



MICRO, SMALL & MEDIUM ENTERPRISES (MSME)

SECTION-A**SECTION – I****1. Micro, Small & Medium Enterprises Development (MSMED) Act, 2006**

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 on June 16, 2006 which was notified on October 2, 2006. With the enactment of MSMED Act 2006, the paradigm shift that has taken place is the inclusion of the service sector in the definition of Micro, Small & Medium Enterprises, apart from extending the scope to medium enterprises. The MSMED Act, 2006 has modified the definition of micro, small and medium enterprises engaged in manufacturing or production and providing or rendering of services.

Now, the Government of India (GoI), vide Gazette Notification S.O. 1364 (E) dated March 21, 2025 has notified new criteria for classifying the enterprises as Micro, Small and Medium enterprises. The new criteria is effective from April 1, 2025. The details are as under:

1.1 New Definition of Micro, Small and Medium Enterprises**a) Classification of Enterprises**

Nature of enterprise	Investment in Plant and Machinery or equipment	Turnover
Micro	Not exceeding Rs.2.5 crore	Not exceeding Rs.10 crore
Small	Not exceeding Rs.25 crore	Not exceeding Rs.100 crore
Medium	Not exceeding Rs.125 crore	Not exceeding Rs.500 crore

Reserve Bank of India vide its circular no. RBI/2021-2022/67 dated 07th July 2021 have included Retail and wholesale trade as MSMEs for the limited purpose of Priority Sector lending and they would be allowed to be registered on Udyam registration portal for the following NIC coded and activities mentioned against them:

NIC Code	Description
45	Wholesale and retail trade and repair of motor vehicles and motorcycles
46	Wholesale trade except of motor vehicles and motorcycles
47	Retail trade except of motor vehicles and motorcycles

All the above enterprises are required to register online on the Udyam Registration portal and obtain 'Udyam Registration Certificate'. **For PSL purposes bank shall be guided by the classification recorded in the Udyam Registration Portal.**

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.

Section – II**2. Priority Sector Guidelines for MSME sector**

Bank Loans to Micro, Small & Medium enterprises, both Manufacturing and Service are eligible to be classified under Priority Sector advance as per the following norms:

2.1 Manufacturing & Service Enterprises

MSMEs should be engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service or services.

2.2 Khadi and Village Industries Sector (KVI)

All loans to units in the KVI sector, will be eligible for classification under the sub-target of 7.5 percent prescribed for Micro Enterprises under Priority Sector.

2.3 Other Finance to MSMEs

- (i) Loans up to ₹50 crore to Start-ups, as per definition of Ministry of Commerce and Industry, Govt. of India that confirm to the definition of MSME.
- (ii) Loans to entities involved in assisting the decentralized sector in the supply of inputs and marketing of output of artisans, village and cottage industries. In respect of UCBs, the term "entities" shall not include institutions to which UCBs are not permitted to lend under the RBI guidelines / the legal framework governing their functioning.
- (iii) Loans to co-operatives of producers in the decentralized sector viz. artisans, village and cottage industries.
- (iv) Loans sanctioned by banks to NBFC-MFIs and other MFIs (Societies, Trusts etc.) which are members of RBI recognized SRO for the sector for on-lending to MSME sector as per the conditions specified in extant Master Directions on 'Priority Sector Lending-Targets and Classification' of Reserve Bank of India.
- (v) Loans to registered NBFCs (other than MFIs) for on-lending to Micro & Small Enterprises as per conditions in extant Master Directions on 'Priority Sector Lending-Targets and Classification' of Reserve Bank of India.
- (vi) Credit outstanding under General Credit Cards (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).
- (vii) Overdraft to Pradhan Mantri Jan-Dhan Yojana (PMJDY) account holders as per limits and conditions prescribed by Department of Financial Services, Ministry of Finance from time to time, will qualify as achievement of the target for lending to Micro Enterprises.
- (viii) Outstanding deposits with SIDBI and MUDRA Ltd. on account of priority sector shortfall.

SECTION - III

3.Targets / sub-targets for lending to Micro, Small & Medium enterprises (MSME) sector:

3.1 Advances to micro, small & medium enterprises (MSME) sector shall be reckoned in computing achievement under the overall Priority Sector target of 40 % 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.

3.2 Bank shall 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.

3.3 In terms of the recommendations of the Prime Minister's Task Force on MSMEs, Bank shall achieve:

- (i) 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 enterprises accounts and
- (iii) 60% of total lending to MSE sector as on proceeding March 31st to Micro enterprises.

SECTION - IV

4. Common guidelines / instructions for lending to MSME sector

4.1 Issue of Acknowledgement of Loan Applications to MSME borrowers

Branches of Bank will 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. Bank will also endeavour to start Central Registration of loan applications for which required Technology shall be adopted for on line submission of loan applications as also for online tracking of loan applications.

4.2 Collateral

We shall mandatorily not accept collateral security in the case of loans up to Rs.10 lakh extended to units in the MSE sector. Bank shall extend collateral-free loans up to Rs.10 lakh to all units financed under the Prime Minister Employment Generation Programme (PMEGP) administered by KVI.

Bank may, on the basis of good track record and financial position of the MSE units, increase the limit of dispensation of collateral requirement for loans up to Rs.25 lakh (with the approval of the appropriate authority). Branch level functionaries shall be encouraged to avail of the Credit Guarantee Scheme cover which will be a part of criterion of assessing their performance.

Availability of bank credit without the hassles of collaterals / third party guarantees would be a major source of support to Micro and Small Enterprises (MSE). Keeping this objective in view, Ministry of Micro, Small & Medium Enterprises (MSME), Government of India launched Credit Guarantee Scheme (CGS) so as to strengthen credit delivery system and facilitate flow of credit to the MSE sector. **The extent of coverage under Credit Guarantee scheme of CGTMSE increased to Rs.1000.00 lakhs per borrower for the credit facilities extended by bank to Micro & Small Enterprises (MSEs).**

4.3 Composite Loan

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

5. Scope

This section will cover the following:

- *Composition of MSME Sector
- *Discretionary Lending Powers
- *Identifying Thrust Industries under MSME's
- *Training needs
- *Reporting and Monitoring System
- *Guidelines on lending to MSME Sector

6. Our Bank's Approach to MSME Sector:

MSMEs are growth engines for development of Economy.

There are many advantages for the banking industry in financing MSMEs. Our bank has therefore given focused attention to all Commercial Units.

7. Discretionary Lending Powers:

For the present, existing discretionary lending powers delegated to various functionaries as contained in bank's circulars issued from time to time will continue to be in force and operative.

Guidelines for takeover of advance accounts: There are two types of compliances:

Non-Financial norms as per banks extant guidelines to be complied in case of takeover of MSME accounts. Financial norms as per banks extant norms to be complied with in case of takeover of MSME accounts.

8. Thrust Industries under MSMEs:

1. IT & IT enabled services
2. Drugs & Pharmaceuticals
3. Auto components, Auto Ancillary units
4. Engineering equipments
5. Tourism
6. Hotels
7. Transport
8. Mining

9. TRAINING:

Bank will groom a cadre of officers in various grades for financing to MSME sector. The services of groomed credit officers shall be utilized for financing to MSME sector. Identified officers shall be provided training at institutions of repute viz. RBI, NIBM, NIBSCOM, Noida etc. Care will be taken to ensure that trained officers are posted at MSME advance branches or to look after MSME portfolio at Head Office/Regional Offices of the bank, for a reasonable period.

10. MONITORING & FOLLOW UP:

Bank officials shall adhere to general guidelines as conveyed by way of Loan Policy, circulars from time to time for pre-sanction, appraisal, documentation, disbursement of credit facilities, review, inspections, insurance of securities, post sanction follow up and regular monitoring of credit facilities, etc.

Branches will obtain a suitable declaration for Calculation of investment in plant and machinery or equipment & Calculation of turnover regarding classification of the borrower as Micro, Small & Medium Enterprises as per the new definition.

11. RECEIPT OF APPLICATIONS AND ACKNOWLEDGEMENT:

The existing guidelines and instructions for lending to MSME Sector, viz. simplified and standardized application forms, receipt of application and acknowledgement thereof, maintenance of Register of credit applications received will be strictly adhered to.

With a view to facilitate timely sanction of adequate credit facilities:

A definite date shall be intimated to the applicant for discussions, clarifications etc., if considered necessary.

The bank's decision regarding credit assistance to the applicant shall be communicated within a period of one week.

12. TYPE OF FACILITIES:

MSME Units may be granted a variety of credit facilities for their different needs which will include the following:

(a) Term Loan / Demand loan / Deferred Payment Guarantee:

For acquisition of capital goods (including second hand), fixed assets, vehicles, plant & machinery, purchase of land, construction of buildings etc.

(b) Working Capital by way of Cash Credit, Overdraft etc. for

1. Purchase of raw material, components, stores, spares and maintenance of stock of these items at minimum level and stock in process and finished goods.
2. Finance against receivables including receipted challans / invoices.
3. Meeting marketing expenses where the units have to incur large-scale expenditure towards marketing of their products.

(c) Bills Purchase / Discounting under L/C or outside L/C.**(d) Letter of Credit on sight/usance basis for purchase of raw material/capital goods**

(e) Bank Guarantees for Performance, Advance Payment, Tender Money Security Deposit, Guarantees for getting orders, for procurement of raw materials etc.

(f) Scheme for financing to Micro, Small and Medium Enterprises- :

Bank is having various schemes for lending to all eligible Micro, Small & Medium Enterprises (Manufacturing & Services including trading activities) as defined under MSMED Act, 2006.

- Vyapar Suvidha- Trader's loan
- Naini Udyog Prasar- MSE loan
- Scheme for Financing Government contractor
- Naini Health care- Finance to Doctors/ Health clinics
- Naini Commercial Vehicle etc.
- Loan to MSME borrower under loan against own deposit
- Naini Hotel Nirman

Techno-economic viability study: The guidelines of bank on TEV study will continue to apply.

(g) Composite Loan Scheme:

- As per RBI guidelines, Credit assistance to artisans, village and cottage industries and other Small Industrial unit's up to Rs.100.00 Lakhs for equipment finance or working capital or both should be considered as Composite Term Loan.
- This will enable majority of Micro and Small Enterprises to avail loans from a single window eliminating the need for borrowing term loan from SFCs and working capital from banks.
- This will also facilitate to sign one set of documents only instead of signing facility-wise separate documents.

13. FINANCIAL RATIOS:

Benchmark ratios to be accepted for granting credit facilities to MSE (including Medium Enterprises) units falling as per regulatory guidelines and permitted deviations in this regard shall be guided by the stipulations in the Section-I: Credit Exposure Management- 7-D- BENCH MARK FINANCIAL RATIOS.

14. MARGIN:

Minimum margin of 40% for loans against second hand machinery (finance against second hand machinery may be made in exceptional cases and at the discretion of HOCC-MD & CEO only).

HOCC-MD & CEO is empowered to reduce margin requirements in deserving cases.

15. 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 that the excluded units are brought within the fold of the formal banking sector. The lack of financial literacy, operational skills, including accounting and finance, business planning etc. represent formidable challenges for MSE borrowers. RBI has issued guidelines vide circular No. RPCD.MSME&NFS.BC.No.20/

06.02.31/2012-13 dated August 1, 2012, for effectively and decisively addressing these handicaps which shall be strictly adhered to.

16. Structured Mechanism for monitoring the credit growth to the MSE sector:

In view of the concerns emerging from the declaration in credit growth to the MSE sector, the Indian Banking Association (IBA) led Sub-Committee (Chairman: Shri K.R. Kamath) was set up to suggest a structural mechanism to be put in a place by banks to monitor the entire gamut of credit related issues pertaining to the sector. Based on the recommendation, RBI issued detailed guidelines vide Circular No. RPCD.MSME&NFS.BC.No.74/06.02.31/2012-13 dated May 9, 2013, which shall be abided by our Bank.

17. Revised General Credit Card (GCC) Scheme

In order to enhance the coverage of GCC Scheme to ensure greater credit linkage for all productive activities within the overall Priority Sector guidelines and to capture all credit extended by banks to individuals for non-farm entrepreneurial activity, the GCC guidelines have been revised by RBI. The detailed guidelines have been issued to branches vide our circular No. 101/HO/ADV-PS/ CIR- 22 /81 dated 07.06.2023 on revised Naini General Credit Card (NGCC) Scheme for strict compliance.

18. Credit Linked Capital Subsidy Scheme (CLSS):

Government of India, Ministry of Micro, Small and Medium Enterprises has conveyed their approval for continuation of the Credit Linked Capital Subsidy Scheme (CLSS) for Technology Upgradation of Micro and Small Enterprises, subject to the following terms and conditions:

- (i) Ceiling on the loan under the scheme is Rs.1 crore,
- (ii) The rate of subsidy is 15% for all units of micro and small enterprises up to loan ceiling at Sr. No. (i) above,
- (iii) Calculation of admissible subsidy will be done with reference to the purchase price of plant and machinery instead of term loan disbursed to the beneficiary unit.
- (iv) SIDBI and NABARD are the implementing agencies of the scheme.

19. RATE OF INTEREST:

Interest rates are determined, by ALCO of the bank from time to time and in conformity with the extant norms of the bank, within the overall guidelines of RBI.

Penal charge not to exceed @2% p.a. to be charged for the period of default in repayment, non-submission of financial statement, non-compliance of terms and conditions etc. as per extant guidelines of Bank.

20. CREDIT RATING:

In addition to our Internal Credit Ratings, as per availability, the external credit rating by RBI approved external agencies may be carried out in case of fresh sanction and our existing borrowers in SME sub sector, going in expansion, both involving fresh/additional exposure. The extant bank norms of credit rating shall be governed by guidelines mentioned in this section as and when updated. The Bank will comply with the Basel II norms in respect of obtaining rating from RBI approved external agencies in case of fresh credit exposures having aggregate sanctioned limit above Rs.30.00 Crore. However, an undertaking from the borrowers having sanctioned aggregate credit facilities of Rs.7.50 Crores and above and up to Rs.30.00 Crores to be obtained for obtaining/submitting of such ratings as & when the same is required as per regulator's guidelines.

21. TIME NORMS:

Time frame for disposal of MSME Credit proposal from the date of receiving complete data/information shall be as under:

Upto Rs.25.00 lakhs	2 Weeks
Above Rs.25.00 lakhs	3 Weeks. In case proposal falls under the DLP of R.O/ H.O - 4 weeks

22. INFORMATION SYSTEM:

The data pertaining to advances to Micro, Small and Medium Enterprises shall be submitted by Priority Sector Department at quarterly intervals. The status on MSME financing shall be put up to the Board on quarterly basis for review of progress and guidance by priority sector department, Head Office.

23. APPLICATION FORMS FOR FINANCIAL ASSISTANCE:

The Simplified Common application forms meant for MSME sector to be used where assistance is by way of either term loans or working capital or both or non-fund-based facility and are applicable to new projects, existing projects, expansion, diversification and modernization of existing projects. However, the use of application forms applicable for particular category of MSME in vogue shall continue to be used.

24. REHABILITATION OF SICK MICRO AND SMALL ENTERPRISES

The extant guidelines of RBI for rehabilitation of viable or potentially viable sick units in MSE sector shall be followed from time to time.

The RBI has issued guidelines on Framework for Revival and Rehabilitation of MSMEs vide its circular no. FIDD. MSME & NFS.BC.No.21/06.02.031/ 2015-16 dated 17th March 2016.

RBI's revised guidelines on Framework for Revival and Rehabilitation of MSMEs supersedes its earlier Guidelines on Rehabilitation of Sick Micro and Small Enterprises issued vide RBI circular RPCD. CO. MSME & NFS.BC.40/06.02.31/2012-2013 dated November 1, 2012, except those guidelines that relate to reliefs and concessions for Rehabilitation of potentially Viable Units and one-time settlement, mentioned in the said circular.

25. FRAMEWORK FOR REVIVAL AND REHABILITATION OF MSMEs

In terms of RBI circular, no FIDD. MSME & NFS.BC.No.21/06.02.031/ 2015-16 dated 17th March 2016 regarding Framework for Revival and Rehabilitation of MSMEs, bank has framed a section on revival & rehabilitation of MSMEs accounts having loan limit exposure up to Rs.25 crore, including accounts under consortium or multiple banking arrangement (MBA). The revival and rehabilitation of MSME units having loan limits up to Rs.25 crores would be undertaken under this Framework.

26. DEBT RESTRUCTURING MECHANISM FOR MSMEs

The following prudential guidelines of Reserve Bank of India on SME debt restructuring in respect of borrowal accounts that show symptoms of stickiness shall be applied optimally and in letter and spirit:

Circular No. DBOD.BP.BC.No. 37/21.04.132/2008-09 dated 27.08.2008, Circular No. BP.BC.No.99/21.04.132/2012-13 dated 30.05.2013 and DBOD Mail Box clarification dated June 6, 2013 and March 30, 2015 and subsequent guidelines on Restructuring of Advances, issued by RBI from time to time. These guidelines, in fact, subsume the incipient sickness stage and to be implemented as intended to prevent sickness or arrest sickness at the initial stage.

Such MSE (including Medium Enterprises) units / enterprises, which turn sick in spite of debt restructuring, are expected to be few and would fall within the ambit of the extant guidelines on rehabilitation of potentially viable sick units/enterprises issued by RBI vide circular no. RPCD.SME&NFS.BC.No.102/06.04.01/2008-09 dated May 4, 2009, which will also be applied optimally and in letter and spirit to the advantage of bank and MSE clients.

Our Recovery Policy approved by the Board covers the aspects of restructuring/rehabilitation policy for revival of potentially viable sick units/enterprises. The powers for certain reschedulements / rephasements under rehabilitation have already been delegated at field level under Bank's recovery policy duly approved by the board. Other powers for rehabilitation of sick units have been given to Executives of the bank at the level of Vice President and above under recovery policy of the bank looking to the intricacies involved in the process and expertise available at field level in a small sized bank.

27. BANK'S COMMITMENT TO MICRO AND SMALL ENTERPRISES (MSE CODE)

MSE sector needs to be nurtured for which Banking Codes and Standards Board of India (BCSBI), in public interest has evolved MSE Code for adoption by bank. The same has been adopted by our Bank after approval of our Board in its meeting dated 20.10.2008 and is applicable on us.

BCSBI in collaboration with the Indian Banks' Association (IBA), Reserve Bank of India (RBI) and member banks had evolved the 'Code of Bank's Commitment to Micro and Small Enterprises' - which set minimum standards of banking practices for member banks to follow when they are dealing with Micro and Small Enterprises.

The objective of the Code is to promote good banking practices, setting minimum standards for the adherents, increasing transparency, achieving higher operating standards and above all, promoting a cordial banker customer relationship which would foster confidence in the banking system. The Code lays great emphasis on transparency and providing full information to the customer before a product or service is sold to him/her. Above all, member banks of BCSBI have voluntarily adopted the Code for implementation. While BCSBI has initiated the process of its dissolution, banks may continue to follow their commitments as hitherto under the Code of Bank's Commitment to Micro and Small Enterprises.

Bank shall continue its commitment to micro and small enterprises as hitherto, post dissolution of BCSBI in accordance to RBI advise and thus in credit facilities extended to micro and small enterprises shall permit pre-payment of fixed rate loans up to Rs.50 lakhs and floating rate credit facilities without levying any prepayment penalty.

28. CREDIT APPRAISAL AND RATING TOOL:

The Bank shall consider taking advantage of a Credit Appraisal and Rating Tool (CART) as well as a Risk Assessment Model (RAM) and a comprehensive rating model for risk assessment of proposals for SMEs, in line with the Module developed by SIDBI at appropriate time depending upon requirements and features of these models. Till that time the bank will continue to use the rating models already in use.

29. STANDBY CREDIT FACILITY, WORKING CAPITAL LIMITS AND MID TERM REVIEW OF WORKING CAPITAL LIMITS:

In tune with the extant guidelines of Reserve Bank of India, bank shall provide Standby Credit Facility to its MSE customers, while determining viability and repayment ability of the borrower, in order to fund unforeseen project cost overruns or any other eventuality, if needed, which shall be sanctioned at the time of initial financial closure; but disbursed only when there is a cost overrun. The objective of such Standby Credit Facility would be, among others to extend credit speedily so that capital asset creation is not delayed and commercial production can commence at the earliest and also to meet the requirement of funding periodic capital expenditure.

Working Capital Limits: Bank will consider for fixing a separate additional limit at the time of sanction renewal of working capital limits, specifically for meeting the temporary rise in working capital requirements arising mainly due to Unforeseen / seasonal increase in demand for products produced by the entrepreneurs. Such limit may be released primarily, where there is a sufficient evidence of increase in the demand for produced by MSEs. Ad-hoc limits may also be sanctioned subject to the extant prudential norms, to be regularized not later than three months from the date of sanction.

Review of working capital limits: Review of Credit limit is done at least once in a year based on audited financial statements. However, audited financial statements of MSE units ordinarily become available with a time lag, post-closing of the financial year. In such cases, where it is convincing that changes in the demand pattern of MSE borrowers require a mid-term review, bank will undertake midterm review based on an assessment of 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.

30. DELAYED PAYMENT

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

- i) The buyer has to make payment to the supplier on or before the date agreed upon between him and the supplier in writing or, in case of no agreement, before the appointed day. The period agreed upon between the supplier and the buyer shall not exceed forty-five days from the date of acceptance or the day of deemed acceptance.
- ii) In case the buyer fails to make payment of the amount to the supplier, he shall be liable to pay compound interest with monthly rests to the supplier on the amount from the appointed day or, on the date agreed on, at three times of the Bank Rate notified by Reserve Bank.
- 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 dispute with regard to any amount due, a reference shall be made to the Micro and Small Enterprises Facilitation Council, constituted by the respective State Government.

To take care of the payment obligations of large borrowers to MSEs, RBI has advised banks to fix sub-limits within the overall working capital limits to the large borrowers specifically for meeting the payment in respect of purchases from MSMEs

Bank will ensure compliance of the above said RBI guidelines while granting credit facility to large corporate borrowers.
