

1. Background

The Micro and Small enterprises (MSE) contribute almost 50% of the total industrial output and 20% to the GDP. This sector contributes 40% of the value addition in the manufacturing sector and also makes a significant contribution to employment generation. However, lending to this sector has its own challenges on account of diversity in operations, limited resources, high dependence on the promoter's capability and expertise. In view of this, the Bank has laid down a broad framework for lending to MSE Sector.

The Bank supports MSE lending through its extensive branch network, AAA Banking services and alternate banking channels like ATMs, Internet Banking, Phone Banking, etc. To take care of the lending to this sector, the Bank has approval authorities at the Branch/ Area/ Region / Zone level. It also has a MSE Cell at Corporate Office to address the credit requirements of this Sector.

2. Facilities offered

The Bank offers Cash Credit / Overdraft facilities for meeting the day-to-day Working Capital requirements of the borrowers. For exporters, export finance in the form of Pre-shipment and Post-shipment facilities are offered. Term Loans are offered for investment in plant and machinery and also for expansion. Amongst the various types of Non-fund facilities, the Bank offers Bank Guarantees and Letters of credit.

Special facilities that are offered are loans under Technology Upgradation (TUFS), Loans under Credit Guarantee Schemes, etc.

We offer lending facilities to Manufacturing/ Trade Sector, Service Sector, Construction/ Contractors, etc

3. Process for Lending to MSEs

- Loan application forms are provided free of cost, along with a checklist of documents to be submitted. Information pertaining to fees, pre-payment charges and rates would be provided to the customers at the time of application. Application forms will have to be submitted in hard copy form along with the required documents. Acknowledgement for receipt of the application is given if the proposal submitted is complete in all respects.
- All information for processing is collected along with the Application and in case any additional information is required, the Borrower is contacted. There are clearly laid out norms for disposal of applications in terms of acceptance parameters.

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- The proposal is evaluated and the various risks are assessed. It is disposed by the appropriate Authority. Credit Appraisal involves assessment of the various risks involved (Business, Management, Financial, Regulatory, etc) and gradation of the risk, based on various parameters (Financial, Commercial, Management, Compliance, etc). The limits are assessed based on turnover method or the applicable method, and the limit eligible is arrived at.
- The Bank has relaxed its financial acceptance parameters especially for MSE sector. It also provides combined Stock and Book Debts limit. Wherever required by the Borrower, it also provides single window funding by way of Composite loans upto Rs.1 Crore (term loan and working capital facilities). Margin stipulations are also relaxed where criteria like satisfactory past performance, transparency in financial statements, etc., have been met.
- If the proposal is rejected, then the Borrower will be intimated along with the reasons, in line with the stipulations of BCSBI Code of Banks' Commitment to Micro and Small Enterprises and also the RBI guidelines on Fair Practices Code for Lenders.
- If proposal is approved, then a Credit Arrangement Letter (CAL) is sent in duplicate to the Borrower, which is returned by the Borrower duly signed for acceptance.
- Documents are submitted by Borrower and after satisfaction by the Bank, limits are released.

4. Security

The facilities offered by banks would be secured by primary security and collateral security, wherever applicable. The evaluation and acceptability would be as per the credit policy decided by the Bank from time to time. Collateral free lending is offered in line with RBI directives.

5. Monitoring and Due Diligence

All business entities having credit facility with the Bank would be subject to regular monitoring as per the policy. These would include visits to offices /manufacturing facilities, submission of statements and Stock Audits wherever applicable as per the Bank's cut-off limit. Monitoring would be done by reviews of churn in the account and other account conduct parameters like over-drawings, cheque bounces, Interest Servicing and EMI servicing.

6. Others

- a. Change in interest rates: the Bank would intimate the Borrower regarding interest rate changes as and when they happen, through any or all of the following modes- branch display, notification at the website, or through a letter.

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- b. Bank would provide authenticated copies of all loan documents with a copy of enclosures, as quoted in the loan document.
- c. The Bank has defined the time frame within which proposals would be disposed by the Bank. For small proposals, disposal would be within 3 weeks and those with large exposures would be within maximum 8 weeks.
- d. Renewal of limits is once in two years for small borrowers, subject to satisfactory performance, acceptable client risk rating and mid-term review annually.
- e. The MSE Lending Policy has to be read in conjunction with the other policies as applicable – Fair Lending Policy, Citizens Charter, Grievance Redressal Policy, etc. of the Bank.
- f. Borrowers with exposures of Rs. 5 Crs and above should get themselves rated by RBI approved rating agencies like CRISIL, Fitch, ICRA or CARE or through specialized agencies like ONICRA or SMERA.