Annexure-I

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 29% of the country's GDP, around one-third of the manufacturing output, and approximately 49% 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.

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 One Crore and turnover does not exceed Rupees Five Crore.

B. Small Enterprises: An enterprise will be classified as Small, where the investment in Plant & Machineries or equipment does not exceed Rupees Ten Crore and turnover does not exceed Rupees Fifty Crore.

C. Medium Enterprises: An enterprise will be classified as Medium, where the Investment in Plant & Machineries or equipment does not exceed Rupees Fifty Crore and turnover does not exceed Rupees Two hundred and Fifty 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.

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. **Assignment/ outright purchase of pool of assets originated by Banks which are eligible to be classified as priority sector advances prior to purchase and fulfil the RBI guidelines on assignment/outright purchase issued vide Master Direction-Reserve Bank of India (Transfer and Loan exposures) Direction, 2021 shall also be classified under Priority Sector advance.**

3.1 Factoring Transactions

i) With Recourse factoring transactions by Banks which carry out the business of factoring departmentally wherever the assignor is a Micro, Small or Medium Enterprises would be eligible for classification under MSME category on the reporting dates.

ii) The borrower's bank shall obtain from the borrower, periodical certificates regarding factored receivables to avoid double financing / counting. Further the factors must intimate the limits sanctioned to the borrower and details of debts factored to the banks concerned taking responsibility to avoid double financing.

iii) Factoring transactions pertaining to MSMEs taking place through the Trade Receivables Discounting System (TReDS) shall also be eligible for classification under priority sector.

3.2 Export Credit

i) All Export Credit under MSME sector are allowed to be classified as Priority Sector Lending.

ii) Export Credit includes Pre Shipment and Post Shipment export credit (excluding off balance sheet item) as per guidelines issued from time to time.

3.3 Khadi and Village Industries Sector (KVI)

All loans sanctioned to units in the KVI sector, irrespective of their size of operations, location will be eligible for classification under the sub-target of 7.5% prescribed for micro enterprises within the Micro and Small enterprises segment under priority sector.

3.4 Other Finance to MSMEs

i) Loans up to Rs.50 Crore to Start Ups as per definition of Ministry of Commerce and Industry, Government of India that confirm to the definition of MSME.

ii) **Credit outstanding under General Credit Card (including Artisan Credit Card, Laghu Udyami card, Swarojgar Credit Card and Weaver's Card etc. in existence and catering to the non-farm entrepreneurial credit needs of individuals)**

iii) Loans to entities involved in assisting the decentralized sector in the supply of inputs to and marketing of produce of artisans, village and cottage industries.

iv) Loans to cooperatives of producers in the decentralized sector viz. artisans village and cottage industries.

v) Loans sanctioned 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.

vi) Loans to registered NBFCs (other than MFIs) for on lending to Micro & Small enterprises.

vii) Overdraft to Pradhan Mantri Jan Dhan Yojana (PMJDY) account holders as per limits and conditions prescribed by Department of Financial Services (DFS), Ministry of Finance from time to time will qualify as achievement of the target for lending to Micro Enterprises.

viii) Outstanding deposit with SIDBI and MUDRA Ltd on account of priority sector shortfall.
ix) Loans extended under co-lending arrangement will be classified as PSL in respect of Banks share of loan.
x) *Bank credit to registered NBFCs (other than MFIs) for on-lending up to Rs. 20 lakh per borrower.*

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 HOBC 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) **In case of Rejection of loan request, next level to Sanction Authority may reject the application.**

ii) **In case applicant belongs to SC/ST category, the authority for rejection of loan application is minimum ZLCC.**

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 50% 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 for the existing and new borrowers. However, it is not applicable for loans granted under PMSVANIDHI Scheme.**

ii) Aadhaar Number is mandatory for filing Udyam Registration. Adhaar number shall be of the proprietor in the case of proprietorship firm, managing partner in case of partnership firm and of karta in the case of Hindu Undivided family (HUF).

iii) In case of company or a limited liability company partnership or a cooperative society or a society or trust, the organization or its authorized signatory shall provide its GSTIN and PAN.

iv) All existing enterprise are required to register again on the Udyam Registration portal, even though they previously were in possession Udyog Adhaar Number.

v) 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, following concession is proposed to ZED certificate holder as under:

Certification Level	Concession
Bronze	**0.10% concession in applicable ROI.**
Silver & Gold	**0.25% concession in applicable ROI.** **25% concession in processing charges.**

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 fail 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/CGFMUICGSS/ & all related work.
- Securitization (Pool Buy out).
- Co Lending
- 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 NBGs, & 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/NBG queries, parliamentary questions & clarifications. RTI reply, Fraud matters, PSRS.
- 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/NBGs 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.

Currently, Bank has 125 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 SME City Centers / SME Urban Centers

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 Centre".

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. Executive Director (In-Charge of MSME vertical) is authorized to approve any modification/changes in operational guidelines and in organizational structure.

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.

We further propose that Bank may engage any manpower agency /BCs for the purpose as per Bank's policy and **ZLCC** may be 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 is as per HOBC 115/272 dated 03.01.2022.

10. Credit Appraisal

Proper identification of the Enterprises, verification of applicant(s) and his/her/their antecedents in accordance with KYC Norms/Guidelines, their experience in the proposed line of activity, educational and social background, technical/ professional competence, integrity, initiatives, etc.

- Checking out for Willful Defaulters' List of RBI, Specific Approval List (SAL) of ECGC, CIBIL reports, Central Fraud Registry (CFR) individuals as well as commercial etc.
- The acceptability of the product manufactured, its market demand/supply position, market competition, marketing arrangement, etc.
- Evaluation of State and Central Govt. Policies (enabling environment) with specific reference to the Enterprise in question, Environmental stipulations, availability of necessary infrastructure-roads, power, labour, raw material and markets.

- Techno-economic Appraisal of units to be carried out as per guidelines circulated by our TAD department from time to time. At present the latest guidelines have been circulated through 116/270 dated 25.01.2023. Latest TEV policy has been issued vide HOBC: 117/252 dated: 10.01.2024.
- Project Cost, the Proponent's own financial contribution, projections for following three years, and other important parameters which would Include the BEP, liquidity, solvency, and profitability ratios, etc.

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 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 behavior 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 the Board approved policy and subsequent modifications/revision from time to time.

11.3 Chief General Manager (MSME) / 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-lendlng 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

13.1 Working Capital Assessment

Turnover method - for working capital limits requirement up to Rs.5 Crores, turnover method would be applicable as per Nayak Committee Recommendations.

a) **For Medium Enterprises:** Under this method, working capital is assessed at 25% of the projected turnover based on the assumption of a three month operating cycle. 20% of the turnover is provided by way of bank finance and balance 5% or 1/5th of the working capital required should be brought in by the borrower by way of net working capital contribution. It is abundantly clarified that this 20% is the minimum WC limit to be sanctioned even if the proponent's operating cycle is shorter than 3 months. Branches should, however, ensure to restrict the drawings in such cases to actual drawing power arrived at based on the amount of inventory/receivables declared by the borrower vide his monthly statements.

b) **For Micro & Small Enterprises:** The Working Capital limits is to be assessed for Micro & Small enterprises in the following two ways (For limits up to Rs 5 crores):

A. Units with Digital portion turnover of 25% and above in previous year

The projected turnover is further to be divided into two components- Digital and Non Digital. Working capital assessment is to be carried out as under:

i. **For Non Digital portion:** Working capital limits - Minimum 25% of the projected turnover (accepted).
ii. **For Digital portion:** Working capital limits - 30% of the projected turnover (accepted).

The percentage of digital transaction in projected turnover (accepted) to be taken as actual percentage of digital portion in the previous year.

Digital Transactions: All Sales transactions reflected in the bank books other than cash and paper based instruments (such as cheques, ODs, POs etc) may be considered.

B. All other MSEs, except those mentioned above:

Working capital limits - Minimum 25% of the projected turnover (accepted).

Borrower's contribution by way of net working capital continues to be at 20% (1/5th) of the working capital requirement.

In all the cases, branches should ensure to restrict the drawings to actual drawing power arrived at, based on the amount of inventory/receivables declared by the borrower vide his monthly statements.

Detailed guidelines for assessment of working capital for MSE sector under Turnover method have been circulated through HOBC 111/45 dated 27.06.2017.

MPBF (Maximum Permissible Bank Finance) method is conventional method of assessing working capital for units with longer operating cycle and / or for units requiring working capital in excess of Rs.5 Crores. The assessment is based on the buildup of Current Assets and Current Liabilities. 25% of Current Assets should be brought in by the borrower/promoter by way of net working capital contribution. As a measure of incentives for exports, stipulation of providing margin on export receivables have been waived. As such the minimum margin required will be 25% of total Current Assets excluding export receivables.

Cash Budget method - Where working capital requirement is more than Rs.5 crore assessments should be carried out under cash budget method especially where the borrower is engaged as contractor or revenue is recognized on progressive billing basis, etc. Under this method, the peak level cash deficit will be the level of total working capital finance to be extended to the borrower. The peak level cash deficit will be ascertained from the projected Cash Budget statement submitted by the borrower. The cash budget statement would comprise ·of projected receipts and payments for the next 12 months on account of business operations including advance payment, mobilization advance, non-business operations, cash flow from capital accounts and other sundry items.

Branches should obtain and scrutinize latest financials of the constituent in all cases of WC limits request of Rs.10 lakhs and above as per guidelines issued from time to time. In case provisional balance sheets are submitted by the constituent, adverse variation between the provisional and audited financials should not exceed 5%. In the event of deviation beyond 5%, branches should have a discussion with the constituent to find out the reason for such variation and report to the sanctioning authority.
The next year's sales projections made by the borrower, however, would have to be corroborated by the trend in sales over previous 2 years, last year actual sales through verification of the following indicative parameters (besides the financial data submitted by the borrower):

- Sales Ledger/Sales Turnover.
- Credit Summation in the account.
- Sales Memos or Invoices/Delivery Challans.
- Sales Tax Paid/Turnover Tax/Excise Register/GST, as applicable,
- Electricity Bills -wherever applicable.
- Orders on hand/expected orders.
- Installed capacity vis-a-vis the projections.
- Overall market trend etc.

Such projections should be within reasonable limits say 25% over previous year's sales and/or in line with past YOY growth pattern. However, in exceptional cases deviations may be considered by accepting higher sales projections if supported by firmed up orders, additional capacity available, introduction of new product line, etc.

13.2 Cash Flow based MSME lending

As per the EASE guidelines Bank has to move away from traditional balance sheet based assessment to Cash flow based assessment based on the Cash flows derived from Bank Statement/ GST returns etc. We have been evolving cash flow based lending through Bank statement analysis with help of various fintech companies as a part of automation for MSME lending. The same will be implemented in phased manner as per stages of automation.

Therefore, besides traditional way of financing based on audited financials and CMA data etc., following measures are also acceptable for existing / new MSME borrowers to increase the cash flow based lending;

a) CMA data for the MSME customers up to credit limits of Rs.2.00 Crs not to be insisted upon. The level of sales growth and profitability can be accepted in line with the historical data. In case of Term Loan facility, DSCR can be calculated for the future years up to the repayment period based on the average profitability of last 2 years.
b) Wherever audited financials are not available, Internal Credit rating based on the un-audited balance sheet (Self certified or CA Certified) / ITR returns is acceptable up to Rs.2.00 Crs for all purposes including delegation and ROI.
c) Cash flow based assessment of credit limits up to Rs.5.00 Crs based on the historical sales/revenue/turnover as per GST returns / ITR returns / Business credit summation in Bank accounts available for minimum for 6 months period.

In other cases the present system in vogue as per credit policy will be followed.

13.3 Credit Delivery CC/WCDL

In case of borrowal accounts with fund based working capital credit limits of Rs 10 crore and above from the banking system, the total disbursement for WCDL & Cash Credit should generally be 80% and 20% of the sanctioned limit respectively. RBI has given freedom to fix the proportion of CC and WCDL. Hence, though a ratio of 80:20 is desirable, ZLCC/Head of LCBs, onwards may permit flexibility in this regard.

For the purpose of renewal/rollover of WCDL component, review of the total working capital requirement of the borrower will be based on QIS, Half Year Operating Statements, half yearly balance sheet, Annual Balance sheet and operations of the borrower with the Bank, whichever is immediately available.

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

16.1 Financial Ratios:

Bank's extant delegation of powers circular vide HOBC 109/69 dated 01.07.2015 specifies prescribed financial ratios of the bank and maximum relaxation permitted for key financial indicators permitted by the Board is as below:

I	II	III
Financial Parameters #	Financial Ratios prescribed as per credit policy	Maximum Relaxation (permitted by Board)
Debt Equity Ratio / Debt Quasi Equity Ratio (TOL/TNW)	4 (Maximum)	5 (Maximum)
Current Ratio	1 (Minimum)	a) 0.7 for Sugar & Seasonal industries and other sectors whose assessment is done through Cash budget method. viz; Educational Institutions, Construction, contractors, Hotels, Hospitals etc. @ b) 0.8 for all others
Debt Service Coverage Ratio (DSCR)*	1.25 (Minimum Average)	1.10 (Minimum Average)

* Applicable only in respect of Project/Term Loan.

\# Delegatee while considering the proposal should ensure the borrower's capacity to service interest and installment.

@ Educational Institutions be exempted from Current Ratio norms. Further, Current Ratio not to be reckoned for Working Capital facilities in case of Hotels and Hospitals.

Benchmark on historical basis for above parameters is as under:

S.no.	Financial Parameters	Benchmark Financial Ratios
1	Debt Equity Ratio/ Debt Quasi Equity Ratio (TOL/TNW)	3 (Maximum)
2	Current Ratio (CR)	1.33 (Minimum)
3	Debt Service Coverage Ratio (DSCR)	1.50 (Minimum Average)

16.2 Authority for approval of Deviation in financial ratios

a) Deviation in financial ratio benchmark within the maximum relaxation permitted by the Board (column III above) can be considered by respective delegated authority in all the cases.

b) In case of review/renew at existing level / at reduced level / enhancement, with deviation beyond the Maximum Relaxation permitted by Board (column III above) can be considered by respective delegated authority with road map of remedial steps taken.

c) **In case of new proposals with deviation in any one of the ratios beyond Maximum Relaxation permitted by the Board (column III above), can only be considered by HLCC-II & above.**

17. Credit Acquisition

Apart from direct/primary credit acquisition, we may also consider take-over of advance accounts from other Banks/FIs. Detailed guidelines have been circulated by our C&IC department vide HOBC 115/144 dated 31/07/2021 which also inter alia include special takeover norms for Micro & small enterprises up to aggregate credit exposure of Rs.25 crores under Case III.

For all other MSME accounts, the takeover norms pertaining to Case I, II & IV will apply.

The broad details of takeover norms as applicable to Micro & Small enterprises up to Rs.25 Cr is detailed below:

TAKEOVER PARAMETERS:

S.no.	Criterion for Takeover
1	Account should be standard with existing bank (mandatory)
2	Profit (Cash accruals) making during the previous financial year (mandatory) (provided there are no accumulated losses). Units which are in first year of activity, the same is not applicable.
3	Ideally Sales should show an increasing trend, however due to covid-19 sales may show decreasing trend. Such decrease should be properly justified. Decrease in sales is acceptable for the year 2019-20, 2020-21 & **2021-22** out of the previous 3 financial years (Sector should not be under negative list).
4	DER/QDER – 4 (maximum)
5	CR - 1.10 (minimum) Educational institutions are exempted from current ratio norms. Current ratio not to be reckoned for credit facilities of Hotels and Hospitals.
6	ISCR : 1.25 (Minimum)
7	DSCR:- 1.25 (Minimum Average)
8	ACR a) ACR should be minimum 1.50, in cases wherein collateral security are available. b) ACR should .be minimum 1.30, in cases wherein CGTMSE coverage under Hybrid model is available. No accounts are permitted for takeover, if it is proposed to be covered under CGTMSE only. Value of collateral security a) Sanctioning authority may allow change in collateral securities, however it should be ensured that value of security is not diluted b) In case of CGTMSE, Hybrid Model only will be allowed.
9	Entry Level norms in case of internal credit rating is to be complied with. No accounts below entry level will be considered for takeover.

In case of Takeover + Additional the CCR as stipulated above is applicable for the portion of Takeover only.

Branch to follow the latest revised guidelines as and when issued by the Bank.

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. As per extant guidelines, the following credit rating models are in use.

Borrowers having credit limits above Rs.10.00 lakhs and turnover up to Rs.1.00 Crore, will be rated as per Score Card Based Lending Model (SCBL). The borrower having turnover of Rs.1.00 crore and above will be rated as per below rating model applicability.

S.no.	Rating Model	Applicability
1	***SARAL***	***Limits upto Rs.10 lakhs***
2	***Score Card Based Loan Model (SCBL)***	***Limit above Rs. 10 lakhs and turnover upto Rs. 1.00 Crore***
3	**Small Business Segment (SBS) Model**	**For turnover of Rs.1 crore & above but not exceeding Rs.5 crores.**
4	**Small and Medium Enterprises (SME) Model**	**For turnover of Rs.5 crores & above but not exceeding Rs.50.00 crores.**
5	**Mid Segment (MS) Model**	**For turnover of Rs.50 crores & above but not exceeding Rs.250.00 crores.**
6	**Hybrid Large Corporate (HLC) Model**	**For turnover of Rs.250.00 crores and above.**
7	**Project Finance / Infrastructure Model (RG model)**	a. **Road Project Model** b. **HAM Road Project Model** c. **Power Project Model** d. **Generic Infrastructure Model** e. **Greenfield Model** f. **Real Estate Model**
8	**NBFC Model**	**For credit rating of NBFC proposals.**
9	**Stock Broker Model**	**Model for Credit Rating of Stock Brokers**
10	**OVS Model**	**Credit Rating Model for Foreign Branches**

19.1 Entry Level for Credit Rating model

Our Bank has set entry level grades for taking exposure based on the credit rating of the borrower under various models are given below:

Rating Model	Entry Level
SCBL Model	**SCBL 5**
SBS Model	**SBS 5**
SME Model	**SME 5**
MS Model	**MS 5**
HLC Model	**HLC 5**
RG-Generic Infrastructure Road	**RG 7**
RG-HAM Road	**RG 6**
RG-Real Estate involving Commercial Projects	**RG 6**
RG-Other Real Estate Projects	**RG 7**
NBFC Model	**NBFC 4**
SB-Stock Broker	**SB 5**
OVS-Overseas Model	**OVS 5**

19.2 Entry level norms based on Risk categories

Based on the EASE guidelines and as per Internal Credit Rating done by the Bank, credit exposure has been classified in four broad heads, listed as under:

a) Low Risk
b) Medium Risk
c) High Risk
d) No Go Category

Mapping of various Credit Rating models with the above categories were presented by HO-RMD and approved by Board dated 23.03.2022.

20. External Rating

20.1 External SME Rating

To encourage Small & Medium Enterprises from getting their units rated by an accredited external rating Agencies, empaneled 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

Risk of Default in the MSME sector is spread amongst a wider base of borrowers. The pricing is linked to the Credit Rating of the constituent in accordance with RBI directives. We have adopted pricing for MSME borrowers, linked to External Benchmark Lending Ratio (EBLR). Our Bank has adopted Repo Based Lending Rate (RBLR) and all MSME loans are linked to RBLR. Detailed guidelines on RBLR has been issued via HOBC 113/167 dated 13/12/2019. *Additionally, Addendum to Interest Rate Policy is also issued and circulated vide HOBC No:117/178 dt:12.10.2023*

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 is 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

24.1 Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

Credit Guarantee Funds Trust for Micro and Small Enterprises (CGTMSE) is a trust established by the Government of India, under the Ministry of Micro, Small and Medium Enterprise (MoMSME) and Small Industries Development Bank of India (SIDBI) in August 1, 2000 to cover the credit loss incurred by the lender in the event of credit default by a MSE unit, which availed collateral free credit facility and fails to discharge its liabilities to the lender. The main objective is to give importance to project viability and secure the credit facility purely on the primary security of the assets financed. Our Bank is a Member Lending Institution (MLI) for the Guarantee scheme since 2001.

a) Credit facilities sanctioned to Micro & Small units defined as per MSMED act 2006, on the basis of investment in Plant & Machineries/ Equipment and falling under manufacturing & services sector including retail and wholesale trade can be covered under CGTMSE.

b) The following parameters of Retail/Wholesale trade activity has been aligned with other activities:
    i) Ceiling of credit guarantee increased to *Rs. 500 lakhs.*
    ii) Extent of guarantee coverage as per other activities.
    iii) Rate of Annual Guarantee Fee (AGF) as per other activities.

c) Maximum Quantum of loan to a single borrower, eligible for guarantee coverage should not exceed *Rs.500 lakhs*. The maximum guarantee coverage limit of *Rs.500 lakhs* per borrower will be based on the outstanding credit facilities.

d) In case of fresh coverage / credit facility (working capital or term loan or both) applying for the first time for guarantee coverage i.e. the same credit facility should not have been covered previously under CGTMSE/ coverage discontinued in between, will be covered anytime during the tenure of Loan, provided the credit facility was not restructured / remained in SMA2 status in last 1 year from the date of submission of application.

e) The maximum extent of Guarantee Coverage ranges from 75% to 85% depending on the category of borrower.

f) The Annual Guarantee Fee (AGF) is applicable depending on the Credit limit slab. AGF will be charged on the guaranteed amount for the first year and on the outstanding amount for the remaining tenure of the credit facility.

g) *The revised Annual Guarantee Fee (AGF) structure w.e.f 01.04.2023 is as under:*

Slab (Rs.)	*Old Standard Rate (SR) (%pa)*	*Old Effective SR with RP (%pa)*	*Revised Standard Rate (%pa)*	*New Effective SR with RP (%pa)*
0-10 L	*0.75*	*1.28*	***0.37***	***0.63***
Above 10L upto 50L	*1.10*	*1.87*	***0.55***	***0.94***
Above 50L upto 01Cr	*1.20*	*2.04*	***0.60***	***1.02***
Above 01Cr upto 02Cr	*1.20*	*2.04*	***1.20***	***2.04***
Above 02Cr upto 05Cr	*1.35*	*2.30*	***1.35***	***2.30***

h) **Risk Premium:** CGTMSE through external agency has categorized the MLIs based on critical factors such as NPA rate, claim rate, quick mortality ratio, net flows etc. Accordingly, depending on the degree of risk, MLI with better portfolio would be given the discount of 10% in standard rate whereas MLI with high risk associated would be charged maximum Risk Premium upto 70% of SR.

i) In addition to the above, following Categories have been identified by CGTMSE for additional concession / relaxation in guarantee fee as per the below table.

Category	**Social Category (Weaker Section/ Underserved Section)**	**Geographic**	**MSE Status**
Target Group	Women/SC/ST/PwD/ Agniveer	NER including Sikkim, UT of J&K, UT of Ladakh (Upto 50 Lakh)/ Aspirational District	ZED Certified
Relaxation/ Concession in Rate	10%	10%	10%

- **The discount will be calculated on the fee rate with risk premium.**
- **Any MSE falling in all the above three categories will be eligible for maximum discount of 30%.**

j) **Partial/Hybrid Security Model:** In the Partial/Hybrid security model allows guarantee cover for the portion of credit facility not covered by collateral security. Under the model, branches are allowed to obtain collateral security for a part of credit facility whereas the remaining part of the credit facility up to a maximum of Rs.500 lakhs can be covered under credit guarantee scheme. Under this model, CGTMSE will have notional second charge on the collateral securities.

k) In order to promote lending to SC/ST and Women beneficiaries under CGTMSE, our Bank is absorbing partial Guarantee Fee of the AGF charged to the borrower as mentioned below :

Credit Facility	Proposed sharing Pattern
Borrowers of category: **SC / ST / Women**	100% of AGF for First Year for credit limit up to Rs.100 lakhs only, will be borne by the Bank.

- All other borrowers except special category of accounts as mentioned above will bear Annual Guarantee Fee (AGF) for entire tenure of loan amount covered under CGTMSE

24.2 Waiver for coverage under CGTMSE

Applicable for aggregate credit exposure up to Rs.500 lakh

i. No collateral should be accepted in case of loans up to Rs.10 lakh extended to units in the MSE sectors. Sanctioning authority should cover all loans up to Rs.10 lakh extended to Micro & Small Enterprises and are eligible for coverage under guarantee scheme of CGTMSE or other approved institutions such as CGFMU without any exception.

ii. Sanctioning authority may consider proposals with CCR 60% & above for all accounts which are above Rs.10 lakh and otherwise eligible under CGTMSE, without obtaining CGTMSE coverage.

iii. Proposals under Hybrid Security Product (irrespective of level of CCR) may be considered by sanctioning authority.

iv. **For Proposals above Rs.10 lakh and proposed to be covered only under CGTMSE, the delegation rests with the Sanctioning Authority (No prior clearance required).**

v. **In case of borrowers are not inclined to take CGTMSE coverage and No Collateral or CCR is less than 60% then delegated authority to approve waiver of CGTMSE cover will be vested with ZLCC onwards.**

24.3 HLCC-I is authorized to approve any changes in the operational guidelines of CGTMSE including terms & conditions for waiver of CGTMSE.

24.4 Detailed guidelines of the CGTMSE scheme has been circulated vide Master Circular HOBC 116/255 dated 27.06.2022 on CGTMSE which is subsequently revised by HO-SME from time to time.

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 with whom it has entered into tie up arrangement and has signed MOUs. The details of the scheme were circulated vide HOBC vide 105/64 dated 04.07.2011. This special scheme is also extended to all OEMs for all new tie ups with different OEMs in future. 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 General Manager (MSME) is authorized to approve tie up arrangement with any of the reputed OEMs.

25.4 Deputy General Manager/Assistant General Manager (SME)/General Manager (NBG) 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 has 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/engllsh/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 Centre, 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;

27.1 Star Insta Loan:

Star Insta Loan has been launched to serve urgent business requirement of our existing borrowers. The detailed scheme guidelines have been issued vide HOBC No: 117/175 dt:12.10.2023 and subsequent modification vide HOBC No:117/220 dt:12.12.2023.

27.2 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. The scheme guidelines were circulated vide HOBC:117/151 dt:13.09.2023

27.3 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”. The scheme guidelines have been circulated vide HOBC:117/223 dt:12.12.2023. The scheme focuses on financing the purchase of new equipment to MSME units.

27.4 Star Energy Saver Scheme

BOI Star Energy Saver scheme has been revised and the updated guidelines are circulated vide HOBC No:117/222 dt:12.12.2023. The scheme focuses on meeting funding requirement for up gradation/ installation/ adopting Renewable (green) energy saving machinery and equipment's.

27.5 Star Easy Biz Loan

In order to deliver credit facility with faster T-A-T, simplified assessment method and also to secure the advance by way of obtaining collateral, Bank has introduced "BOI STAR EASY BIZ Loan", where Fund Based facility from Rs.0.10 Cr to Rs.1.00 Cr can be provided to MSME borrowers who are eligible for the *scheme. The scheme guidelines have been circulated vide HOBC No:117/116 dt: 12.10.2023.*

27.6 Merchant Credit Card (MCC):

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. The product is approved by HLCC-I dt: 22.06.2023 and is rolled out by Digital Banking Department.

27.7 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.

Government of India, has introduced guarantee scheme implemented through National Credit Guarantee Trustee Company Ltd. (NCGTC) known as Credit Guarantee scheme for Startups (CGSS), to provide guarantee coverage to its Member Institutions, for the debt facilities extended by them to Start-ups recognized by DPIIT.

27.8 MUDRA Franchise /Aggregator /Dealer Scheme

A Standard Operating Procedure has been enumerated for financing dealers/aggregators/ franchises of various corporates under MUDRA. The details of the scheme has been issued through HOBC 112/74 dated 27/08/2018.

27.9 Cluster Based Finance Scheme

A Standard Operating Procedure has been enumerated for financing various units identified under Cluster and the detailed guidelines has been issued via HOBC 112/75 dated 27.08.2018. *Latest Circular of Umbrella Scheme for Cluster based finance has been issued vide HOBC No 117/124 dated 09.08.2023.*

27.10 Trade Receivables Discounting System (TReDS)

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. Bank of India has already on boarded the TReDS Platform. Bank has already on boarded all the three TReDS platfonn viz RXIL, Invoicemart and M1 Exchange. Our Bharat Diamond Bourse Branch under Mumbai North Zone is authorized to undertake TReDS transaction on behalf of the Bank. The detailed guidelines on TReDS have been issued from time to time.

27.11 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. _The latest guidelines of Star Doctor Plus scheme has been dealt with HOBC No: 117/221 dated 12.12.2023_

27.12 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.

27.13 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. with maximum credit limit of Rs.500 lacs. _The latest scheme guidelines have been issued through HOBC 117/100 dated 06.07.2023._

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. The minimum and maximum loan which can be granted under the scheme is Rs.10 lakhs and Rs.10 Crores respectively. _The latest details of the scheme has been dealt through HOBC 117/95 dated 14.07.2023._

27.15 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. Suppliers have choice to avail channel finance over and above their existing working capital facility, if any, with other banks. Product is offered on fully automated platform where technology savvy dealers/suppliers may get the proceeds on real time basis. The detailed guidelines of Star Channel Finance scheme have been circulated through HOBC 112/125 dated 25/10/2018.

Star Channel Finance through Digital Channel - “Fusion Trade Innovation” (FTI) solution has been integrated with CBS for maintaining transactions pertaining to Supply Chain Finance. The platform enables Bank user to

capture the invoice details and carry out entire supply chain transactions electronically.

Moreover, FTI will also have the Customer Interface “Fusion Corporate Channel” (FCC) which will allow customers to upload the invoice and submit the request for finance directly to the Bank from his/her desk. Customer will get the real time status update of their supply chain business.

27.16 Star Asset Backed Loan (SABL)

The product was 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. Under the product eligible MSME borrowers can avail Fund based / Non-fund based limit up to LTV of 60% for residential property and 50% for commercial property. The tenor of the term loan is allowed up to 15 years and for CC /OD facility there is no requirement of stock /inventory statements. *The latest guidelines is as per HOBC 117/219 dated 12.12.2023.*

28 Pradhan Mantri Mudra Yojana (PMMY)

Micro Units Development and Refinance Agency Ltd (MUDRA) was launched by the Hon'ble Prime Minister on 8th April 2015 as a new financial entity, for developing and refinancing last mile financial intermediaries like Banks, NBFCs, MFIs, etc. who are in the business of lending to smallest of the micro enterprises in manufacturing, trading and service sector. It has been ascertained that 5.77 crore such units exist in the country and a great majority of them are outside the formal banking fold and are unable to sustain or grow due to lack of finance or relying on informal channels, which are very expensive or unreliable. To fund the unfunded by bringing such enterprises to the formal financial system and extending affordable credit to them, Pradhan Mantri MUDRA Yojana (PMMY) was launched on the same day i.e. 8th April 2015. *Reference Circular No: 102/139, 116/123 & 117/224.*

PMMY or Pradhan Mantri Mudra Yojana consists of loans to non-farm enterprises in manufacturing, trading and services whose credit needs are below Rs.10.00 lakh. All advances granted on or after 8th April 2015 under the above segment have been classified as MUDRA loans under PMMY. The loans under the scheme have further been segmented as under

SHISHU: Loans up to Rs.50,000 including **overdraft up to Rs.10,000** sanctioned under Pradhan Mantri Jan Dhan Yojana (PMJDY).
KISHORE: Loans above Rs 50,000 up to Rs 5.00 lakhs
TARUN: Loans above Rs 5.00 lakh up to Rs 10.00 lakh.

All the loans as described above can be covered under refinance and/or credit enhancement products of MUDRA

Collateral Security: As per RBI guidelines Banks are mandated not to accept collateral security in the case of loan up to Rs.10 lakh extended to units in the MSE Sector. In line of that we should not insist collateral security from eligible proponent under MUDRA loan.

Margin: Nil for loan under SHISHU and 15% for others.

28.1 Addition of various activities under the ambit of PMMY

a) Pursuant to introduction of PMMY,DFS has advised that activities allied to agriculture, e.g. pisciculture, beekeeping, poultry, livestock, rearing, grading, sorting, aggregation agro industries, diary, fishery, agri-clinics and agribusiness centres, food & agro processing etc. (excluding crop loans, land improvement such as canals, irrigation, wells) and services supporting these which promote livelihood or are income generating shall be eligible under PMMY w.e.f. 01.04.2016.Accorclingly all loans sanctioned under the above activities will be considered as loans under PMMY with effect from 01.04.2016.
b) Further Department of financial services (DFS) vide their letter ref no 29/2/2016- IF-2 dated 13.03.2018 advised that loans sanctioned for purchase of tractors and power tillers may also be included as eligible loans under Pradhan Mantri Mudra Yojana (PMMY) from FY 2017-18 onwards, irrespective of the project cost, subject to the loan amount being restricted to Rs.10 lakh as per the extant guidelines on categorization of loans under PMMY.
c) The above two categories of activities have been included under PMMY and extant advisories to all concerned is in place vide HOBC No 110/89 dated 09.08.2016 and vide IOM ref no HO:SME:MR:2017-18:855 dated 16.03.2018.
d) Department of Financial Services (DFS) through its letter dated 18.11.2022 have advised Banks to support 'Agniveers' for employment/entrepreneurship under Mudra scheme as per the scheme guidelines for their financial need. The same was circulated to branches vide IOM ref HO:SME:GM:SBS:2022-23:2438 dated 28.11.2022.

29. 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. 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.

i) Composite loan (inclusive of tern, loan and working capital) between Rs.10 lakh and upto Rs.100 lakh.
ii) Besides primary security, the loan may be secured by the guarantee of Credit Guarantee Fund Scheme for Stand-Up India Loans (CGFSSIL).
iii) The loan is repayable in 84 months with a maximum moratorium period of 18 months.

iv) The Scheme envisages 15% margin money which can be provided in convergence with eligible Central I State schemes.

The latest guidelines on Stand up India Scheme has been circulated via HOBC 117/94 dated 06.07.2023.

30. Online psb loans:

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. The solution uses algorithms and techniques to read complex balance sheet, IT returns and bank statements in a very short span of time (within 25 to 30 min).The module captures the basic details of the applicant from documents which are available, through smart analytics.

Our Bank has on boarded the platform and loan to our proponents /borrowers can be sanctioned till the in principle stage through the platfom. Various products has been created on the platform, which includes:

I. Working Capital / Term Loan (New & Renewal) under MUDRA.
II. Working Capital /Term Loan (New & Renewal) from Rs.10 lakhs to Rs.100 lakhs
III. Working Capital / Term Loan (New & Renewal) above Rs.100 lakhs to Rs.500 lakhs.

The Detailed guidelines on Contactless Loans has been circulated via HOBC 112/104 dated 20.10.2018, 112/124 dated 25.10.2018, 112/163 dated 15.02.2019, 113/103 dated 21.08.2019.

31. National Urban Livelihoods Mission (NULM)

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. The detailed guidelines of the scheme have been circulated vide HOBC 116/202 dated 17.11.2022.

32. 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.

The Scheme is implemented by Khadi and Village Industries Commission (KVIC), as the nodal agency at the National level. At the State level, the Scheme is 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 is routed by KVIC through the identified Banks for eventual distribution to the beneficiaries /entrepreneurs in their Bank accounts. The detailed guidelines of the scheme has been issued vide HOBC 116/123 dated 05.08.2022.

Government has approved continuation of PMEGP over 15th Finance Commission Cycle for 5 years from 2021-22 to 2025-26.

32.1 Second Financial Assistance under PMEGP for expansion of the existing successful PMEGP/MUDRA Units

Government has also made provision for sanctioning 2nd loan with subsidy for upgrading the existing units, which are performing well in terms of turnover, profit making and loan repayment.

Bank has adopted and implemented the scheme of second financial assistance under PMEGP for expansion of the existing successful PMEGP/MUDRA Units as circulated by Ministry of MSME, Government of India. Detailed guidelines has been issued HOBC 113/08 dated 03/04/2019.

33. Other Guarantee Schemes

a) **Credit Guarantee fund for Micro units (CGFMU):** The scheme covers all micro loans up to the specified limit (currently Rs.10 lakhs) extended by member lending Institution (MLI) to an eligible borrower, provided that the lending institution applies for guarantee cover in respect of such loans so sanctioned within such time period and as per procedures prescribed by the fund for the purpose. The detailed scheme guidelines have been enumerated under HOBC 111/19 dated 05.05.2017 and HOBC 114/127 dated 11/09/2020.
b) **Credit Guarantee scheme fund for Stand Up India Scheme (CGSSI):** The broad objective of the fund would be to guarantee credit facilities of over Rs.10 lakhs & up to Rs.100 lakhs sanctioned by Banks and other financial institutions under the Stand Up India scheme. The scheme will come into force from the date notified by the government of India i.e. 25.04.2016. The detailed scheme guidelines have been circulated vide HOBC 111/38 dated 15.06.2017.
c) **Credit Enhancement Guarantee Scheme for Scheduled Caste Entrepreneurs:** To promote entrepreneurship among scheduled caste entrepreneurs, the scheme was launched for providing credit enhancement guarantee to banks for extending financial assistance to entrepreneurs belonging to scheduled caste. The details of the scheme has been circulated through HOBC 109/181 dated 23.12.2015.
d) **Credit Guarantee Scheme for Startups (CGSS):** The broad objective of CGSS is to provide guarantee upto Rs.10 Cr against credit instruments extended by Member

Institutions (MIs) to finance eligible Startups. This scheme would help provide the much needed collateral free debt funding to Startups. The details of the scheme has been circulated through HOBC 116/ dated 23.01.2023.

34. 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.

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

34.1 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.

35. 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 CIBIUCMR 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 I 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.

35.1 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.

36. 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 circulated through HOBC 110/69 dated 11.07.2016.

37. "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	PMSvanidhl, Stand Up India, Mudra,
Phase- II	
State Government Schemes	

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.

38. 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 Emergency Credit Line (Star GECL): HOBC 116/65 dated 05.05.2022
b) Star Hawker Atmanirbhar Loan (SHAL) under PM Street Vendor's Atmanirbhar Nidhi (PMSVANIDHI) scheme: HOBC 116/190 dated 21.10.2022.
c) Star Subordinate Debt for Stressed MSME & Credit Guarantee Scheme for Subordinate Debt: HOBC 116/137 dated 22.08.2022.
d) Loan Guarantee Scheme for Covid Affected Sectors (LGSCAS): HOBC 116/146 dated 15.09.2022.
e) Loan Guarantee Scheme for Covid Affected Tourism Service Sectors (LGSCATSS): HOBC 116/82 dated 27.06.2022.

39. 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.

40. 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 Centres (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.

41. Banks commitment 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 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.

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 NBGs / 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.

42. General Instructions:

a) In case of any clause in the policy contradicts with our Bank's Credit Policy, then guidelines of Credit Policy shall prevail.

b) If any MSME product specific delegation is approved, then such delegation shall prevail over the general delegation of power.

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Part-A (Annexure-I)

List of activity covered under service sector:

1) Advertising Agencies.
2) Marketing Consultancy.
3) Industrial Consultancy.
4) Equipment Rental & Leasing.
5) Typing Centers.
6) Xeroxing.
7) Industrial Photography.
8) Industrial R & D Labs.
9) Industrial Testing Labs.
10) Auto Repair, Services and Garages.
11) Documentary Films on Themes like Family Planning, Social Forestry, Energy Conservation, and Commercial Advertising.
12) Laboratories engaged in testing of Raw Materials and Finished Goods.
13) "Servicing Industry" Undertakings engaged in maintenance, repair, testing or servicing of all types of vehicles and machinery of any description including Electronic/Electrical Equipment /Instruments i.e. measuring/control instruments, televisions, tape recorders, VCRs, Radios, Transformers, Motors, Watches, etc Press
14) Laundry & Dry Cleaning.
15) X-Ray Clinic.
16) Tailoring.
17) Servicing of Agriculture Farm Equipment e.g.. Tractor Pump Rig Boring Machines etc.
18) Weigh Bridge.
19) Photographic Labs.
20) Blue Printing and Enlargement of Drawing/Designs, Facilities.
21) ISO/STD Booths.
22) Teleprinter /Fax Services.
23) Creation of Databases suitable for Foreign/Indian Markets, Software Development.
24) Data Conversion, Data Mining, Digitization, Data Entry, Data Processing, Data Warehousing.
25) Digitization of spoken material (e.g. legal and medical transcription)
26) Computerized Call Centers.
27) Geographic Information Systems Mapping/services.
28) Web-Designing/Web Content Development Services.
29) Computer Aided Design/CAD/CAM Services.
30) E-Mail, Data, Internet, Fax Service Provider.
31) ISP Services (Communication channels like V-Sat, Optical Fiber NOT included).
32) Computerized Desk Top Publishing.
33) Web Service Providers, including web hosting and website management.
34) USON Service Providers.
35) Computer Systems AMC Service Providers.
36) Multi Media Development Units (including e.g. animation and special effects, video and photo digitization)
37) IT Solution Providers/Implementers (such as and including server/data banks, Application Service Providers, Internet/Web-based a-Commerce service providers, Smart Card customization service provider, systems integration service providers).

38) Cyber Cafe/Cyber Kiosks/Cyber Par1ors and Video Conferencing Centers/Parlours.
39) Back Office Operations relating to Computerized Data.
40) Other Services provided with the intensive use of computers (such as and including telemedicine services, remote access cyber services, remote diagnostic and repair services)
41) Multi-Channel Dish Cable TV with Dish Antenna.
42) Video Shooting.
43) Hot Mix Plant (irrespective of mobile or immovable).
44) Research and Development.

Subsequently advised vide HOBC 103/114 & 103/116 dated 26.09.2009.

a) Consultancy Services including Management services.
b) Composite Broker Services in Risk and Insurance Management.
c) Third party Administration (TPA) services for medical insurance claims of policy holders.
d) Training-cum-incubator services.
e) Educational institutions.
f) Training institutes.
g) Retail Trade
h) Practice of law i.e. legal services.
i) Trading in medical instruments (brand new)
j) Placement and Management Consultancy Services;
k) Advertising Agency and Training Centres.
l) Publishing
m) Sanitation Services (Hiring of Septic Tank Cleaner)
n) Clinical / Pathological Laboratories and scanning, MRI test
o) Hospitals
p) Restaurant with bar
q) Canteens
r) Hotels / Motel

Activities considered as Manufacturing

1) Printing
2) “Printing and publishing” as integrated unit
3) Medical equipment and Ayurvedic Product
4) Tobacco Processing
5) Beedi / Cigarette manufacturing and other tobacco products

<u>The list is illustrative only and not exhaustive.</u>