

CAB Training Cards



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Gist of RBI Guidelines on MSMEs

Targets / sub-targets for lending to MSME sector

Advances to MSME sector shall be reckoned in computing achievement under the overall Priority Sector target of 40 percent of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher, as per the extant guidelines on priority sector lending.

Domestic commercial banks and foreign banks with 20 branches and above are required to achieve a sub-target of 7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, for lending to Micro Enterprises.

- i. In terms of the recommendations of the Prime Minister's Task Force on MSMEs, banks are required to achieve: 20 per cent year-on-year growth in credit to micro and small enterprises;
- ii. 10 per cent annual growth in the number of micro enterprise accounts; and
- iii. 60 per cent of total lending to MSE sector as on corresponding quarter of the previous year to micro enterprises.

Issue of Acknowledgement of Loan Applications to MSME borrowers - Banks are advised to mandatorily acknowledge all loan applications, submitted manually or online, by their MSME borrowers and ensure that a running serial number is recorded on the application form as well as on the acknowledgement receipt.

Collateral Free Loans

RBI has mandated banks not to accept collateral security in the case of loans up to ₹ 10 lakh extended to units in the MSE sector. It was further advised that banks may, on the basis of good track record and financial position of MSE units, increase the limit of dispensation of collateral requirement for loans up to ₹ 25 lakh with the approval of the appropriate authority.

One Time Settlement Scheme (OTS)

Scheduled commercial banks have been advised to put in place a non-discretionary OTS scheme duly approved by their Boards. The banks have also been advised to give adequate publicity to their OTS policies.

Cluster Financing

Cluster based approach to lending is intended to provide a full-service approach to cater to the diverse needs of the MSE sector which may be achieved through extending banking services to recognized MSE clusters. The banks have, therefore, been advised to treat it as a thrust area and increasingly adopt the same for SME financing.

Provision for Interest on Delayed Payment

The buyer is to make payment on or before the date agreed on between him and the supplier in writing or, in case of no agreement, before the appointed day. The agreement between seller and buyer shall not exceed more than 45 days. If the buyer fails to make payment of the amount to the MSME supplier, he would be liable to pay compound interest with monthly rests to the supplier on the amount from the appointed day or, on the date agreed on, at three times of the Bank Rate notified by Reserve Bank.

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