Services Tax Identification Number (GSTIN) listed against the same Permanent Account Number (PAN) shall be collectively treated as one enterprise and the turnover and investment figures for all of such entities shall be seen together and only the aggregate values shall be considered for deciding the category as micro, small or medium enterprise

Calculation of investment in plant and machinery or equipment

i) The calculation of investment in plant and machinery or equipment shall be linked to the Income Tax Return (ITR) of the previous years filed under the Income Tax Act, 1961.
ii) In case of a new enterprise, where no prior ITR is available, the investment shall be based on self-declaration of the promoter of the enterprise and such relaxation shall end after the 31st March of the financial year in which it files its first ITR.
iii) The expression ''plant and machinery or equipment'' of the enterprise, shall have the same meaning as assigned to the plant and machinery in the Income Tax Rules, 1962 framed under the Income Tax Act, 1961 and shall include all tangible assets (other than land and building, furniture and fittings).
iv) The purchase (invoice) value of a plant and machinery or equipment, whether purchased first hand or second hand, shall be taken into account excluding Goods and Services Tax (GST), on self-disclosure basis, if the enterprise is a new one without any ITR.
v) The cost of certain items specified in the Explanation I to sub-section (1) of section 7 of the Act shall be excluded from the calculation of the amount of investment in plant and machinery.

Calculation of turnover

i) Exports of goods or services or both, shall be excluded while calculating the turnover of any enterprise whether micro, small or medium, for the purposes of classification.
ii) Information as regards turnover and exports turnover for an enterprise shall be linked to the Income Tax Act or the Central Goods and Services Act (CGST Act) and the GSTIN.
iii) The turnover related figures of such enterprise which do not have PAN will be considered on self-declaration basis for a period up to 31st March, 2021 and thereafter, PAN and GSTIN shall be mandatory.

In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise will maintain its prevailing status till expiry of one year from the close of the year of registration. In case of reverse-graduation of an enterprise, whether as a result of re-classification or due to actual changes in investment in plant and machinery or equipment or turnover or both, and whether the enterprise is registered under the Act or not, the enterprise will continue in its present category till the closure of the financial year and it will be given the benefit of the changed status only with effect from 1st April of the financial year following the year in which such change took place. Other aspects relating to registration of enterprises, grievance redressal, etc. are mentioned in the Gazette Notification S.O. 2119 (E) dated June 26, 2020.

OTHER FINANCE TO MSME

Other Finance to the Micro, Small and Medium (manufacturing as well as service) Enterprises sector includes credit to:

- ✓ Loans up to ₹50 crore to Start-ups, as per definition of Ministry of Commerce and Industry, Govt. of India that confirm to the definition of MSME.
- ✓ Loans to entities involved in assisting the decentralized sector in the supply of inputs and marketing of output of artisans, village and cottage industries.
- ✓ Loans to co-operatives of producers in the decentralized sector viz. artisans, village and cottage industries.
- ✓ Loans sanctioned by banks to NBFC-MFIs and other MFIs (Societies, Trusts etc.) which are members of RBI recognized SRO for the sector for on-lending to MSME sector will be in line with the conditions specified in the definition of MSME and also as per guidelines specified in Master Direction – Priority Sector Lending Targets and classification 2020 and any other guidelines issued by RBI from time to time.
- ✓ Loans to registered NBFCs (other than MFIs) for on-lending to Micro & Small Enterprises as per guidelines specified in Master Direction – Priority Sector Lending Targets and classification 2020 and any other guidelines issued by RBI from time to time.
- ✓ Credit outstanding under General Credit Cards (including Artisan Credit Card, Laghu Udyami Card, Swarojgar Credit Card, Weaver's Card etc. in existence and catering to the non-farm entrepreneurial credit needs of individuals).
- ✓ Overdraft to Pradhan Mantri Jan-Dhan Yojana (PMJDY) account holders as per limits and conditions prescribed by Department of Financial Services, Ministry of Finance from time to time, will qualify as achievement of the target for lending to Micro Enterprises.

Target/sub-target for lending to MSME :

Our Bank's lending to Micro, Small and Medium Enterprises sector shall be reckoned for computing performance under the overall priority sector target of 40% of ANBC or CEOBE, whichever is higher.

The Bank will aim to achieve lending to Micro Enterprises not less than 7.5% of Adjusted Net Bank Credit (ANBC) or Credit equivalent amount of Off-Balance Sheet Exposure (CEOBE) whichever is higher. Any credit extends to MSMEs conforming to the above guidelines shall qualify for classification under priority sector lending.

Khadi and Village Industries Sector (KVI): All advances granted to units in the KVI sector, irrespective of their size of operations, location and amount of original investment in plant and machinery under sub target of 7.50% prescribed for Micro Enterprises under priority sector.

In line with RBI circular dated 07.07.2021, the Bank shall include Retail and Wholesale trade as MSMEs for the limited purpose of Priority Sector Lending and they would be allowed to be registered on Udyam Registration Portal for the following NIC Codes and activities mentioned against them.

NIC code	Activity
45	Wholesale and retail trade and repair of motor vehicles and motorcycles
46	Wholesale trade except of motor vehicles and motorcycles
47	Retail trade except of motor vehicles and motorcycles

Further, in terms of the recommendations of the Prime Minister's Task Force on MSMEs, the Bank shall aim to achieve the following in respect of lending to MSEs:

- 20% year-on-year growth in credit to micro and small enterprises,
- 10% annual growth in the number of micro enterprise accounts and
- 60% of total lending to MSE sector as on corresponding quarter of the previous year to Micro enterprises.

Credit Thrust

Increased thrust shall be given for lending to Micro, Small & Medium Enterprises, particularly village & tiny industries and other small scale units. The bank shall keep a minimum exposure of 50% of net credit to MSMEs on the whole. Branches situated in urban & metropolitan centres will be advised to give more focus on Medium Enterprises.

Common guidelines/instructions for lending to MSME sector:

a) Issue of acknowledgement of loan application to MSME borrowers:

The bank shall acknowledge all loan applications, submitted manually or online, by the MSME borrowers and ensure that a running serial number is recorded on the application form as well as on the acknowledgement receipt. The Bank shall 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.

b) MSME portal, online filing and tracking of MSME loan application of the Bank

The Bank shall arrange to install MSME loan application portal with user friendly menu on the home page of their website for both the existing customers and the new applicants, where MSME borrowers / entities registered under GST. This initiative will ease the process of loan application and also expedite speedy disbursal of credit to MSME units. The proposals will be handled on priority basis at AO and Provisional sanction will be advised to the branches within 72 hours. On receipt of legal opinion and property valuation report, final sanction will be sent to the branches. The borrower will also be notified about the Provisional sanction through an SMS. The loans will be disbursed at the concerned branch after following the existing CLOC procedure after documentation and after due compliance of terms & conditions.

c) Type of loan/facility

In order to provide timely financial support to Micro and Small enterprises, the Bank shall facilitate timely and adequate availability of credit to viable MSE borrowers

- Term loan/ Demand loan/ Deferred payment Guarantee.
- Working capital by way of cash credit, Overdraft etc.,
- Bills purchase/ Discounting under LC or outside LC.
- Export credit facilities like packing credit, post shipment credit.
- Letter of credit for purchase of raw materials.
- Bank Guarantee for performance, advance payment, security deposit, guarantees for getting order, procurement of raw material etc.,
- To extend standby credit facility in case of term loans
- Additional working capital to meet with emergent needs of MSE units
- Review of the regular working capital limits every year based on the actual sales of the previous year.

d) Composite loan

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

e) Collateral Security:

As per extant RBI guidelines, MSE Borrowers with limits up to Rs.10 lakhs must be sanctioned credit facilities without any collateral security. For customers with good track record, this waiver of collateral security may be considered for limits up to Rs.25 lakhs. However, the issue of collateral security would be addressed on a case specific basis. The Bank shall extend collateral-free loans up to Rs.10 lakh to all units financed under the Prime Minister Employment Generation Programme (PMEGP) administered by KVIC. It is advised to strongly encourage the branch level functionaries to avail of the Credit Guarantee Scheme cover.

f) <u>Margin Requirements:</u>

The minimum Promotor's margin should be:

Loans upto & inclusive of Rs.2.00 crores : 15%

Loans of more than Rs.2.00 crores : 20%

<u>Relaxation of norms:</u>

MD / CEO may be authorized to relax norms relating to minimum margin, collateral security requirements, Tenor, holiday period and pricing of loans.

g) Credit Tenure

Maximum duration of loan excluding moratorium period should be up to 10 years. Relaxation may be allowed based on cash flow and the power vests with the MD / CEO.

h) Holiday period:

Holiday period may be decided on the basis of gestation period of the project in case of new projects, on a case to case basis, subject to a maximum of 24 months. Any relaxation may be permitted subject to the permission of MD / CEO.

i) Bench Mark ratios:

- Maximum debt equity ratio of 3:1 for loans upto and inclusive of Rs.2.00 crores and 2.50:1 in the case of loans of more than Rs.2.00 crores.
- The minimum DSCR should be 1.33:1 for new clients and for existing clients, it should be 1.25:1
- Minimum current ratio of 1.10:1 for existing customers and 1.15:1 for new clients.

Credit Acquisition:

Apart from direct credit acquisition, the Bank shall also consider take-over of advance accounts from other banks /FIs if the following minimum financial parameters and conditions are complied with:

- The account to be taken over should be standard account with the existing bank.
- The unit should be a profitable one without incurring any cash losses.
- Debt-equity ratio, DSCR and Current Ratio as prescribed above to the new clients.
- Credit information should be obtained from the transferor bank.
- The accounts to be taken over should not have been re-phased / rescheduled / restructured in the preceding 2 years. Under exceptional circumstances, MD / CEO is allowed to permit any relaxation in the said conditions.

Working Capital Assessment:

For working capital limits upto Rs.5 crores, Turnover Method would be applicable as mandated under Nayak Committee Recommendations for financing working capital needs of the SSI sector @ 20% of the projected turnover based on the assumption of a three month operating cycle. I method of lending (Tandon committee method) may be resorted in specific cases with longer operating cycle enabling higher quantum of finance than the one available in the projected turnover method. Branches should obtain and scrutinize latest audited financials of the constituent in all cases of WC limits above Rs.10 lakhs. In case of provisional balance sheets, it should be ensured that in the audited financials, the variation is not beyond +/- 10%.

The next year's sales projections made by the borrower, however, would have to be corroborated by the trend in sales over last 2 years, last year actual sales through verification of the following indicative parameters (besides the financial data submitted by the borrower):

- Sales Turnover
- Credit summation in the account
- Sales Tax paid / Turnover Tax / Excise Register, as applicable

- Orders on hand / expected orders.
- Installed capacity vis-à-vis the projections.
- Overall market trend, etc.

Such projections should be within reasonable limits, say, 25% over the last year's sales. However, in exceptional cases, deviations from this may be allowed if supported by LCs / Firm orders on hand or in case of expansion.

Credit Rating of MSMEs

Credit rating of the borrower should be intrinsic part of appraisal system. The basis of computing credit rating shall preferably be the latest audited balance sheet of the borrower. In case of inability of the borrower to furnish latest audited balance sheet, provisional balance sheet verified by the chief of the borrowing organization may be considered.

External rating is applicable only to the borrower where exposure is above the ceiling fixed as per loan policy. Presently, it is fixed at Rs. 50 crores. The approved external rating agencies are ICRA, CARE, SMERA, CRISIL, India Rating & Research Pvt Ltd, Brickwork etc.,

Pricing: In the existing scenario of dynamic interest rates, competition and the need for banks to expand the portfolio with addition of quality assets, a dynamic pricing strategy has become sine qua non. The pricing of loan is carried out as per the quantum of risk determined by the internal rating for various business segments with a view to remain competitive in the market. The existing practice of fixing the interest / discount rate depending upon competitiveness / demand, asset cover and such other factors may continue. Interest rate reset clause would be line with the market demand.

Service Charges / Penal Interest:

No service charges / processing Charges / Inspection charges or penal interest shall be levied for credit facilities extended to MSME upto Rs.500000/-. For advance amount of above Rs.500000 limit, processing charges shall be made applicable.

Exposure Norms:

The Bank's extant exposure norms (single as well as group) would be applicable.

Time Norms for Disposal of Applications:

The following time frame may be fixed for disposal of applications received under this sector. **(from the date of submission of complete papers by the borrower):**

Limits	Time Limits for Disposal
Upto and including Rs.5.00 lakhs	2 weeks
Over Rs.5.00 lakhs and upto & inclusive of Rs.25 lakhs	3 weeks
Over Rs.25.00 lakhs	6 weeks
For rehabilitation and / or restructuring of facilities	8 weeks

The above time lines prescribed are applicable not only for application for sanction of regular limits/ term loans but also for additional/ adhoc/ seasonal limits. For rehabilitation and/or restructuring of facilities, the time limit shall be 8 weeks irrespective of the limit/ quantum. A register should be maintained at the branches to record the dates of receipt of applications / sanctions/ disbursements/ rejections with reasons therefore.

Training:

Credit Officials at the various levels shall be given necessary training with a view to update themselves and also give renewed thrust to the MSME lending.

Sanctioning Authority:

The competent authority under the delegated powers shall take a decision on sanction of credit facilities to MSME. However, the Board may empower Chairman to increase the delegated powers to the sanctioning authorities on a need based manner for sanction of credit to this sector.

In case of rejections, approval shall have to be obtained from the next higher authority, not below the level of Assistant General Manager.

Framework for revival and rehabilitation of MSMEs

The Salient features of “Frame work for Revival and Rehabilitation of Micro, Small and Medium Enterprises (MSMEs) are as under

1. Before a loan account of any MSME turned into NPA, bank 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.
2. Any MSME borrowers may also voluntarily initiate proceedings under the frame work.
3. Committee approach to be adopted for deciding Corrective Action Plan.
4. Time lines have been fixed for taking various decisions under the frame work.
5. The provisions made in the framework shall be applicable to MSMEs having loan limit upto Rs. 25 crores including accounts under Consortium or Multiple Banking Arrangements (MBA).
6. The committee may explore various options to resolve the stress in the account. The committee shall not endeavour to encourage a particular resolution option and may decide the CAP as per the specific requirements and position of each case. The options under CAP by the committee may include.
    a) Rectification

    b) Restructuring

    c) Recovery

Empowered committee on MSMEs

As part of the announcement made by the Union Finance Minister, Empowered Committees on MSMEs are constituted at the Regional Offices of Reserve Bank of India, under the Chairmanship of the Regional Directors with the representatives of SLBC Convenor, senior level officers from two banks having predominant share in MSME financing in the state, representative of SIDBI Regional Office, the Director of MSME or Industries of the State Government, one or two senior level representatives from the MSME Associations in the state, and a senior level officer from SFC/SIDC as members. The Committee would meet periodically and review the progress in MSME financing as also revival and rehabilitation of stressed Micro, Small and Medium units. It would also coordinate with other banks/financial institutions and the state government in removing bottlenecks, if any, to ensure smooth flow of credit to the sector. The committees may decide the need to have similar committees at cluster/district levels.

Banking Codes and Standards Board of India (BCSBI)

The Banking Codes and Standards Board of India (BCSBI) has formulated a Code of Bank's Commitment to Micro and Small Enterprises. The Code 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 as covered in para on 'Time norm for disposal of applications' provided that the application is complete in all respects and is accompanied by documents as per 'check list' provided. However, 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 to enable 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.

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. Further, Financial Literacy Centres operated by Scheduled commercial Banks have been advised vide our circular FIDD.FLC.BC.No.22/12.01.018/2016-17 dated March 2, 2017 to conduct target specific financial literacy camps, where one of the target groups is small entrepreneurs.

Delayed payment

In the Micro, Small and Medium Enterprises Development (MSMED), Act 2006, the provisions of the Interest on Delayed Payment Act, 1998 to Small Scale and Ancillary Industrial Undertakings, have been strengthened as under:

1. The buyer has to make payment to the supplier on or before the date agreed upon 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.
2. 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.
3. For any goods supplied or services rendered by the supplier, the buyer shall be liable to pay the interest as advised at (ii) above.
4. 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 shall 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.

<u>Other Information:</u>

Government initiatives to promote MSMEs

1. **<u>CLCSS – Credit Linked Capital Subsidy Scheme</u>**

Government of India, Ministry of Micro, Small and Medium Enterprises had launched Credit Linked Capital Subsidy Scheme (CLCSS) for Technology Upgradation of Micro and Small Enterprises subject to the following terms and conditions:

i) Ceiling on the loan under the scheme shall be 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.

2. **<u>Pradhan Mantri MUDRA Yojana (PMMY)</u>**

Pradhan Mantri MUDRA Yojana (PMMY) is a scheme launched by the Hon'ble Prime Minister on April 8, 2015 for providing loans up to 10 lakh to the non-corporate, non-farm small/micro enterprises. These loans are classified as MUDRA loans under PMMY. These loans are given by Commercial Banks, RRBs, Small Finance Banks, MFIs and NBFCs. The borrower can approach any of the lending institutions mentioned above or can apply online through this portal www.udyamimitra.in. Under the aegis of PMMY, MUDRA has created three products namely 'Shishu', 'Kishore' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth.

3. **<u>Stand up India Scheme</u>**

The objective of the "Stand Up India scheme" is to facilitate bank loans between Rs.10 lakh and Rs. 1 Crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one woman borrower per bank branch for setting up a Greenfield enterprise. This enterprise may be in manufacturing, services or the trading sector. In case of non-individual enterprises at least 51% of the shareholding and controlling stake should be held by either an SC/ST or Woman entrepreneur.

The Stand Up India scheme is based on recognition of the challenges faced by SC, ST and women entrepreneurs in setting up enterprises, obtaining loans and other support needed from time to time for succeeding in business. The scheme therefore endeavours to create an eco system which facilitates and continues to provide a supportive environment for doing business. The scheme, which covers all branches of Scheduled Commercial Banks, will be accessed in three potential ways:

• Directly at the branch or
• Through Stand Up India portal (www.standupmitra.in) or
• Through the Lead District Manager (LDM)

4. **<u>PMEGP – Prime Minister's Employment Generation Programme</u>**

Government of India has introduced new credit linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP) by merging the two schemes that were in operation till 31.03.2008 namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. PMEGP will be a central sector scheme to be administered by the Ministry of Micro, Small and Medium Enterprises (MoMSME). The Scheme will be implemented by Khadi and Village Industries Commission (KVIC), a statutory organization under the administrative control of the Ministry of MSME as the single nodal agency at the National level. At the State level, the Scheme will be implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and banks. The Government subsidy under the scheme will be routed by KVIC through the identified Banks for eventual distribution to the beneficiaries/entrepreneurs in their Bank accounts. The Implementing Agencies, namely KVIC, KVIBs and DICs will associate reputed Non-Government Organization (NGOs)/reputed autonomous institutions/Self Help Groups (SHGs)/ National Small Industries Corporation (NSIC)/Udyami Mitras empanelled under Rajiv Gandhi Udyami Mitra Yojana (RGUMY), Panchayati Raj institutions and other relevant bodies in the implementation of the Scheme, especially in the area of identification of beneficiaries, of area specific viable projects, and providing training in entrepreneurship development.

Objectives:

i) To generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures/projects/micro enterprises.
ii) To bring together widely dispersed traditional artisans/ rural and urban unemployed youth and give them self-employment opportunities to the extent possible, at their place.
iii) To provide continuous and sustainable employment to a large segment of traditional and prospective artisans and rural and urban unemployed youth in the country, so as to help arrest migration of rural youth to urban areas.
iv) To increase the wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment.

The scheme shall be implemented by the Bank as per the Government /RBI guidelines issued from time to time.

5. **<u>Credit Guarantee Scheme for Micro and Small Enterprises (CGS)</u>**

Availability of bank credit without the hassles of collaterals / third party guarantees would be a major source of support to the first generation entrepreneurs to realise their dream of setting up a unit of their own Micro and Small Enterprise (MSE). Keeping this objective in view, Ministry of Micro, Small & Medium Enterprises (MSME), Government of India launched Credit Guarantee Scheme (CGS) so as to strengthen credit delivery system and facilitate flow of credit to the MSE sector. To operationalise the scheme, Government of India and SIDBI set up the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

CGTMSE has introduced a new "Hybrid Security" product allowing guarantee cover for the portion of credit facility not covered by collateral security. In the partial collateral security model, the MLIs will be allowed to obtain collateral security for a part of the credit facility, whereas the remaining part of the credit facility, up to a maximum of 200 lakh, can be covered under Credit Guarantee Scheme of CGTMSE. CGTMSE will, however, have pari-passu charge on the primary security as well as on the collateral security provided by the borrower for the credit facility.

The main objective is that the lender should give importance to project viability and secure the credit facility purely on the primary security of the assets financed. The other objective is that the lender availing guarantee facility should endeavor to give composite credit to the borrowers so that the borrowers obtain both term loan and working capital facilities from a single agency.

Any collateral / third party guarantee free credit facility (both fund as well as non fund based) extended by eligible institutions, to new as well as existing Micro and Small Enterprise, including Service Enterprises, with a maximum credit cap of 200 lakh (Rupees Two Hundred lakh only) are eligible to be covered. The guarantee cover available under the scheme is to the extent of 50%/ 75% / 80% & 85% of the sanctioned amount of the credit facility. The extent of guarantee cover is 85% for micro enterprises for credit up to 5 lakh. The extent of guarantee cover is 50% of the sanctioned amount of the credit facility for credit from Rs.10 lakh to Rs. 100 lakh per MSE borrower for retail trade activity.

The extent of guarantee cover is 80%(i) Micro and Small Enterprises operated and/or owned by women; and (ii) all credits/loans in the North East Region (NER) for credit facilities up to 50 lakh. In case of default, Trust settles the claim up to 75% of the amount in default of the credit facility extended by the lending institution for credit facilities up to 200 lakh.

6. **Technology upgradation scheme**

The scheme aims at facilitating technology upgradation by providing 15% up front capital subsidy to MSEs, including tiny, khadi, village and coir industrial units, on institutional finance availed by them for induction of well established and improved technologies in specified sub-sectors/products approved. The Related Scheme is Credit Linked Capital Subsidy Scheme for Technology Upgradation (CLCSS).

7. **Treds – Trade Receivables Discounting System**

Micro, Small and Medium Enterprises (MSMEs), despite the important role played by them in the economic fabric of the country, continue to face constraints in obtaining adequate finance, particularly in terms of their ability to convert their trade receivables into liquid funds. In order to address this pan-India issue through setting up of an institutional mechanism for financing trade receivables, the Reserve Bank of India had issued guidelines for setting up and operating the trade receivables system in the country. These Guidelines are issued by Reserve Bank of India under Section 10(2) read with Section 18 of Payment & Settlement Systems Act, 2007 (Act 51 of 2007).

TReDS is an electronic platform for facilitating the financing / discounting of trade receivables of Micro, Small and Medium Enterprises (MSMEs) through multiple financiers. These receivables can be due from corporates and other buyers, including Government Departments and Public Sector Undertakings (PSUs).

Only MSMEs can participate as sellers in TReDS. Banks, NBFC - Factors and other financial institutions as permitted by the Reserve Bank of India (RBI), can participate as financiers in TReDS.

The detailed guidelines shall be obtained vide RBI circular on "Guidelines for the Trade Receivables Discounting System (TReDS) (Updated as on July 2, 2018)".

8. <u>Interest subvention to MSMEs:</u>

The Bank has extended the interest subvention scheme for incremental credit MSMEs to all eligible MSMEs with effect from 02.11.2018. The bank will extend interest subvention to all eligible MSMEs as per guidelines of RBI / GOI issued from time to time.

Review of the scheme:

In case of any modification / changes are warranted in the policy, MD / CEO will be the competent authority to approve the same after getting vetted by the Risk Management Committee before circulating it among branches.

Above all, in future the MSME policy of the Bank will be guided by any changes that may take place as per the latest guidelines of RBI / GOI or any other government agencies and extant guidelines of the Bank prescribing at that time.

Display of MSME Policy

For wider dissemination and easy accessibility, these policy guidelines would be displayed on the Bank's website.