

MSME POLICY

1. Preamble

- 1.1** Micro, Small and Medium Enterprises (MSMEs) form the cornerstone of the Indian economy. The MSME sector in India has exhibited a strong performance and protected the economy from global adversities and shocks. MSME sectors are growth drivers of our economy. MSMEs have shown continued dynamism in terms of their contribution to national economy. MSME sector accounts for significant share in employment, number of enterprises, manufacturing output and exports. Over the years, the sector has emerged as a platform for growth and development of entrepreneurship and bedrock of innovations, resulting in diversified development and import substitution. Entrepreneurial efforts and individual creativity have made it possible to develop new variants of the same base products with additional features that are unique and more user friendly. These achievements became possible because of the ambitions and visionary zeal of MSME entrepreneurs.
- 1.2** Holistic development of the MSME sector has been a priority of Government of India due to its significant contribution towards economic growth, employment generation, balanced regional development, overall poverty reduction and emergence as an important vehicle for attaining inclusive growth in the country.
- 1.3** In India, MSMEs contribute nearly **30%** of the country's GDP, around one-third of the manufacturing output, and approximately **46%** of the country's exports.
- 1.4** The contribution of the sector in the economy is currently constrained due to several challenges affecting growth of the sector. Some of the major ones are mentioned below:
- a) Policy and institutional interventions
 - b) Accelerating growth and enabling formalization
 - c) Addressing Infrastructural bottlenecks
 - d) Facilitating capacity building
 - e) Facilitating access to credit and risk capital
 - f) Technological interventions for improving underwriting standards and delivery
 - g) Enabling market linkage and tie up with public procurement platforms.
- 1.5** Combinations of Digital Public Infrastructure, Progressive regulation and new market forces have the potential to energize the MSME lending sector. Emergence of a digital lending value chain will provide fast turnaround and easy accessibility for MSME borrowers and use new data and credit scoring algorithms to provide new types of risk adjusted lending products. This infrastructure can operate at a scale, break access barriers and provide MSMEs with the ability to access finance and scale to reach their potential.
- 1.6** Government of India enacted MSMED act 2006 with an aim to enable MSME entrepreneurs for increasing their worth and efficiency so that they may sustain the

competition, enlarge their scope of activity and enlist them among the top performers. Further to broaden the scope of MSMEs, Government of India modified/amended the MSME act, based on the recommendations of the advisory committee in July 2020 changed the classifications of MSMEs. Any further amendments as and when notified would be effective upon circulation by the bank.

1.7 Scope of the Policy:

- a) The Policy would deal with all MSME credit related matters such as fund based limits, Non fund based limits and other forms of credit dispensation of MSME credit.
- b) Since most of the credit related areas has been covered in the credit policy, those aspects have not been covered in the MSME policy to avoid duplication, barring some important aspects. Hence the MSME policy should be read along with the Credit Policy of the Bank.
- c) This Policy has been made in compliance with all RBI & extant regulatory guidelines issued till date.
- d) The guidelines enumerated under this policy are applicable for all domestic branches.

2. Micro, Small & Medium Enterprises Development (MSMED) Act, 2006

The Government of India enacted the Micro, Small and Medium Enterprises development (MSMED) Act, 2006 on 16th-June,2006 which was notified on 2nd October, 2006. The Act was enacted to provide for facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises and for matters connected therewith or incidental thereto.

Government of India vide a Gazette notification dated 01 July, 2020 amended the MSMED act 2006 and notified certain criteria for classifying the enterprises as micro, small and medium enterprises and specifies the forms and procedures for filing Udyam registration memorandum.

Accordingly, the Definition / Classification of MSME stands modified and is elaborated in the succeeding para.

2.1 Definition of Micro, Small and Medium Enterprises

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

- A. **Micro Enterprises:** An enterprise will be classified as micro, where the investment in Plant & Machineries or equipment does not exceed **Rupees Two Crore and Fifty Lakh** and turnover does not exceed **Rupees Ten Crore**.
- B. **Small Enterprises:** An enterprise will be classified as Small, where the investment in Plant & Machineries or equipment does not exceed **Rupees Twenty Five Crore** and turnover does not exceed **Rupees Hundred Crore**.

- C. **Medium Enterprises:** An enterprise will be classified as Medium, where the Investment in Plant & Machineries or equipment does not exceed **Rupees One Hundred and Twenty Five Crore** and turnover does not exceed **Rupees Five Hundred Crore**.
- D. 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 & Regulation) act, 1951 or engaged in providing or rendering of any service or services.
(Note: MSME Classification norms w.r.t. investment in P&M/Equipment and Turnover as and when amended by MoMSME/GOI, would become effective upon notification by the bank)

RBI vide its notification RBI/2021-2022/67 FIDD.MSME & NFS.BC.No.13/06.02.31/2021-22 dated July 7, 2021 has decided to 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 NIC Codes 45,46 & 47 and activities mentioned against them.

- 2.2** All the above enterprises are required to register online on the Udyam Registration portal and obtain 'Udyam Registration Certificate'. For PSL purposes banks shall be guided by the classification recorded in the Udyam Registration Certificate (URC).
- 2.3** Retail and Wholesale trade are included as MSMEs for the limited purpose of priority sector lending and are allowed to be registered on Udyam Registration Portal.
- 2.4** The certificate issued on Udyam Assist Portal (UAP) to Informal Micro Enterprises (IMEs) shall be treated at par with Udyam Registration Certificate for the purpose of availing Priority Sector Lending benefits. IMEs with an Udyam Assist Certificate shall be treated as micro enterprises for the purpose of PSL classification.

3. Priority Sector Classification

All Bank Loans to Micro, Small and Medium enterprises (MSMEs), Manufacturing, Service wholesale and retail trade unit(s) are eligible to be classified under Priority Sector advance as per new classification of MSME, enumerated under para 2.1 above. (Bank's Priority Sector Policy to be referred for details)

4. Targets / sub targets for lending to Micro, Small and Medium enterprises (MSME) sector by Domestic Commercial Banks:

Micro Enterprises:

A target of 7.5 percent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher has been prescribed for Micro Enterprises.

Advances to Micro, Small & Medium Enterprises (MSME) sector shall be reckoned in computing achievement under the overall Priority Sector target of 40 percent of ANBC or

credit equivalent amount of off-Balance Sheet Exposure, whichever is higher as per extant guidelines on priority sector lending.

In terms of the recommendations of the Prime Minister's Task Force on MSMEs, banks have to achieve

- i) 20 per cent YOY growth in credit to micro and small enterprises,
- ii) 10 per cent annual growth in the number of Micro enterprise accounts,
- iii) 60 per cent of total lending to MSE sector as on corresponding quarter of the previous year to Micro enterprises.

The target for lending to Micro Enterprises within the MSE sector (i.e. 60% of total lending to MSE sector should go to Micro enterprises) will be computed with reference to the outstanding credit to MSE sector as on preceding March 31st.

5. Common Guidelines / Instructions for Lending to MSME Sector

5.1 Issue of Acknowledgement of Loan Applications to MSME borrowers

Branches have to mandatorily acknowledge all loan applications from MSME borrowers, submitted manually or online, and ensure that a running serial number is recorded on the application form as well as on the acknowledgement receipt.

Bank has put in place a system of Central Registration of loan applications and a system of e tracking of MSE loan applications. The detailed guidelines on the matter have been circulated through HOBK 112/54 dated 11/07/2018.

Bank has also adopted CRM Next as a Lead Management System (LMS) where leads are captured from digital as well as physical sources. Customer will get acknowledgement on each status via SMS/E-mail.

5.2 Time Norms for Disposal of Applications

The processing of the loan application and decision to be conveyed within the prescribed time limit as given below. The time limit shall start from the date of submission of complete information/data by the applicant.

Limits	Time Limit Not Exceeding
Up to Rs.10 Lakhs	7 Business Days.
Above Rs.10 Lakhs upto Rs.5 Crores	14 Business Days.
Over Rs.5 Crores	30 Business Days.

Rejection of Loan Request:

- i) **Loan requests can be rejected by the normal sanctioning authority, however, in case applicant belongs to SC/ST/weaker section category, the authority for rejection of loan application is SZLCC.**

5.3 Collateral

Reserve Bank of India has mandated not to accept collateral security in case of aggregate loan exposure up to Rs.10 lakhs extended to units in the MSE sector.

5.4 Composite Loan

A Composite loan limit can be sanctioned by branches to enable the MSE entrepreneurs to avail of their working capital and term loan requirement through single window.

5.5 Export Finance

Export finance plays a crucial role in enabling exporters in accepting and efficiently executing their export orders. MSME contribute to almost 46% exports and form the integral part of the supply chain. Export promotion from the small scale sector has been accorded a high priority in India's export promotion strategy. Export credit such as EPC/FBP facilities are required before and after the dispatch/shipment of an order. While the pre-shipment export finance is required as working capital for accomplishing timely production, packing and shipment of the orders, the post-shipment finance facilitates in sustaining exporters' business operations while still waiting to receive payments due from foreign buyers. In case of exporters, the credit facilities (e.g. PCFC), may also be sanctioned in foreign currency as per the request of the customers to help the customers to overcome forex fluctuations.

5.6 Udyam Registration

- i) **It will be mandatory for the branches to obtain/capture Udyam Registration Certificate/ Number (including Udyam generated through Udyam Assist Portal) for the existing and new borrowers. However, it is not applicable for loans granted under PMSVANIDHI Scheme & TReDS.**
- ii) **Accounts will be classified as Micro, Small & Medium on the basis of Udyam Registration Certificate.**

5.7 Financial Support to MSMEs in ZED certification scheme

The ZED Certification envisages promotion of Zero Defect Zero Effect (ZED) practices amongst MSMEs. The ZED Certification scheme of Ministry of MSME is aimed at enhancing the global competitiveness of Indian MSMEs on quality and environment aspects in their systems and processes. It is a continual improvement & rating scheme involving Handholding and Certification of MSMEs with financial support from Government of India. Ministry of MSME has nominated QCI (Quality Council of India) as the National Monitoring and Implementing Unit (NMIU) of this scheme.

Under the scheme, MSMEs are assessed and awarded relevant Certification Level for which they have applied for, after fulfilling the requirements of that Level. There are three ZED Certificate level viz. Bronze, Silver and Gold. **To motivate our MSME borrowers to obtain ZED certificate or promote ZED practices, concessions may be proposed to ZED certificate holder as per bank's extant guidelines.**

In our application forms and proposal format, ZED certification are duly captured and all the branches have been advised to encourage borrowers for obtaining ZED certification.

For full information on ZED certification, branches may visit <https://www.zed.org.in/>.

6. Delayed Payments by Companies to Micro/Small Enterprise units:

Under Delayed Payment Act, April 1993 (Amended in 1998), interest on delayed payment by Corporate to Small Scale units and Ancillary Industrial Undertakings, penal provisions have been incorporated to take care of delayed payments to MSME units. After the enactment of the Micro, Small and Medium Enterprises Development (MSMED) Act 2006, the existing provisions of the Interest on Delayed Payment Act, 1998 to Small Scale units and Ancillary Industrial Undertakings, have been strengthened as under:

- i) Whenever any supplier, supplies any goods or renders service to any buyer, the buyer shall make payments in the following manner:
 - a) On or before the date agreed upon between him (buyer) and the supplier in writing or
 - b) Where there is no agreement in this behalf, before the appointed day.

However, in no case the period agreed upon between the supplier and the buyer in writing shall exceed 45 days from the day of acceptance or day of deemed acceptance.

- ii) Where any buyer fails to make payment of the amount to the supplier, as mentioned under (i) above, the buyer is liable to pay compound interest with monthly rests to the supplier on that amount from the appointed day at three times of the Bank Rate notified by Reserve Bank of India.
- 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 any dispute with regard to any amount due, any party to a dispute may make a reference to the Micro and Small Enterprises Facilitation Council, constituted by the respective State Government.

Further, banks have been advised by Reserve Bank of India 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.

Branches should take note of the above provisions of the MSMED Act, 2006 while verifying the receivables shown by the SME Borrower in their Book Debts Statement as well as annual balance sheet by cross-checking if these receivables appear in the respective buyers' audited balance sheet(s). For the same reason, if any Corporate or other buyers (of any SME suppliers' products) happen to be our Bank's borrowers, branches should verify whether the dues to the supplier (SMEs) are reflected in their audited balance sheet(s).

7. Institutional framework

7.1 MSME Vertical at Head Office:

An exclusive vertical/department is in place at Head Office to have focused attention for growth of MSME business. It also formulates policies and products pertaining to MSME sector and overlooks implementation of various government sponsored schemes.

The Vertical is headed by General Manager - MSME, and the broad roles and responsibility of the vertical is detailed below:

i) Business development

- Formulating Policies & Strategies for MSME business growth
- Budget exercise - allocation & monitoring
- Develop new SME products/processes/services/pricing/clientele, etc. Also closely monitor competitor activities in new products, technology, etc.
- Launch campaigns, marketing & publicity initiatives for MSME growth.
- ROI and Service Charges related matters.
- Administration of Government Sponsored Schemes, viz. MUDRA / PMEGP / Stand up India/Start up India.
- CGTMSE /CLCSS/CGFMU/CGSS/ & all related work.
- OEMS, Tie ups / channel financing, Cluster schemes.
- TUF scheme subsidy for textile industry (Central/State) /CLES
- Arranging forums/ meetings of different MSME- organizations/ Govt. agencies & ministry/KVIC/IBA/RBI, etc.

ii) Performance monitoring and review

- Monthly Top Executive Committee (TEC) review & monthly review meetings with FGMOs, & Zonal Managers
- Overall monitoring /Performance dialogues with SMECC/SMEUC heads.
- Conduct occasional inspections of branches, SME city centers, zones etc.
- Conduct customer survey campaigns.
- Manage regulatory reporting and meeting of regulatory targets for lending to SME customers.
- Compilation /MIS.
- Replying to RBI/Branches/FGMO queries, parliamentary questions & clarifications, RTI reply.
- Administration matters, Complaint/grievance redressal.
- Compliance Related matters pertaining to RBI/SIDBI etc.

iii) Processing of Proposals:

- a) MSME Vertical is also processing proposals and various memorandums emanating from Zones/FGMOs falling under the delegation of Head Office level committees.

- b) All Proposals of MSME accounts complying with the classification under MSMED Act (except food and agro accounts) should be processed at SME department to have alignment of approaches and policies while dealing with any proposal.

7.2 Specialized SME Branches

As per RBI guidelines, Public Sector Banks are advised to open at least one specialized branch in each district. Further banks have been permitted to categories their general branches having 60% or more of their advances to MSME sector as specialized MSME branches in order to encourage them to open more specialized MSME branches for providing better service to this sector as a whole. As per the policy package announced by Government of India for stepping up credit to MSME sector, the public sector Banks would ensure specialized MSME branches in identified clusters/centers 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. Though their core competence will be utilized for extending finance and other services to MSME sector, they will have operational flexibility to extend/render other services to other sector/borrowers.

Bank has dedicated SME focused branches to augment the MSME business across the length and breadth of the country. The detailed guidelines for these branches have been circulated vide HOBC no 112/90 dated 17.09.2018. These SME focused branches in identified centers 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.

7.3 SMECC/UC

In order to provide assistance to National Banking Branches in acquiring new customers, deepening relationship with existing SME customers and to expeditiously process new applications specialized processing Centers have been established named as "SME City Center".

Wherever SMECC are attached with very large number of branches across widespread geographical area and based on potential available in and around the area of their operations, there at the recommendations of Zone, SME Urban Centers (SMEUC) are opened. SMEUCs act as extended arm of the existing SMECC to enhance the MSME financing including all the government sponsored scheme etc.

Bank has SMECCs / SMEUCs present at every nooks and corners of the country.

The operational guidelines and organizational structure for SMECCs/SMEUCs is issued by HO-SME Department on time to time. **ORMC can approve any modification/changes in operational guidelines and in organizational structure including opening/closure of SMECC/UCs.**

7.4 Specialized MSE Service Cell

In terms of directive from the Ministry of Finance, Government of India, our Bank has established 45 MSE service Cells in lead districts where we are the lead Bank, for catering to the clusters located in the districts. In all 45 specialized MSE service cells are opened covering five States (Madhya Pradesh, Jharkhand, Orissa, Uttar Pradesh & Maharashtra) having 135 clusters. The broad functioning of MSE service cells are enumerated below:

- i) To primarily focus on the clusters located in their area and understand their financial requirements.
- ii) To give priority to applications pertaining to units in Micro Sector.
- iii) To identify suitable cluster and formulate cluster specific lending schemes;
- iv) To convene periodic meetings involving concerned LDMs to address issues related with the clusters' development.
- v) To maintain proper record of applications received/ sanctioned/ rejected.

7.5 State Level Inter Institutional Committee (SLIIC):

In order to deal with the problems of coordination for rehabilitation of sick micro and small units, state level inter institutional committees were set up in the states. However, the matter of continuation or otherwise, of the SLIIC forum has been left to the individual states/union territory.

7.6 Empowered Committees on MSMEs

Empowered committees on MSMEs have been constituted under the chairmanship of the Regional Directors of RBI with the representatives of SLBC Convener, Senior level officers from two Banks having predominant share in MSME financing in the state, representatives of SIDBI Regional Office, the Director of 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.

7.7 Door Step Product advice and loan facilitation support to MSME borrowers

In terms of EASE guidelines, Bank has to create a separate team for providing Door step product advice and loan facilitation support to MSME borrowers. In this regard, a separate dedicated sales team be deployed at all SMECCs and in location other than SMECCs separate manpower station at one of the nodal branches/SME focused branches may be stationed for providing doorstep product advice and loan facilitation. The internal team will directly report to Zonal Office for all administrative purpose and to SMECC for all functional matters.

Bank may engage any manpower agency /BCs for the purpose as per Bank's policy and **ZLCC** is authorized to approve the engagement of such agency /BC.

8. Cluster-Based Lending Approach

Cluster based approach for financing MSME units is expected to result in less transaction costs, and risk mitigation, besides providing an appropriate scale for improvement in infrastructure. Latest Circular for Cluster based finance has been issued vide HOBC No 117/124 dated 09.08.2023

9. Credit Linked Capital Subsidy Scheme (CLCSS) / A-Tufs / Special Credit Linked Capital Subsidy Scheme (SCLCSS)

The objective of Credit Linked Capital Subsidy Scheme (CLCSS) is to facilitate technology up-gradation in Micro and Small enterprises (MSEs) by providing capital subsidy of 15 percent (limited to maximum of Rs.15.00 lakhs) on institutional finance availed by them for induction of well-established and improved technology in the specified 51 sub-sectors or products approved under the scheme. Maximum limit of eligible loan for calculation of subsidy under the Scheme is Rs.100.00 lakhs.

The scheme aims at facilitating technology up gradation by providing 15% up front capital subsidy to MSEs including tiny, khadi, village and coir industrial units. 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.

At present the scheme is under revision as informed by Ministry of MSME. Detailed guidelines have been issued through HOBC 113/171 dated 23.12.2019. Government of India through Ministry of MSME advises the validity of schemes on time to time basis. The applicability of schemes will be based on the same.

Guidelines on A-Tufs have been circulated through HOBC 110/207 dated 03.02.2017. Government of India through Ministry of MSME advises the validity of schemes on time to time basis.

SCLCSS

The Special Credit Linked Capital Subsidy Scheme was introduced under National SC/ST hub (NSSH) in 2017 to promote setting up of new enterprises and to upgrade their existing capacity for participation in the public procurement. Under SCLCSS, a provision of 25% capital subsidy to the SC/ST MSEs of manufacturing and service sectors for procurement of plant & machinery through institutional credit. Detailed guidelines are as per HOBC 115/272 dated 03.01.2022.

10. Credit Appraisal

Process for credit appraisal would be followed as per the norms and procedures provided under Board Approved Credit Policy of the bank along with other manuals and guidelines issued from time to time. However, product level separate appraisal norms can be approved and implemented by competent authority.

11. CBR/CBS applicability

11.1 Credit Information Report

Our Bank has membership and service agreement with Credit Information Bureau of India Ltd (CIBIL), Equifax, Experian and CRIF Highmark for individual borrowers and in case of commercial (entity) borrowers with CIBIL and Equifax. CIR should be generated initially to have an informed judgment of the applicant. Applications with adverse Credit Information Report showing over dues and substandard assets should not be considered

for finance and **Bank's extant guidelines (Credit Policy/CBS-CBR policy) must be followed in this regard.**

However, in Credit Information report there may be some small credit card / loan amounts showing as written off or outstanding. In such cases sanctioning authority should verify the details and take a decision based on Bank's extant guidelines.

11.2 Commercial Bureau Rank / Consumer Bureau Report:

CBR is a credit default predictor model for commercial /business entities. It provides insights in the credit behaviour of the entities and predicts the probability of default over a one-year horizon, thereby, helping the sanctioning authority to make well informed credit decisions.

For Commercial (Entity) borrowers: CBR is applicable to all commercial / business entity borrowers irrespective of limit.

It measures and predicts the risk of the borrowings on a scale of 1 to 10, Commercial Rank 1 having the least probability of default and Commercial Rank 10 having the most probability of default.

CBR shall be used only for the purpose of screening the applicants and in no way it can be used as a substitute for credit rating exercise of the Bank.

For Individual borrowers: Individual Consumer Bureau score is introduced as go/no-go criteria. The report to be obtained from any of the CICs i.e. TU-CIBIL, Equifax, Experian and CRIF Highmark.

Details of usage and applicability of Commercial Bureau Rank/ Consumer Bureau Report is as per Part-C of this policy.

11.3 Chief General Manager (RAM) / General Manager (MSME) is authorized to approve tie up arrangement with other CICs and to finalize the prices/charges for services such as reports, scrubs, analytics, smart leads etc.

12. Credit Tenure

The Term Loan exposure (including WCTL and WCDL) to MSME sector would generally be for a term of 7-10 years' maturity, while working capital will be on demand. However, Term loan financed under various specific products of MSME and co-lending may have repayment period up to 15 yrs. Maximum repayment period for term loans in case of infrastructure projects shall be 15 years including initial moratorium period and 10 years in case of non-infrastructure projects, including initial moratorium period.

13 Credit Assessment

As per the norms and guidelines prescribed under Board Approved Credit Policy of the bank along with other manuals and guidelines issues from time to time. However, product level separate assessment method can be approved and implemented by competent authority.

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

To meet the timely and flexible and adequate credit flow to Micro and small units, we may consider the following measures as per RBI guidelines,

14.1 Sanction of Standby Credit-Facility

At the time of sanction of project loans, sanctioning authority on merit, may sanction a 'standby credit facility' to fund unforeseen project cost overruns, if needed. Such 'standby credit facilities' are sanctioned at the time of initial financial closure but disbursed only when there is a cost overrun. Such standby credit not to exceed 15% of the total project cost. Further, at the discretion of sanctioning authority, such "standby credit facility" may also be sanctioned to fund periodic capital expenditure. The objective of such "Standby Credit Facility" would be, among others, to extend speedy credit so that the capital assets creation is not delayed and commercial production can commence at the earliest.

14.2 Mid-term review of the regular working capital limits, where branches 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.

14.3 Sanction of separate additional limit with regular working capital limit

At the time of initial Sanction or at the time of Review, sanctioning authority may sanction separate additional limit @ 10% of the working capital limit as standby working capital, which may be utilized by the borrower once during the period of review for maximum 90 days, for meeting certain urgent requirements /emergent needs of the borrower.

15. Review of Regular Working Capital Limits

At present banks review working capital limits at least once in a year based on financial statements as per guidelines issued from time to time. However, audited financial statements of MSE units would ordinarily be available with a time lag, post-closing of the financial year. In such cases sanctioning authority to do the mid-term reviews and working capital limit may be assessed based on the sales performance of the MSEs since last review without waiting for audited financial statements. However, such mid-term reviews shall be revalidated during the subsequent regular review based on audited financial statements.

For review of limits, Branch to submit all documents to respective sanctioning authority 15 days before the due date of review.

(Note: Green Review Format for review of existing account from Rs. 10 Lakhs to Rs. 5.00 Cr. has been approved by CRMC in its meeting date: 08/06/2023)

16. Ratios

As per the norms and guidelines prescribed under Board Approved Credit Policy of the bank. (Separate product level approval can be obtained for applicability and accepted norm for financial ratios)

17. Credit Acquisition

Apart from direct/primary credit acquisition, we may also consider take-over of advance accounts from other Banks/Fls. Bank's approved takeover guidelines in this regard would be followed for financing to MSME Sector. Specific takeover norms/guidelines may be approved at product level by competent authority.

18. Transfer of Loan (Not in default)

Reserve Bank of India (RBI) has issued the comprehensive framework on the sale or transfer of loan assets vide circular DOR.STR.REC.52/21.04.048/2021-22 dated September 24, 2021 (Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021) and updated from time to time, with an aim to strengthen secondary market for loans and ensuring proper credit-risk pricing. Our Bank has been one of the active participants in the securitization, risk participation and Direct Assignment market. In light of the new comprehensive framework, Bank has issued Board approved policy for Transfer of Loan Exposures (Not in Default).

19. Credit Rating Model

Government/RBI have advised that Banks may initiate necessary steps to rationalize the cost of loans to SME sector by adopting a transparent rating system with cost of credit being linked to the credit rating of the enterprise. Bank has its own Internal Credit Rating system and guidelines in this regard have been issued. Bank's approved guidelines for Rating and delegation are issued from time to time. Those guidelines would be followed for MSME Loan accounts. Product level rating models like score-card based, alternate assessment methods (digital footprint basis) or any other model approved by CRMC/ORMC (competent authority) can also be implemented.

20. External Rating

20.1 External SME Rating

To encourage Small & Medium Enterprises from getting their units rated by an accredited external rating Agencies, empanelled by the National Small Industries Corporation (NSIC) viz. Acuite Ratings & Research Limited (Acuite), CRISIL Ratings Limited, Credit Analysis & Research Limited (CARE), India Ratings and Research Pvt. Ltd. (India Ratings), ICRA Limited, and INFOMERICS Valuation and Rating Pvt. Ltd or any other agency approved by RBI, concessions in the applicable rate of interest to the extent of 0.50% in respect of units obtaining the Highest & 2nd Highest ratings and to the extent of 0.25% in respect of units showing the 3rd Highest rating is offered by the Bank.

20.2 External Credit Rating

External Credit Rating of all the eligible MSME borrowers is to be obtained as per Bank's extent guidelines issued on the subject matter from time to time.

Various External Rating Agencies have been approved by Reserve Bank of India for obtention of External Credit Rating are as under:

Acuite Ratings & Research Limited (Acuite), CRISIL Ratings Limited, Credit Analysis & Research Limited (CARE), India Ratings and Research Pvt. Ltd. (India Ratings), ICRA Limited, and INFOMERICS Valuation and Rating Pvt. Ltd.

The External Credit Rating needs to be obtained in all the eligible accounts (except Loan against TDR/Pledge of securities, Schematic Lending) having credit exposure of Rs.50.00 Crores and above from Banking System.

Appropriate risk weight is assigned on the basis of credit rating assigned by the rating agencies. In accordance with BASEL II accord risk weight is assigned to the loan account based on their external credit rating for meeting capital adequacy requirement. In order to comply with the requirements of BASEL bank has made it mandatory. In the event of non-compliance by the borrower there is provision for charging penal rate of interest as provided in circular letter 2013-14 / 116 dated 13.08.2013, issued by our C&IC department. Such ratings should be kept validated/ reviewed on its expiry.

20.3 Credit Assessment & Risk Weights:

Credit Rating	Long Term Ratings / Short term Ratings					
	MA/A1+	AA/A1	A/A2	BBB/ A3	BB,B,C,D/ A4,D	Unrated
Risk Weight	20%	30%	50%	100%	150%	100%

21. Pricing

Pricing for MSME Accounts will be as per the bank's approved Rate of Interest Policy & Service Charges guidelines being issued from time to time. All floating interest rate charged MSME accounts are to be linked with RBLR. Product/scheme level Interest Rate and concession in charges can be approved by product approval committee.

22. Exposure Norms

- i) Bank's extant exposure norms would be applicable. Accordingly, the Bank's exposure should not exceed:

Single Counterparty: The sum of all the exposure values of the Bank to a single counterparty must not be higher than 20 percent of the Bank's available eligible capital base at all times. In exceptional cases, the Board may allow an additional 5 percent exposure of the Bank's available eligible capital base to a single counterparty on merits having regard to the conduct of the borrower accounts with our Bank, availability of collateral security, internal rating, Risk Weight, etc.

Groups of Connected Counterparties: The sum of all the exposure values of the bank to a group of connected counterparties must not be higher than 25 percent of the Bank's available eligible capital base at all times i.e. limit has to be adhered on day end basis.

- ii) Industry wise Exposure: As a part of the best risk management practices and in order to have loan book well spread across various sectors/portfolios, industry specific exposure ceiling has been fixed. The industry specific exposure limits are advised by HO-RMD with industry specific policy on time to time.

23. Margin Norms

Margin norms to be followed as specified in credit policy of our Bank. Branch / Zone should adhere to the same for lending under MSME segment.

Normally for fund based facility it should be between 15% and 50% and for Non fund based facility minimum should be 20%. However, sanctioning authority may consider lower margin including 'NIL' margin in select cases after bringing out justifications/mitigations/nature of underlying transaction/other security for the same in the proposal. Nil margins may also be considered for self-liquidating facilities like Bill Discounting under LCs, discounting of bill co-accepted by another Bank etc.

24. CGTMSE/Guarantee Schemes

MSME Loans can be covered under CGTMSE or other Guarantee Schemes as per the scheme guidelines. The scheme guidelines are given under Master Circular of MSME Guarantee Schemes.

25. OEM Tie-Ups:

25.1 Tie-Up for SME Financing

MOU for a strategic alliance with various Original Equipment Manufacturers (OEMs) has been entered into for giving boost to financing in MSE sector more particularly into Commercial Vehicle and Equipment segment.

25.2 Bank has introduced revamped Commercial Vehicle and Equipment finance schemes for financing vehicles/equipment manufactured by OEMs within the tie-up arrangement. However, loan request for financing commercial vehicles falling outside the tie-up arrangement is also to be considered by the branches under our regular Commercial Vehicle and Equipment Finance schemes after taking into account the changes advised from time to time.

25.3 CRMC is authorized for approving any modifications / changes in the special schemes formulated for tie ups with OEMs, and CGM / GM (MSME) is authorized to approve tie up arrangement with any of the reputed OEMs.

25.4 Deputy General Manager/Assistant General Manager (HO-SME) /General Manager (FGMO) are authorized to enter into (signing of) fresh/renewal of MOU with OEMs.

Any new tie up arrangement may be informed to all the branches through circulars.

26 MSME Monitoring

26.1 Structured Mechanism for monitoring the credit growth to the MSE sector

In view of the concerns emerging from the deceleration in credit growth to the MSE sector, an Indian Banks' Association (IBA)-led Sub-Committee (Chairman: Shri K.R. Kamath) was set up to suggest a structured mechanism to be put in place by banks to monitor the entire gamut of credit related issues pertaining to the sector. Based on the recommendations of the Committee, banks have been advised to:

- strengthen their existing systems of monitoring credit growth to the sector and put in place a system-driven comprehensive performance management information system (MIS) at every supervisory level (branch, region, zone, head office) which should be critically evaluated on a regular basis;
- put in place a system of a-tracking of MSE loan applications and monitor the loan application disposal process in banks, giving branch-wise, region-wise, zone-wise and State-wise positions. The position in this regard is to be displayed by banks on their websites.

26.2 Central Registration of Loan Application (Credit Proposal Tracking System-CPTS) - To facilitate the customers to submit MSME loan application online, our HO-IT has developed a package and broad guidelines of the same has been circulated to all concerned & HOBC 112/54 dated 11/07/2018.

The key functionalities of the module have been detailed as under:

- a) URL: <http://172.1.57.83/site pages/MSME register.aspx>
- b) USER ID: boicorp\branch MMS user.
- c) Password: Branch MMS Password
- d) For adding new application details in the module, branches should select: Add new Item.
- e) Branches should enter all the relevant data pertaining to the applicant and then shall advise the generated application ID to the applicant.
- f) For editing the existing record, branches should click on Edit Item. Thereafter branches may select the name of the concerned borrower for whom any editing is required.
- g) Under Edit item branches can also update the status of the proposal processing and keep on changing the status as per the processing stages of the loan applications.
- h) Every stage of loan application i.e. from the entry of application details from branch till the disposal of the application (pending/sanctioned/rejected) is to be updated from time to time by the parent branch, which has received the application from the borrower.
- i) MIS of total applications shall be made available to both Zonal Office and Head office for proper monitoring and control.

26.3 The applicant can check the status of application by visiting undermentioned link:

<https://www.bankofindia.co.in/english/Track-SME-loan-status.aspx>

After logging, on the page the applicant needs to put in his application ID and the status of his application will be displayed.

26.4 The MIS thus generated will also be displayed on the Bank's website on quarterly basis, as per RBI directions.

26.5 CRM Next

Bank has adopted CRM Next as a Lead Management System (LMS) under e-Platform project where all the leads are captured from digital as well as physical sources. Branches and SMECCs/SMEUCs will update the status of all the applications in CRM Next. Customer will get acknowledgement on each status via SMS or E-mail.

CRM Next can be accessed through below link:

<https://starsampark.bankofindia.co.in/sn/app/login/login>

Under the CRM next package user can create the new leads, check the status of existing leads and can update the status of leads.

Leads can be come from digitally sources like SMS, Missed call, Website, Internet Banking, Call Center, Jan Samarth Portal, Analytics, Mobile Banking etc. Apart from these digital leads all walk in leads are need to entered in CRM next by branches/SMECCs/SMEUCs.

After creating new lead user has to update the status time to time with progress of leads for monitoring and tracking. As CRM next and e-Platform portal is integrated with Jan Samarth portal all leads which comes from Jan Samarth Portal and initiated in e-Platform mandatorily to be update in e-Platform only.

User manual and SOPs shared by Marketing Department need to be followed for detailed guidelines.

27. Loan Schemes and Products under MSME

Various schemes and products are designed by the Bank from time to time in order to meet market expectations, customized to facilitate easy assessment and sector specific credit dispensation. Some of the popular schemes are described briefly below:

Sr.	Name of Product/Scheme	Purpose of the product/ scheme
27.1	BOI Star MSME Welcome Offer	Welcome Offer has been devised to on-board MDAs (Most Desirable Accounts) offering them concessional pricing and relaxed parameters.
27.2	BOI Star Asset Backed Loan (BSABL)	The product is aimed to provide hassle free credit, to meet working capital requirements/augment networking capital/ financing fixed assets for business activity or for expansion of business, as fund based / non-fund based facility against immovable property residential/commercial belonging to Borrowers/Promoters/guarantors.
27.3	Star Doctor Plus Scheme	The scheme is launched for qualified Medical practitioners. The credit facility is extended for any bona fide purpose relating to the medical profession like setting up a new /clinic/ Nursing home /

		pathological lab or for expanding / modernizing the same, purchase of equipment, purchase of vehicle. Need based loan would be considered for business premises / equipment without any cap.
27.4	Star Vehicle Express Loan	Star Vehicle Express Loan product is a revamped scheme for financing purchase of Commercial Vehicle for captive as well as commercial use. BOI-TMFL Loan & BOI-HLFL Loan are two tie-up module loan facilities devised on the product design of Star Vehicle Express.
27.5	Star Equipment Express Loan	In order to tap the opportunity under the segment of equipment financing, Bank has introduced a new product named as “Star Equipment Express”.
27.6	Star Energy Saver Scheme	The scheme focuses on meeting funding requirement for up gradation/ installation/ adopting Renewable (green) energy saving machinery and equipment's.
27.7	Star Export Credit	To provide financial assistance to our existing/NTB exporters for Fund based and Non-fund Based facilities and execution of export orders.
27.8	BOI Star MSME THALA	To finance MSME units for meeting their financial needs for Infrastructural Development/ Acquisition/ Construction work and also raise debt against future cash flows in the form of rentals from real estate property.
27.9	Udyami Vanita (Star Priyadarshini Yojna)	The scheme is specially designed for women entrepreneurs for purchase of equipment, machinery, vehicle, furniture and fixture etc. as well as for their working capital requirements. Under this scheme concession up to maximum of 1% p.a. is extended to the women entrepreneurs in applicable rate of interest. There is no upper ceiling for the loan amount.
27.10	BOI Star Yuva Udyami	The objective of the scheme is to finance MSME Units run by youth (age group: 18 to 35). The product suits the varied requirements of MSMEs run by Youth.
27.11	Star Insta Loan	Star Insta Loan has been launched to serve urgent business requirement of our existing borrowers.
27.12	Cluster Based Finance Scheme	A Standard Operating Procedure has been enumerated for financing various units identified under Cluster.
27.13	Star SME Contractor Credit Line	It is designed to meet working capital requirements of established contractors, engaged in business for past 3 years, having audited financial in place.

		Finance can be availed in form of cash credit, bank guarantee, Letter of Credit, etc.
27.14	Star SME Education Plus	Approved educational institutions i.e Universities, Colleges and Schools with 3 years audited financials and record of profit making for at least continuous 2 years can avail Term loan for construction/ Renovation/ Repair of building and for purchase of computers, equipments, furniture etc.
27.15	Star Digi Biz (Star Easy Biz Loan)	In order to deliver credit facility with faster T-A-T, simplified assessment method and also provide digital lending solution to GST registered MSME entities Star DIGI Biz loan is introduced. The product is a revamped scheme of Star Easy Biz Loan.
27.16	Pradhan Mantri Mudra Yojana (PMMY)	PMMY or Pradhan Mantri Mudra Yojana consists of loans to non-farm enterprises in manufacturing, trading and services whose credit needs are below Rs.20.00 lakh. All advances granted on or after 8th April 2015 under the above segment have been classified as MUDRA loans under PMMY. Category: SHISHU: up to Rs. 50,000 including PMJDY-OD up to Rs. 10,000 KISHORE: above Rs 50,000 upto Rs 5.00 lakhs TARUN: above Rs 5.00 lakh up to Rs 10.00 lakh. TARUN PLUS: above Rs. 10 lakhs and up to Rs. 20 lakhs to those entrepreneurs who have availed and successfully repaid loan under TARUN category.
27.17	Prime Minister's Employment Generation Programme (PMEGP)	The Ministry of Micro, Small and Medium enterprises. Government of India has launched a 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 viz Prime Ministers 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 is a central sector scheme being administered by the Ministry of MSME.
27.18	Stand Up India Scheme	The objective of the Stand-Up India scheme is to facilitate bank loans between Rs.10 lakh and Rs.1 crore to SC/ST or women borrower for setting up a Greenfield project.

27.19	Star Startup Scheme	The scheme provides funding support to eligible Startups recognized by the Department of Promotion of Industry and Internal Trade (DPIIT) to finance towards innovation, development or improvement of a products, processes or services and/or have scalable business model with high potential for creation of wealth & employment.
27.20	Online PSB loans Or Jansamarth	Contactless Platform (onlinepsbloans) is an online digital loan management platform for MSME borrowers which entails In - Principle sanction of loan without physical contact within 59 minutes. The loans are undertaken without physically contacting the borrower till sanction or disbursement stage. Jansamarth is another platform that provides access to MSMEs for digital loan applications. These loans fall into one or the other category of bank's loan products.
27.21	Merchant Credit Card (MCC), General Credit Card (GCC)	Credit Card Based approach to lending is part of the Bank's move to ensure greater flow of formal credit to MSMEs that account for a bulk of the country's job creation. Bank has introduced MCC facility for traders in the micro, small and medium enterprises category to help these units in meeting short term liquidity requirements and promotion of digital payment. Additionally, LUTC, Weaver Card, Artisan Card are also in place. All such card products are a sub category of General Credit Card.
27.22	National Livelihoods Mission (NULM) Urban Mission	The Existing Swarna Jayanti Shahari Rozgar Yojana (SJSRY) has been restructured as National Urban Livelihoods Mission (NULM).The Self Employment Programme (SEP) component of NULM will focus on providing financial assistance through a provision of interest subsidy on loans to support establishment of individual & group enterprises and self-help groups (SHGs) of urban poor.
27.23	Trade Discounting (TReDS) Receivables System	TReDS platform enables discounting of invoices/bills of exchange of MSME sellers against large corporates, including Government departments and public sector undertakings, through an auction mechanism to ensure prompt realization of trade receivables at competitive market rates.
27.24	Star Channel Finance	Through our 'Star Channel Finance' product we finance vendors/suppliers and dealers to/of

		Corporate, through invoice bill discounting scheme. Under the scheme the facility is extended with minimal or nil margins at very competitive rate of interest.
27.25	MUDRA Franchise /Aggregator / Dealer Scheme	A Standard Operating Procedure has been enumerated for financing dealers/aggregators/ franchises of various corporates under MUDRA.
27.26	Other guarantee Schemes	<p>Apart from CGTMSE,</p> <ul style="list-style-type: none"> ➤ Credit Guarantee fund for Micro units (CGFMU) ➤ Credit Guarantee scheme fund for Stand Up India Scheme (CGSSI) ➤ Credit Enhancement Guarantee Scheme for Scheduled Caste Entrepreneurs (CEGSSC) ➤ Credit Guarantee Scheme for Startups (CGSS) ➤ Mutual Credit Guarantee Scheme –MSME (MCGS-MSME) <p>Above guarantee schemes are in place. All Guarantee schemes are to be administered as per the master circular of MSME Guarantee Scheme.</p>
27.27	Others	Apart from these products/schemes, lending under Pool buyout, Co-Lending, other collaborative financing and MSME General Loans are also in place and financial assistance under these products/schemes can also be extended as per bank's extant product/scheme guidelines.

(Introduction of new products/processes/formats/circulars etc. and implementation of the same under MSME can be done as per bank's approved policy related to product, system & process re-engineering in Bank as devised by HO-BPR dept. or other policies as applicable.)

28. Application & Proposal forms

A new application format for MSME loans upto Rs 200 lakhs was devised and circulated through HOBC 112/27 dated 01/06/2018.

Further MSE I (Application Form) to be obtained from all MSME borrowers requiring loan amount Rs.200 lakhs and above. However, additional information, required for processing the proposal, may be obtained as annexures. Wherever scheme specific application form is prescribed the same should be obtained.

The New revised format of all MSME proposals has been circulated via HOBC 112/88 dated 17/09/2018, inter alia comprising of three different proposal formats as under:

MSME - 1 - Advance to Small Road Transport Operator
MSME - 2 Up to limits of Rs.25 lakhs
MSME- 3 Limits above Rs. 25 lakhs up to Rs.200 lakhs

Loan request for more than Rs.200 lakhs should be processed in executive summary format - used for large borrowal accounts in the format circulated by C&IC department. Additionally, Green Format is also in place and utilised for review of limits up to Rs. 5 cr.

Online Application Form: Bank has also devised online application form and the same is available on the website of the Bank.

29. Proposal Processing through 'e-platform'

Our Bank is under process to develop a Loan Origination System (LOS). The development of e-platform will be in phases wherein all MSME products will be rolled out from time to time. The processing of loan under e-platform will be automated with the features such as KYC validation, analysis of Bank statement, GST returns, ITR returns and Balance Sheet and financials returns etc. There will be certain Business Rule Engine/ Underwriting parameters which will be a part of automation process, for carrying out straight through process (STP) till Sanction/Disbursement stage. The processing of e-platform, will have cash flow based assessment tools which will rely on the credit summation in Bank statement or GST Returns etc. Bank has identified Shishu-Mudra loan product for STP customer journey up to disbursement level where applications received through a-platform from the borrower will be processed, sanctioned and disbursed online by the system without any manual intervention. In such cases the delegated authority will be the System itself.

Pradhan Mantri Mudra Yojana loans have rolled out in e-Platform w.e.f. 01.01.2023 and advised to all the branches for mandatorily processing of all Mudra Loans through e-Platform only. The user guideline and SOPs were issued and shared with branches. E-Platform is having ability to generate Proposal, Sanction letter and Security Documents which reduce the TAT of disposal of proposal.

Product, Systems & Procedure Group Committee (PSPG) can approve all the Underwriting parameters/Business Rule engine for implementation of automation of loans through STP / without STP for each product rolled out in e-platform.

30. Due Diligence

One peculiarity associated with MSME sector is that a major chunk of them are single owner run or family run businesses. It could take the shape of proprietorship or partnership, but generally unregistered. Proper due diligence in borrower selection assumes paramount importance.

The due diligence exercise should inter alia cover the following aspects

- i) KYC formalities (identification & address verification)
- ii) Checking of CIC (CBS/CBR) Reports (to be done annually at the time of review)
- iii) Verification RBI / ECGC defaulters' list/ SAL
- iv) Search in records of ROC

- v) Verification of PAN
- vi) Educational qualifications, experience, skills
- vii) Employment/ business details
- viii) Scrutiny of existing Bank Accounts/borrowing if any
- ix) Family background, social reputation, standing/ duration in the business
- x) Market reports.

Bank has tied up with various due diligence agencies like Dun & Bradstreet, Mira Inform, Goldrush Capital etc. as an additional measure of comfort for the branches and the services of these agencies can be utilized for obtaining due diligence report.

31. Tie ups with Fintech Companies

- i) Our Bank has entered into Tie Up with Fintech Company called Probe 42 for fetching MCA data. Branches may use the services of Probe 42 for culling information on all private limited companies and limited liability partnerships through Probe 42.
- ii) Further with automation under process we have entered into tie up with various fintech companies for data aggregation services and using their capabilities in terms of financial analysis of balance sheet, analysis of bank statement, e documentation etc. We are also building certain Business Rule Engine/ Underwriting parameters which will be part of automation process, for carrying out straight through process till Sanction/Disbursement stage.
- iii) **Product, Systems & Procedure Group Committee (PSPG) can approve all the Underwriting parameters/Business Rule engine for Implementation of automation of loans through STP / without STP.**

32. 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 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 Revival and Rehabilitation of MSME units having loan limits up to Rs.25 crores would be undertaken under this framework. The revised framework supersedes earlier guidelines on Rehabilitation of Sick, Micro and Small enterprises except those relating to reliefs and concessions for Rehabilitation of potentially viable units and one-time settlement.

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 accounts (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.

The detailed guidelines on Framework for Revival and Rehabilitation of MSMEs has been incorporated in this policy under Part-D.

33. "JanSamarth" Portal for Government Sponsored Schemes

Government of India through Department of Financial Services (DFS) has taken an initiative towards setting up of a project named NPCGS "National Portal for Credit Linked Government Schemes" under Government's Aatmanirbhar Bharat Abhiyan, which is a single online portal for rolling out various Central/State Government credit linked schemes under Retail, Agriculture and MSME sector. NPCGS has been developed by Online PSB Loans Limited (OPL).

Following credit linked Government Schemes would be included phase wise in the portal:

Phase-I	
Education Schemes	CSIS, Padho Pardesh, Dr Ambedkar
Housing Schemes	PM Awas Vojna (PMAY)
Agriculture Infra Schemes	CABC, AMI, AIF
Livelihood Schemes	NRLM, NULM
Business activity Schemes	PMSvanidhi, Stand Up India, Mudra,
Phase- II	
State Government Schemes, PMEGP	

The portal requires MLIs to define the benchmark for product specific parameters in order to give In-principle approval of the application received through the portal. Accordingly, the parameters for each scheme is defined on the portal. The applications received from the National Portal will be passed through Bank's CRM (CRM Next) for the purpose of lead management and eventually the lead will be processed in Bank's Loan Origination System (LOS) by the users. The detail process flow and SOPs is shared by the respective functional department for smooth implementation.

34. COVID Related Products

Due to the recent COVID 19 Pandemic various measures were taken by the Bank for supporting the MSME borrowers at this time of crisis. The following initiatives were also undertaken by the Government of India through their COVID related flagship programs. A list of all such products formulated and implemented by the Bank are listed below:

- a) Star Guaranteed Emergency Credit Line (Star GECL)
- b) Star Hawker Atmanirbhar Loan (SHAL) under PM Street Vendor's Atmanirbhar Nidhi (PMSVANIDHI) scheme
- c) Star Subordinate Debt for Stressed MSME & Credit Guarantee Scheme for Subordinate Debt
- d) **Loan Guarantee Scheme for Covid Affected Sectors (LGSCAS)**
- e) **Loan Guarantee Scheme for Covid Affected Tourism Service Sectors (LGSCATSS)**

35. Co-Lending Model for origination of Loans

Reserve Bank of India under its circular no RBI/2020-21/63, FIDD.Co.Plan.BC.No.8/04.09.01/2020-21 dated 5th November 2020 has permitted Banks to Co-Lend with all registered NBFCs (including HFCs) based on prior agreement.

NBFCs (including HFCs) have acquired niche in providing loans to hitherto new to credit customers in RAM sector and have in place, IT enabled tech platform that facilitate end to end loan life cycle management. Apart from the same, NBFCs (including HFCs) are nimble footed and have acquired expertise over the years in originating and underwriting credit in shortest possible time. Universal banks like our Bank need to leverage the expertise of NBFCs (including HFCs) to build RAM portfolio.

Our Bank has framed Co-Lending Model policy (Board Dt 15.03.2021) and subsequently modified (Last modification approved by Board dated 25.11.2022). CLM policy aims at dovetailing to the existing RAM strategy loans origination through co-lending with NBFCs (including HFCs) and the objectives are:

- i) To achieve quality/portfolio of small to medium ticket loans in Bank's RAM portfolio by leveraging expertise of NBFCs (including HFCs).
- ii) To leverage the large presence of NBFCs (including HFCs) in credit markets by partnering with them and availing their services in improving credit underwriting standards and collections efficiency.
- iii) To surmount bottlenecks in traditional financial intermediation through effective use of skill sets in NBFCs (including HFCs) and improve margins.

36. 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 maximum number of units is 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, RBI vide their circular RPCD.MSME & NFS.BC.No.20/06.02.31/2012-13 dated August 1, 2012 has advised that the banks could either separately set up special cells at their branches, or vertically integrate this function in the Financial Literacy Centers (FLCs) set up by them, as per their comparative advantage. Bank has already set up 51 Financial Literacy Centers across the country named as "ABHAY" as per guidelines of RBI.

37. Banks commitment to MSME Sector

BCSBI (Banking Codes and Standards Board of India) had devised a "Code of commitment to Micro and Small Enterprise (August 2015): Except the following codes, other codes of "Code of Commitment to Micro and Small Enterprise-Aug.2015" are now withdrawn by the bank and bank shall deliver the services as per its MSME Lending Policy and the below norms:

(Note: "Bank will strive to follow guidelines as issued by RBI/DFS/GoI related to Customer Service and other matters with a view to provide pro-active and superior service to MSME sector.)

- a) Display their policies on 'Lending to the Micro and Small Enterprises' and 'Rehabilitation of Micro and Small Enterprises' on their websites as also make them available at branches.
- b) Explain the features of subsidy schemes and any requirement needed to be fulfilled where a loan is eligible to be covered under any such scheme in force.
- c) Advise the MSE borrower about the functioning of the Central Registry and the fact of availability of their records for search by any lender or any other person desirous of dealing with the property
- d) Give the MSE customer the KFS (Key Fact Statement) & Most Important Terms and Conditions (MITC) governing the loan / credit facility approved by them and which may be availed by the MSE.
- e) Dispose of the loan application of the MSE for a credit limit or enhancement in existing credit limit within the stipulated time frame reckoned from the date of receipt of application, provided the application is complete in all respects and is accompanied by documents as per 'check list' provided.
- f) Not insist on collateral for credit limits up to Rs.10 lakh or up to limits specified by Reserve Bank of India, from time to time.
- g) Endeavour to send the MSE borrower a communication through letter/ mail or SMS about the status of his / her account before it becomes an NPA.
- h) Give the MSE borrower notice, sufficiently in advance, if the bank decides to recall/ accelerate payment or performance under the agreement or seek additional securities.
- i) Explain to the MSE customer the implications of One Time Settlement (OTS) on its credit history maintained by the Credit Information Companies (CICs).
- j) Give a copy of the terms and conditions of the loan sanctioned / loan agreement to the guarantor(s) of the credit facility availed by the MSE borrower.
- k) Send a copy of the annual statement of account of the MSE borrower's term loans / demand loans to the guarantor(s) of the loan.
- l) Endeavour to conduct programs to enhance knowledge on financial management of prospective borrowers.
- m) Endeavour to organize meetings of MSE borrowers at periodic intervals as a regular channel for exchange of ideas and suggestions.

38. General Instructions:

- a) **If any MSME product specific delegation is approved, then such delegation shall prevail over the general delegation of power.**
- b) **GM-FGMO can approve State Government Schemes and implement the same at FGMO level. ZMs of Zones or GM-FGMOs can also enter into Tie-ups with entities for collaborative efforts for generating business where commission sharing is not required.**

- c) ORMC/CRMC is authorised to approve opening/closing of any SMECC/UC.
- d) CGM-RAM / GM-SME, upon approval from CRMC/ORMC, can enter into Tie-ups with entities for collaborative efforts for generating business where commission sharing required outside the purview of BSA Model.
- e) In order to improve T-A-T, SMECC/UCs can send the proposals directly to HO-SME and FGMO recommendation can be submitted subsequently.
- f) For all Loans up to Rs. 1.00 crore where mortgage of property is required, TCR for a period of 13 years can be considered if 30 years' TCR can't be obtained for operational reasons. Suitable clause regarding non-availability of 30 years' information and acceptance of 13 years Title Search should be incorporated in the report by the panel advocate. Approval for such consideration to be obtained from authority one level above the normal sanctioning authority.
- g) This policy should be read in conjunction with other documents of the bank such as Credit Policy, Manuals, Master Circulars etc. Product level relaxations, if any obtained and approved by competent authority shall prevail for that specific product.
- h) Emerging assessment models for specific areas of the MSME finance like Digital Lending (including digital data footprint based models), Cash Flow Based Lending Models, Alternate Data Basis assessment methods can also be implemented at product level. However, such specific approvals need to be obtained during product approvals.
- i) Guidelines pertaining to MSME Lending issued by MoMSME/GoI/RBI/DFS or Guarantee scheme modifications issued by CGTMSE/NCGTC shall be effective upon notification by the body. Such guidelines would be circulated during the year and would be absorbed during the next review of the policy.

Display of MSME Policy: For wider dissemination and easy accessibility, the reviewed MSME policy guidelines would be displayed on the Bank's website and will be circulated across the branches through FGMOs / ZOs.

Sun-Set Clause: The Bank's MSME Policy will be in force until the next review. The policy will be reviewed annually or at an earlier date, as may be required by the Bank.
