



CIMSME

Chamber of
Indian Micro Small & Medium Enterprises
www.indiansmechamber.com

Prepared by CIMSME
In consultation with:



Indian Banks' Association

**REPORT ON
SUGGESTIONS FOR
TIMELY & ADEQUATE FINANCE
TO MSME SECTOR**

MESSAGE

MSME sector forms an important and integral part in growth of any country's economy; especially in case of developing countries like ours as it helps in inclusive growth of the country. With huge potential & scope of improvement in the MSME sector and benefits expected to be derived from it, the sector needs special attention from all the concerned authorities. There are several ways of improving the sector but after several rounds of discussions with the MSMEs, we found that adequate and timely support from banking channel would bring the much needed relief to the sector.



I, in an effort to put voice of MSME to highest authorities, met the Hon'ble Finance Minister on 20th February 2012 with certain suggestions to improve the bank's dealing for MSMEs to make it more apt and progressive. The Finance Minister liked the suggestions and was very kind to connect the Chamber of Indian Micro Small & Medium Enterprises with Indian Banks Association to discuss the same with all the bankers through IBA and to prepare a report on the suggestions recommended by the Chamber.

I had meetings at the IBA and the suggestions made by the Chamber were discussed at length with the senior bankers. Most of the banks open heartedly participated and forwarded their opinion and feedback on the suggestions of the Chamber.

On the basis of the feedback received from the all the banks, we tried to compile a report for the proper implementation of the suggestions made by the Chamber and accepted by the bankers.

I would like to extend my gratitude and thanks to the then Finance Minister Sh Pranab Mukharjee for connecting us with IBA. I am equally thankful to the then Chairman of IBA, Mr. M.D. Mallya and the Chief Executive Officer of IBA, Sh Rama Krishnan, for providing all support in getting the feedback of all the banks through IBA Standing Committee on Agro Business and MSME. I am also thankful to all the Chairman & Managing Directors of the banks who have open heartedly forwarded us their opinion on our suggestions for the Adequate and Faster credit to the MSME Sector.

I heartily appreciate the laudable efforts of the secretariat and the highly dedicated team of the Chamber of Indian Micro Small & Medium Enterprises for compiling and preparing the report in a presentable form for the appropriate implementation of the suggestions.

New Delhi
18.06.2013

MUKESH MOHAN
President

एम. नरेन्द्र
अध्यक्ष व प्रबंध निदेशक

M. NARENDRA
Chairman & Managing Director



 इण्डियन ओवरसीज़ बैंक
Indian Overseas Bank

MESSAGE

MSMEs play a critical role in economic and industrial development of any developing economy and the major challenge for MSMEs is to combine employment potential with increasing productivity from low value to high value quality production. MSMEs cater to 45% of the manufacturing output and 40% of the exports in our economy catering employment to around 65 million people.

Chamber of Indian Micro and Small Enterprises (CIMSME) is a reputed organization promoted by a group of professionals to create awareness amongst the MSMEs, including facilitating finance to them. The Chamber is engaged in various MSME promotional activities encompassing Finance, Marketing, Accounting, Taxation, Legal, and Registration of MSME with a dedicated web Portal.

CIMSME's report on various suggestions for providing timely and adequate finance for MSMEs after discussing the issues with Indian Banks Association is in place. I have perused the report which contains many vital recommendations which will be a boon to MSME sector if implemented.

M. NARENDRA



एस. एल. बंसल

अध्यक्ष व प्रबंध निदेशक

S.L. Bansal

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MESSAGE

The Chamber of Indian Micro Small and Medium Enterprises (CIMSME) in its endeavour to be a facilitator of growth of Micro Small and Medium Enterprises (MSME) has had meetings with officials of IBA and Senior functionaries of various Banks. I am glad to know that based on the feedback received, CIMSME has come out with a report, listing the findings of the survey.

I am sure that a few recommendations based on these findings will be useful to the MSME sector as well as to the Banks and a collective effort will be made to implement them in the right spirit.

Oriental Bank of Commerce has been at forefront in assisting the MSME sector and shall continue to provide guidance and financial support for the growth of this sector in the competitive economic environment. In this direction, bank is having 17 specialized MSME branches and additional 30 branches have also been identified as Mid Corporate branches across the country which will cater to the credit requirements of MSME sector alongwith other branches of the bank.

I am sure that CIMSME will continue its efforts for assisting and guiding the MSME sector with utmost sincerity and wish success in all its endeavours.

With Best Wishes,

Gurgaon
14.05.2013

(S.L. BANSAL)

Chairman & Managing Director



देना बैंक
DENA BANK

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Dt. May 18, 2013

MESSAGE

I congratulate you on bringing out the “Report on Suggestions for Timely & Adequate Finance to MSME Sector”.

Suggestion on enabling technology for online credit requests, tracking the status of approval and transparency in credit delivery process would considerably improve the comfort zones of the entrepreneurs and promote young entrepreneurs to take up new ventures.

I believe that implementing the suggestions is in the interests of the Banks themselves, for sustenance of business growth, improved earnings and diversified risk portfolio.

I appreciate the endeavour of CIMSME for the passion in contributing to the growth of MSME sector, perseverance and hard work put in to come out with this report.

Ashwani Kumar



MESSAGE

Report on Faster Credit to MSME Sector by Chamber of Indian Micro, Small & Medium Enterprises (CIMSME)

MSMEs are known for providing job opportunities, enhancing the quality of human resources, nurturing a culture of entrepreneurship, fostering creativity and opening up new business opportunities. MSMEs in India provide a diverse range of products and employ 59.7 million persons spread over 26.1 million enterprises. MSME sector accounts for nearly 45% of manufacturing output and 40% of total exports of the country. As such, the contribution of MSME sector in economic development of the country is immense and it is the aggregate contribution of the MSMEs that makes them a deserving case for receiving support from various inter-connected segments.

Government of India and RBI have advised banks to give focus on deployment of credit to the MSME Sector.

The initiative taken by the CIMSME for faster growth of MSME Sector is commendable. The observations contained in the report relate to vital issues such as timely and adequate finance, credit rating, participation of Industrial Associations, SME branches, Rehabilitation & Exit Policy, Effective communication systems between promoters of MSME units and banks etc.

The report provides food for thought to various stake holders for critical analysis of existing policies and practices so as to make MSME Sector more vibrant.

Indian Bank is a pioneer in financing MSME Sector and has devised various tailor made loan products to suit the specific business needs of certain vital parts of MSME Sector such as qualified doctors, contractors, Rice Mills, commercial transport operators etc. These loan products are characterized by easy assessment methodology, competitive rates of interest and promoters' margin requirements. Besides, our Bank is concentrating on development of MSME Clusters by rolling out cluster specific loan products. We, Indian Bank, winner of the National Award for Excellence in Lending to Micro Enterprises, are committed to contribute our best for inclusion of entire MSME segment.

T M BHASIN
Chairman and Managing Director
INDIAN BANK

NEED OF THE REPORT

MSMEs worldwide are considered as the growth engine of the economy. The role of Micro, Small & Medium Enterprises in the economic and social development of the country is well established. The MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. The major advantage of the sector is its employment potential at low capital cost. The labour intensity of the MSME sector is much higher than that of the large enterprises. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports.

MSME sector in India has emerged as a highly vibrant and dynamic sector of its economy. MSMEs also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and contribute enormously to the socio-economic development of the country. It is well known that the MSME sector provides maximum opportunities for both self-employment and wage-employment, outside agriculture sector. It helps in building an inclusive and sustainable society in innumerable ways through creation of non-farm livelihood at low cost, balanced regional development, gender & social balance, environmentally sustainable development.

In terms of value, MSME sector accounts for about 45 per cent of the manufacturing output and about 40 per cent of total exports of the country. It is estimated to employ about 60 million persons in over 26 million units throughout the country. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by MSMEs in India.

As the economic scenario is rapidly shifting world-over, the need to provide impetus to our SMEs is becoming more serious. Despite its significant contribution to the nation's economy, SME sector lacks support from the Government Department, Financial Institutions, Banks and Corporates, which is handicap in becoming more competitive in the National and International Market. SMEs faces number of problems-absence of timely and banking finance, limited capital and knowledge, non availability of suitable technology, low production capacity, ineffective market strategy, identification

of new market, constraints on modernization and expansion, non availability of highly skilled labour at affordable cost, follow up with various government agency to resolve problem etc.

Timely and Adequate finance at affordable cost is one of the major concerns for MSME sector. Various estimates on the credit availability to the MSME sector however indicate a serious credit gap. Though the heterogeneous and unorganized nature of the sector poses inherent challenges for a credible estimate, the fact remains that there is considerable credit gap, which is a matter of serious concern and needs to be bridged if the sector has to foray into the next level of growth trajectory. Apart from inadequate and delayed credit delivery other areas of concern, as far as finance part is concerned are:

- High cost of credit
- Collateral requirements
- Limited access to equity capital

In the interest of MSMEs, Mr. Mukesh Mohan Gupta, president CIMSME, came ahead with some suggestions to Ministry of Finance for facilitating timely and adequate finance for MSMEs. Hon'ble Finance Minister appreciated the suggestions of CIMSME and advised Indian Banks Association (IBA) to facilitate the Chamber to conduct a study on the suggestions submitted by the Chamber and submit a report with the efforts/contribution of CIMSME on these suggestions

METHODOLOGY OF THE REPORT

Mr. Mukesh Mohan, President Chamber of Indian Micro, Small & Medium Enterprise (CIMSME) got an opportunity to have a one-to-one meeting with the then Hon'ble Finance Minister Sh. Pranab Mukherjee at his office.

During the meeting, certain suggestions towards ensuring availability of faster and adequate financial assistance from banking channels to units in MSME sector were submitted by the Chamber to the Hon'ble Finance Minister.

The Finance Minister got greatly convinced with the suggestions of the Chamber, and was kind to connect the Chamber with the Chairman of Indian Banks' Association (IBA) to take the matter forward. He further advised IBA for facilitating the Chamber for preparation of the Report on the suggestions submitted by the Chamber.

Thereafter President of the Chamber held meetings with the Chairman and Chief Executive of IBA to decide the methodology for the way forward, towards preparation of the Joint Report.

It was decided to first discuss the suggestions of the Chamber in the “**IBA Standing Committee on Agro Business & MSME**”, wherein the President of the Chamber was called as special invitee, to present the views of the Chamber.

Various rounds of meetings were held at “**IBA Standing Committee on Agro Business & MSME**”, where CEOs/ EDs/ GMs and other senior executives of many banks were present. They discussed the suggestions submitted by the Chamber at length and most of the suggestions made by the Chamber were termed as very positive and were widely appreciated by these Bankers.

It was thereafter decided to forward the suggestions of the Chambers to all the banks for their feedback and comments.

The suggestions made by the Chamber caught the imagination of most of the Banks and feedback/ comments of as many as 21 following banks were received by the Chamber:

1. Allahabad Bank
2. Axis Bank
3. Bank of Baroda
4. Bank of India
5. Canara Bank
6. Central Bank of India
7. Corporation Bank
8. Dena Bank
9. HSBC
10. IDBI Bank
11. Indian Bank
12. Indian Overseas Bank
13. ING Vysya Bank
14. Oriental Bank of Commerce
15. Punjab & Sind Bank
16. SIDBI
17. Syndicate Bank
18. UCO Bank
19. United Bank of India
20. Vijaya Bank
21. Yes Bank

Chamber has gone through all these feedback forms and comments received from these Banks have been broadly classified under 4 categories, namely Agreeable, Not agreeable, Agreeable with modifications and where no comments were made. For the purpose of easy understanding and comprehension, response to all the suggestions made by the Chamber, have been graphically presented in following page

S NO.	RECOMMENDATIONS	FINDINGS OF THE SURVEY	REVIEWED	RATIONALE
TIMELY AND ADEQUATE FINANCE				
01.	The Loan Application form should be re-designed having the complete list of documents for sanction, Legal documentation and Disbursement separately.	Most of the banks have informed that they have already standardized the complete documentation required for taking sanction decision, based on the IBA guidelines. These guidelines are quite exhaustive and adequate.	Those banks who have not yet adopted the IBA guidelines in this matter are required to do so immediately. As regards legal documentation and documents required for disbursement- the same should be invariably be detailed in the sanction letter. (Action: All banks / IBA)	Since legal and disbursement requirement will be case specific and is a post sanction requirement, it will need to be complied with only after the sanction. As such seeking information on these aspects at the pre sanction stage may not be of much use.
02.	A pre-numbered computerized receipt should be issued to the company with date and time with Login and Password for tracking the status of the proposal.	Some banks have claimed that they already have adequate system in place. Most others are agreeable to have an arrangement like this.	Banks to be advised to introduce the system of issuing a pre-numbered computerized receipt. The number to be generated will be on identical lines as in the case of opening a Savings account. Login ID and password for tracking the status of the proposal, will be generated and recorded in the receipt itself. (Action: All Banks/ RBI)	

03.	<p>The company should be given a Login and Password to track its loan application online to know what is the status of the application and at which desk it is parked? It will also be clear to the company if it is pending due to the non-submission of reply by the company.</p>	<p>Some banks have claimed that they already have adequate system in place. Most others are agreeable to have an arrangement like this.</p>	<p>Banks to issue guidelines, advising branches to keep the status of proposal updated in the system, as ongoing control mechanism. Controlling offices will have access to self generated MIS, which will provide branch wise listing of all those loan proposals in which there is no movement in last seven days.</p> <p>(Action: All Banks/ RBI)</p>	
04.	<p>A comprehensive check list for the balance documents should be issued to the company within next 7 days.</p>	<p>Banks are agreeable to this suggestion.</p>	<p>Comprehensive list of all the information/ clarifications and requirements for the balance documents should be issued to the borrower within next 7 working days. Piecemeal raising of queries to be avoided.</p> <p>(Action: All Banks / IBA)</p>	<p>Since generic type of requirements will form part of the loan application itself, this recommendation is for case specific requirements based on the scrutiny of the proposal.</p>

05.	Possibility of in-house Legal and Valuation should be explored, as the outsourcing takes lot of time.	Most of the banks have expressed practical difficulties.	Banks to introduce system of ensuring availability of one of their empanelled legal officer in the branch premises, on pre specified days and time on regular basis and display it prominently in the branch premises. For valuation part, Branches to enclose, to the sanction letter, the list of empanelled valuers, servicing their branch. (Action: All Banks / IBA)	
06.	At the time of sanction/ Rejection, a Travel Sheet of the Flow of the application as per Annexure- I should invariably be a part of Sanction / Rejection Letter.	Banks do not find much utility for giving this information.	At the time of sanction/ rejection, a Travel Sheet of the Flow of the application as per Annexure- I should invariably be a part of Sanction / Rejection Letter (Action: All Banks / RBI)	Enclosing travel sheet of the flow of the application to the sanction/ rejection letter will serve as self monitoring mechanism and will surely lead to early disposal of the application.
07.	Reason of Rejection should also be conveyed to the company.	Banks are agreeable to the suggestion.	Reason of Rejection should invariably be conveyed to the applicant. (Action: All Banks / RBI / IBA)	It will eliminate bias and will bring uniformity & increased transparency in decision making process.

CREDIT RATING			
01.	<p>There should be different credit rating scale for MSMEs and Large Corporate under Basel II.</p>	<p>Most Banks have welcomed the suggestion.</p>	<p>There should be different credit rating scale for MSMEs and Large Corporate under Basel II. RBI to take up with credit rating agencies, to include prompt payment to MSME suppliers, as a positive parameter for the purpose of rating large corporate.</p> <p>(Action: RBI)</p>
			<p>Since loan pricing for large corporates is dependent on their credit rating, the suggested change will lead to prompt payment by the large corporates, to MSME suppliers.</p> <p>Also the external credit forms an important part of bank's decision on loan application of borrowers. Most of the banks have set their own benchmark ratings, below which they do not consider the proposal.</p> <p>In this case it is very important that there is parity between the benchmarks of the banks and the credit rating agencies.</p>

02.	The threshold limit for external credit rating should be increased from the present Rs. 5 crore to Rs. 25 crore. IBA should approach RBI with data mapping internal rating with external ratings for limits / exposure below Rs. 25 crore	Most of the banks have also opined that there should be increased limit for external rating.	The threshold limit for external credit rating should be increased from the present Rs. 5 crore to Rs. 25 crore. IBA should approach RBI with data mapping internal rating with external ratings for limits / exposure below Rs. 25 crore. (Action: RBI/IBA)	Raising of threshold limit in fact should be an ongoing process, as the size of the economy grows.
PARTICIPATION OF INDUSTRIAL ASSOCIATIONS				
01.	A representative of MSME Associations should be a member of Regional/ Zonal MSME Review Committee of all the banks. This committee should hold meeting every month at all the Regional/ Zonal offices of all the banks to review the progress of MSME loan proposals.	Most Banks do not appear to be comfortable with the suggestion.	This may be dropped for now.	Banks probably have client confidentiality issues in mind, for their reservation on this.

0.2	<p>New channels of Credit Delivery like Industry Associations / Banking Correspondents may be developed. SIDBI has taken initiative in capacity building of select industry associations in different clusters. We recommend that the model adopted by SIDBI may be replicated with suitable modification if so required, by other banks/FIs for capacity building of Industry Association.</p>	<p>Banks are open to the idea, but would like to take a view on the SIDBI model first.</p>	<p>New channels of Credit Delivery like Industry Associations / Banking Correspondents need to be developed. SIDBI model of capacity building of select industry associations in different clusters, be circulated to all banks to be replicated with suitable modification if so required, by other banks for capacity building of Industry Association.</p> <p>(Action: All Banks/RBI/IBA)</p>	<p>Our Chamber has executed couple of MOUs with some public as well as private sector banks for improving the flow of credit to MSME sector. Post execution of these MOUs, we have started sending the credit proposals of MSME to Banks and the feedback from these banks is very positive.</p>
SME BRANCHES				
01.	<p>The SME branches should be headed by some senior executive preferably Asstt General Manager of the bank.</p>	<p>Banks favour the existing policy of deciding the branch heads, in relation to the business level of the branch, for SME branches also.</p>	<p>Banks may continue with their existing policy on branch heads. However feasibility of permitting higher operational flexibility for SME branches/ accounts may be examined.</p> <p>(Action : IBA/ All Banks)</p>	<p>An advisory may be issued to all the Banks.</p>

RE- APPRAISAL			
01.	<p>It has been the practice at the banks that the proposals recommended by branches headed by AGM/ DGM are re-appraised by a junior officer at the Regional/ Zonal office. Further the proposals recommended by the Regional Managers/ Zonal Managers with the rank of DGM/ GMs are re-appraised by the lower ranked officer at the Head office of the bank. Different queries are thus raised at different levels. We recommend that at the higher office which may be Regional office/ Zonal office/ Head office, the queries should be raised only by an officer above or atleast of the same rank officer, who has recommended the proposal from Branch / Regional/ Zonal level.</p>	<p>Most of the banks have informed that the junior officers at the Regional / Zonal / Head office only put the facts before the higher authorities for their consideration. Only higher officers / Sanctioning authorities re appraise the proposal.</p>	<p>With committee system of taking credit decisions now in practice in all banks, the branch/ regional/ zonal head themselves should be the presenting official before the credit committee of the next higher office. The present practice of preparation of another appraisal note by the credit department of the higher office for consideration of its own credit committee should be done away with. For example; a branch head in Delhi, after sending his appraisal note to RO in advance, will him/ herself go to RO and make presentation of the credit proposal before the regional credit committee, where committee members can directly interact with the branch head, obtain clarifications and take the decision. Video conferencing facility is now widely available in banks, and same can be used for making presentation before credit committees at Zonal/Head office level.</p> <p style="text-align: right;">(Action: All Banks/IBA)</p>
			<p>Regardless of banks' interpretation/ presentation of their credit appraisal systems- the fact remains that there is re-appraisal at every level.</p>

CENTRAL GRIEVANCES CELL			
01.	Central Grievances cell should be formed especially for credit proposals of MSME sector, in line with Banking OMBUDSMAN Scheme	Banks are divided on this issue. While some feel it is not required, few others are agreeable.	Central Grievances cell should be formed for credit proposals of MSME sector in line with Banking OMBUDSMAN Scheme, to look into delays in the decision making. (Action: RBI)
CONSORTIUM ARRANGEMENT			
01.	It has been observed in many cases that the Lead Bank appraise and assess the total requirement of the company, still the other member banks do not sanction their required share to the company on time. There is thus no use of the Consortium funding. It should be mandatory for all the Consortium members to sanction the facilities assessed by the Lead Bank within a period of one month of the assessment.	Banks by and large are agreeable for fixing up some kind of time schedule for decision making.	Stipulation of any time schedule will be successful only when the consortium decision is principally okayed within the bank at the appropriate level before the consortium decision is formalized. Lead bank should first obtain views of all the member banks in writing, on borrower's proposal, in a given time frame. These views then should form the basis for the preparation of lead bank appraisal note, for discussion and approval by the consortium members. Once approved by the consortium, all member banks should sanction the facilities within a period of one month from the date of consortium approval. All such consortium meetings should be attended by officials of sufficient seniority, to be able to take decisions on behalf of the bank- just like in CDR system. (Action: All Banks/ IBA)

REHABILITATION & EXIT POLICY			
01.	<p>As there is a Board for Industrial & Financial Reconstruction (BIFR) for large public and private sectors owning industrial undertakings, similarly a separate Board could be constituted for MSMEs so that their restructuring process could be fastened. The Board would act as the nodal agency which will be authorized to examine and declare the MSME unit as sick unit on a reference by the MSME unit like BIFR. Rehabilitation proposal can then be finalised in consultation with banks and the borrowers.</p>	<p>Most of the banks are positive towards the suggestion.</p>	<p>Just like Board for Industrial & Financial Reconstruction (BIFR) for large public and private sectors owning industrial undertakings, a similar body could be constituted for MSMEs. This body would act as the nodal agency which will be authorized to examine and declare the MSME unit as sick unit on a reference by the MSME unit like in the case of BIFR. It will also receive rehabilitation proposal from MSMEs, which can then be finalised in consultation with the bank/s and the borrowers. Beyond a cutoff point- say Rs. 1 Cr. provision for restoration of asset classification on implementation of rehabilitation package- which existed at the time of reference to this proposed body (akin to BIFR), like in the case of CDR referred accounts, should also be allowed in case of MSME units, referred to this body.</p> <p style="text-align: right;">(Action: Ministry of Finance/ RBI)</p>
			<p>It is commonly observed that, subsequent to successful operationalisation of securitization act, banks have almost abandoned the route of rehabilitation package even for MSME sector and recovery process is instantly initiated- on account becoming NPA</p>

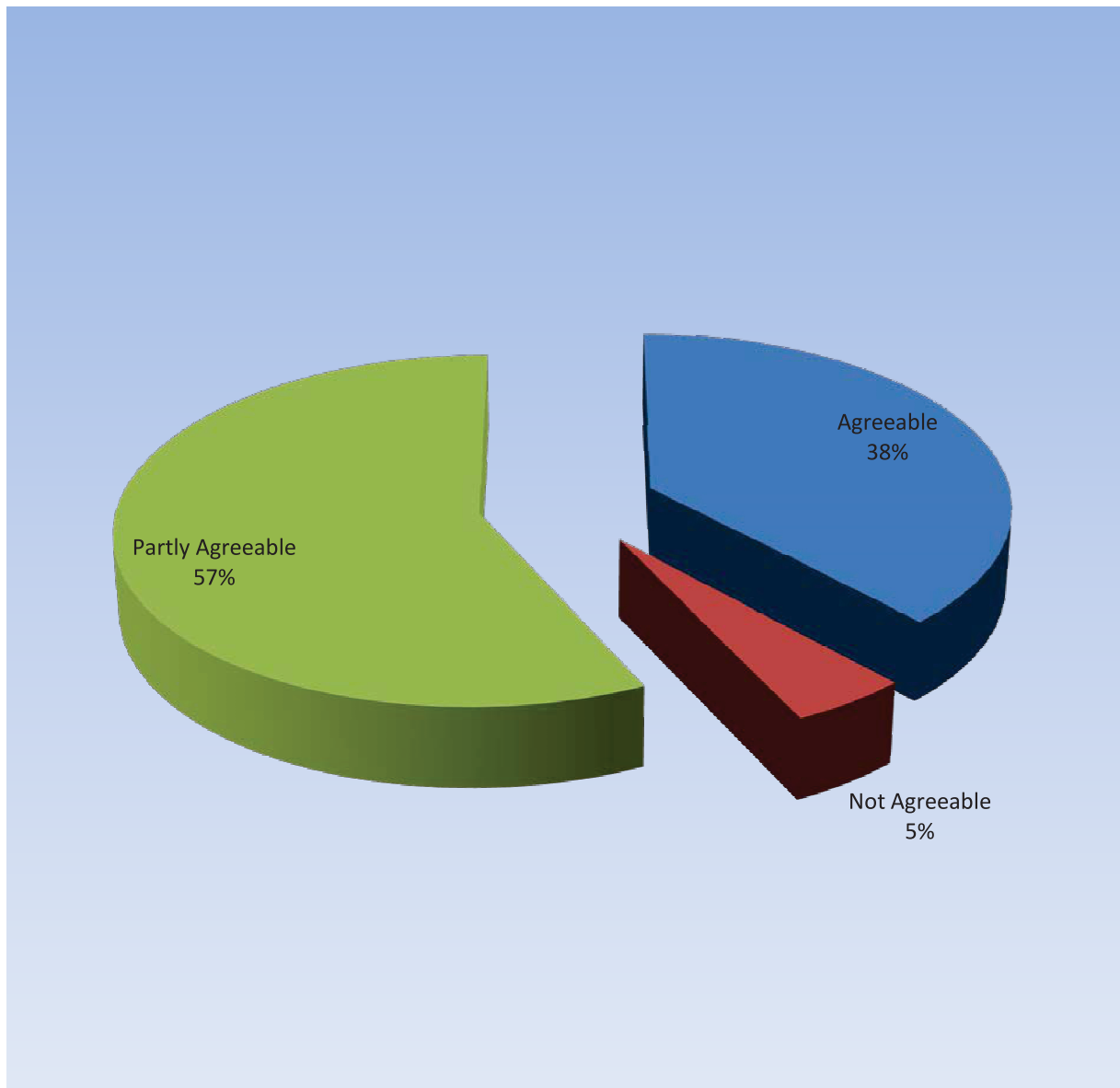
02.	<p>SIDBI has formulated Scheme for “Management / Restructuring of Stressed Assets, Rehabilitation and model OTS Scheme for MSME” and has also circulated the same with banks. An independent view on the scheme formulated by SIDBI may be taken up; thereafter the same scheme may be put up by banks to their board for their consideration.</p>	<p>Banks are open to the idea, but would like to take a view on the SIDBI model first.</p>	<p>SIDBI has formulated Scheme for “Management / Restructuring of Stressed Assets, Rehabilitation and model OTS Scheme for MSME” and has also circulated the same with banks. An independent view on the scheme formulated by SIDBI may be taken up by banks; thereafter the scheme may be put up by banks to their board for their consideration. (Action: All Banks / IBA)</p>	<p>It must be acknowledged that MSME sector has weak capital base and its ability to withstand even minor/ temporary disturbance in cash flow is quite limited. This recommendation must be seen in the context of our economy- where even Govt./ PSUs are not able to keep their payment commitments- the effect of which ultimately gets passed on to this sector, who are the main intermediate suppliers even to the corporate sector.</p>
03.	<p>The NPA norms for MSMEs should be changed from 90 days to 120 days to enable units to help company take steps to revive the company.</p>	<p>Some Banks are of the opinion to the extent that NPA norms for MSME should be relaxed upto 180 days.</p>	<p>In the interest of ensuring financial discipline and uniformity across the entire banking sector, this recommendation may be dropped for now, more so because of our recommendation under above 2 paras.</p>	

INTERACTION WITH CHIEF EXECUTIVES OF BANK

01.	<p>Most of the time the Chief Executives i.e. CMDs/ EDs of the banks are busy in their internal meetings/ meetings with the large corporates. It is very difficult for SME clients to fix up appointments with them. There should be at-least one day during a month as a public day for MSME sector, where the CMDs/ EDs should be available for meeting with MSME clients without any prior appointment.</p>	<p>Most of the banks have suggested meetings with prior appointment only.</p>	<p>Most of the time the Chief Executives i.e. CMDs/ EDs of the banks are busy in their internal meetings/ meetings with the large corporates. It is very difficult for SME clients to fix up prior appointments with them. There should be at-least one day during a month as a public day, where the CMDs/ EDs should be available for meeting anyone including MSME clients without any prior appointment.</p> <p>(Action : All Banks / IBA)</p>
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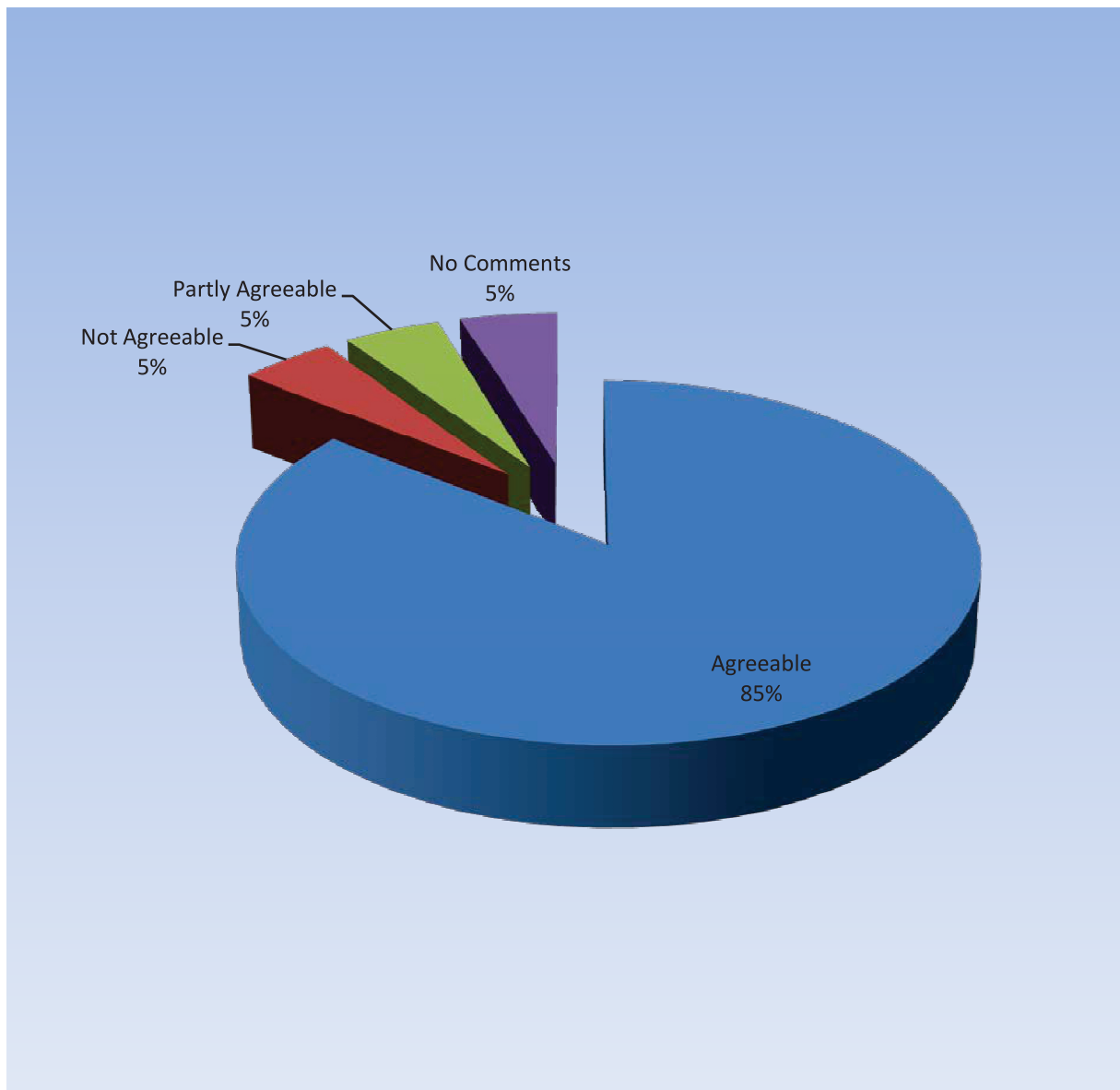
TIMELY AND ADEQUATE FINANCE

01. The Loan Application form should be re-designed having the complete list of documents for sanction, Legal documentation and disbursement separately.



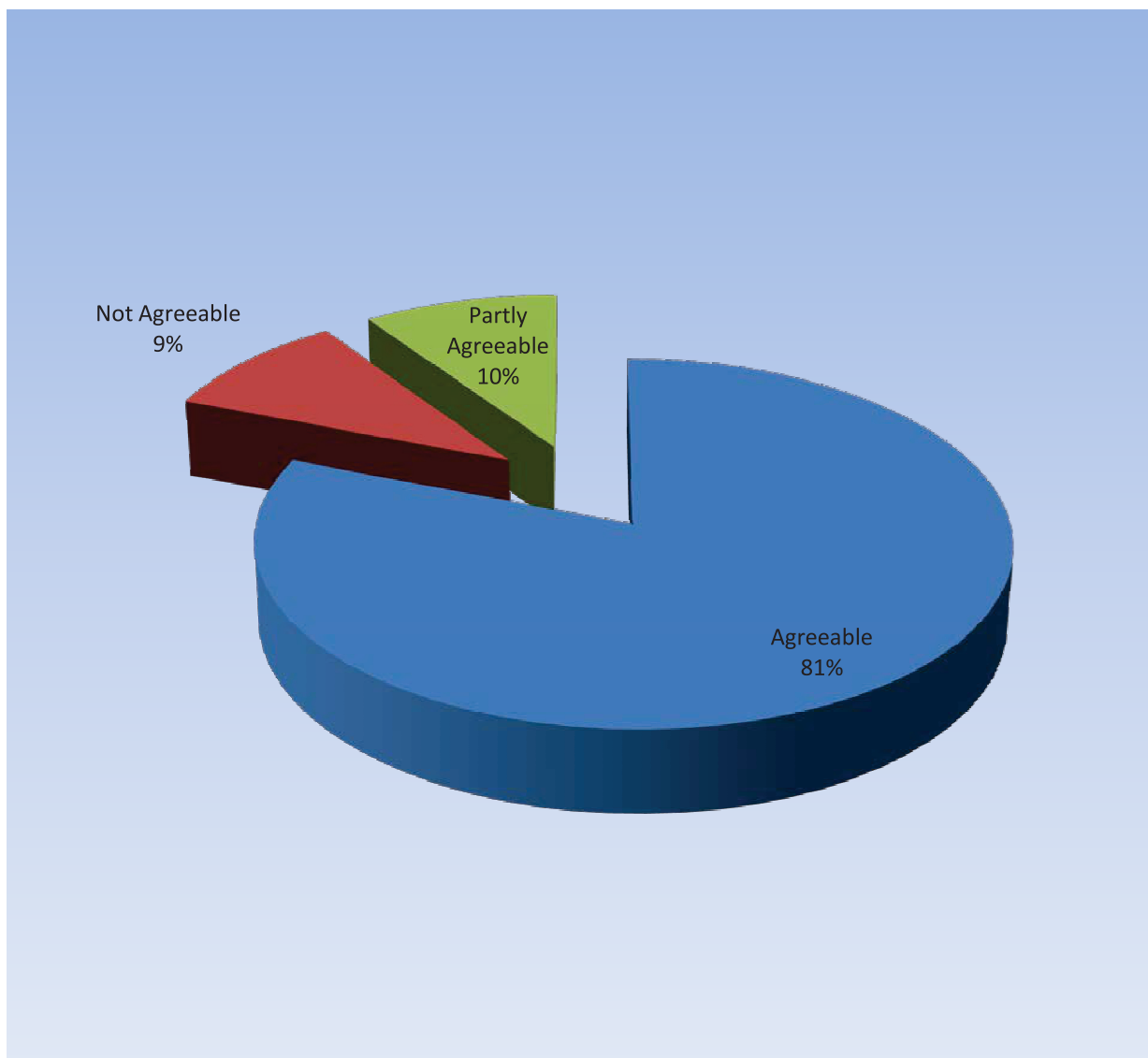
TIMELY AND ADEQUATE FINANCE

01. A pre-numbered computerized receipt should be issued to the company with date and time with Login and Password for tracking the status of the proposal.



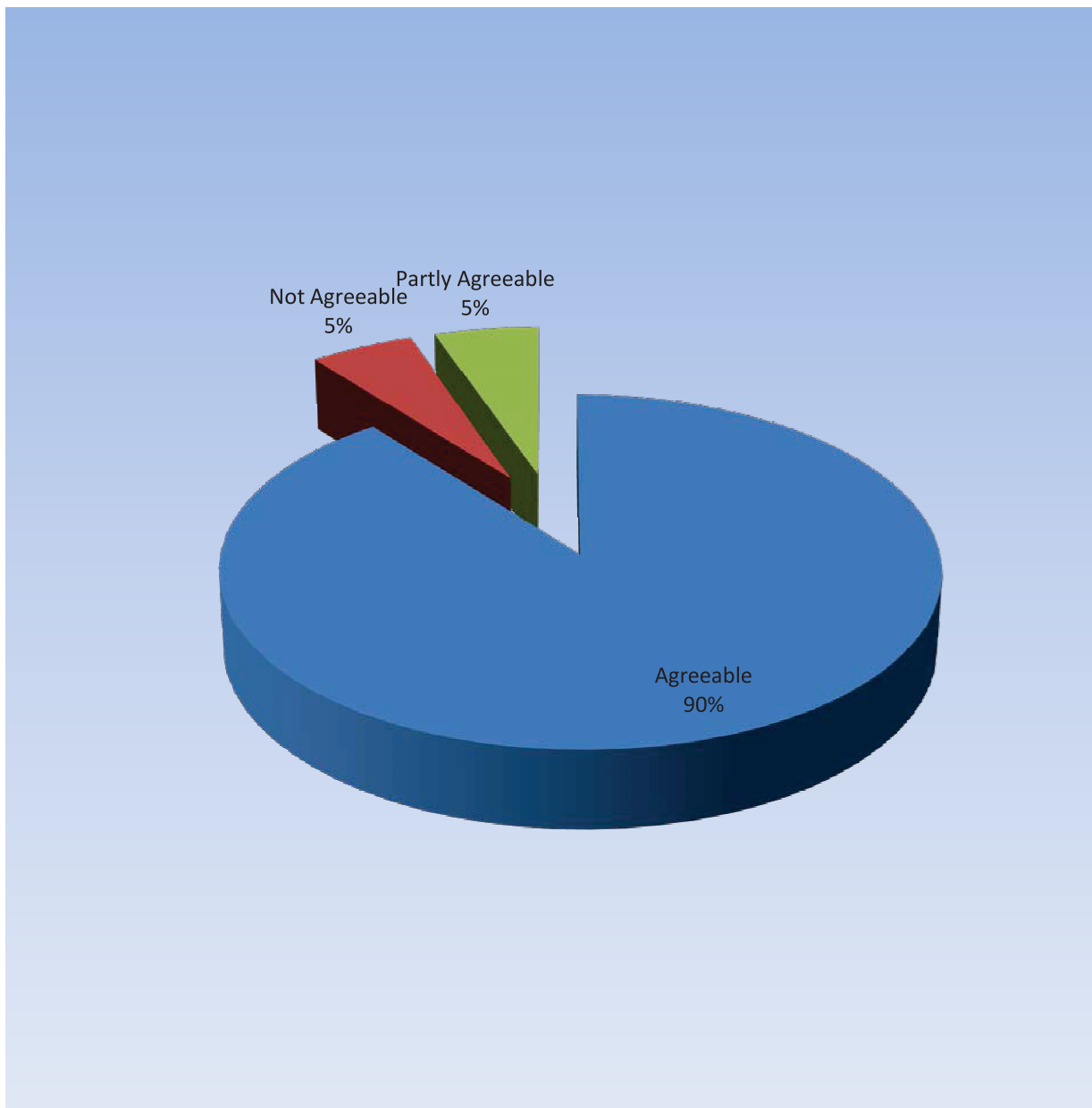
TIMELY AND ADEQUATE FINANCE

02. The company should be given a Login and Password to track its loan application online to know what is the status of the application and at which desk it is parked? It will also be clear to the company if it is pending due to the non-submission of reply by the company.



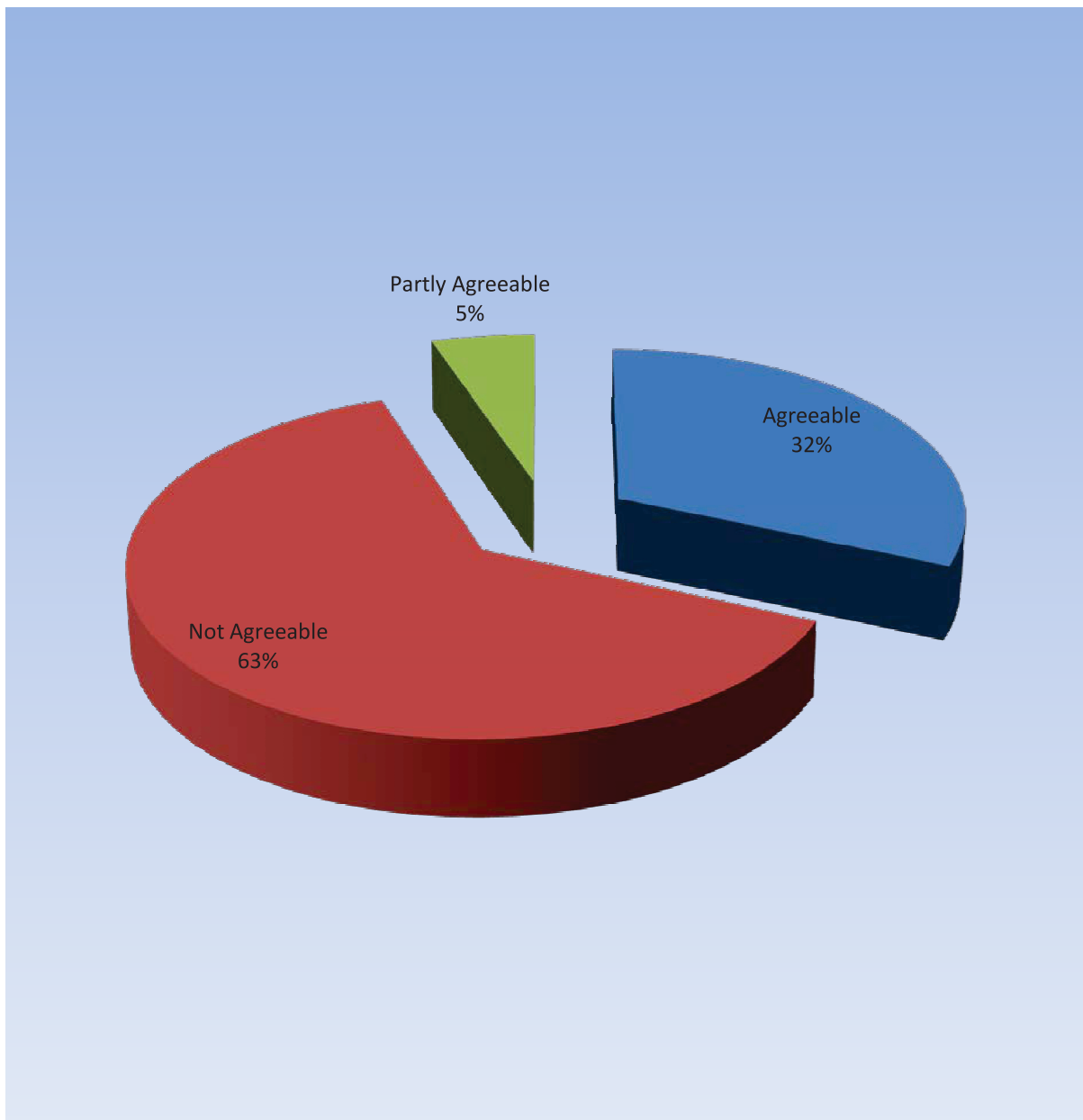
TIMELY AND ADEQUATE FINANCE

03. A comprehensive check list for the balance documents should be issued to the company within next 7 days.



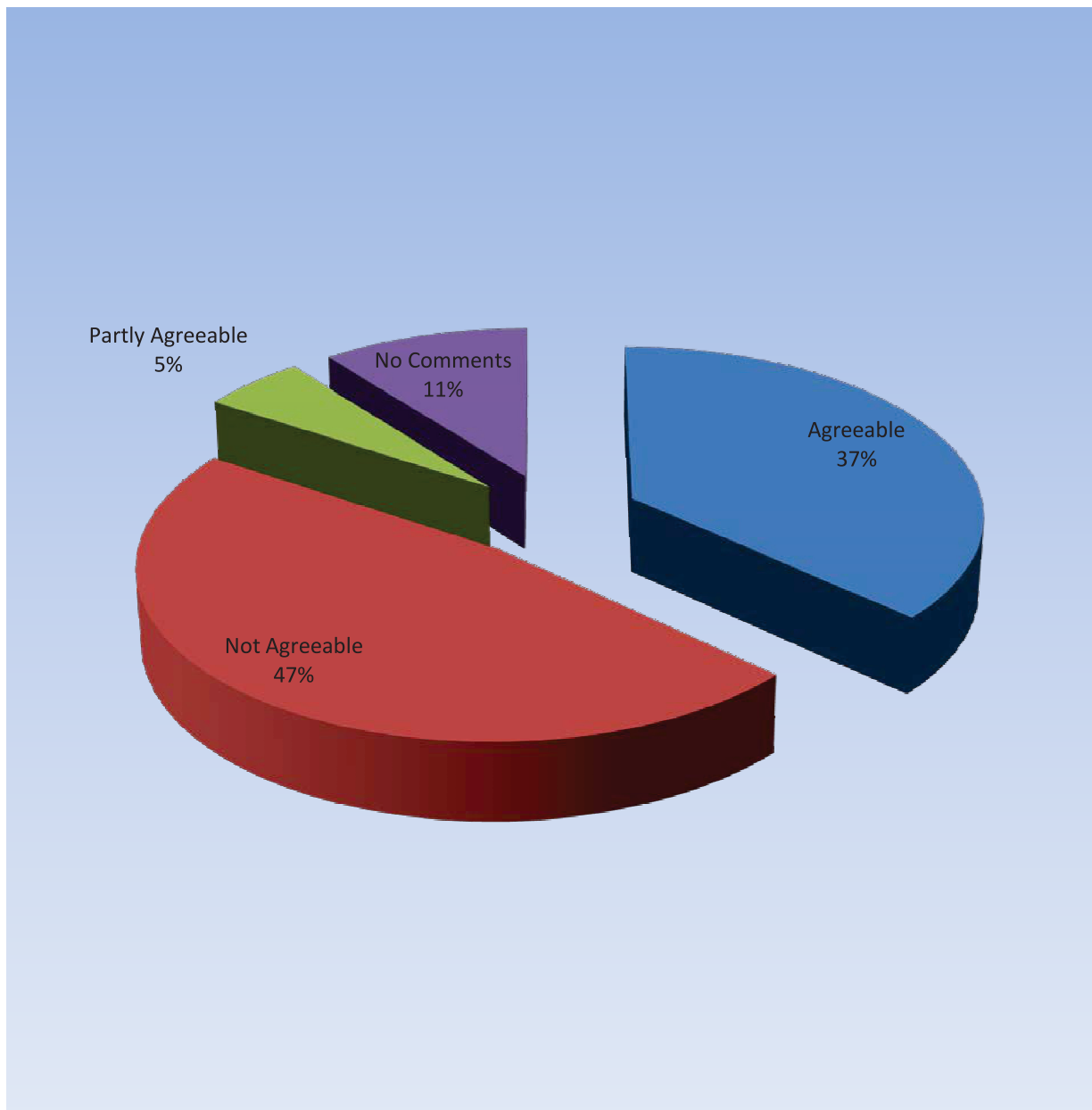
TIMELY AND ADEQUATE FINANCE

04. Possibility of in-house Legal and Valuation should be explored, as the outsourcing takes lot of time.



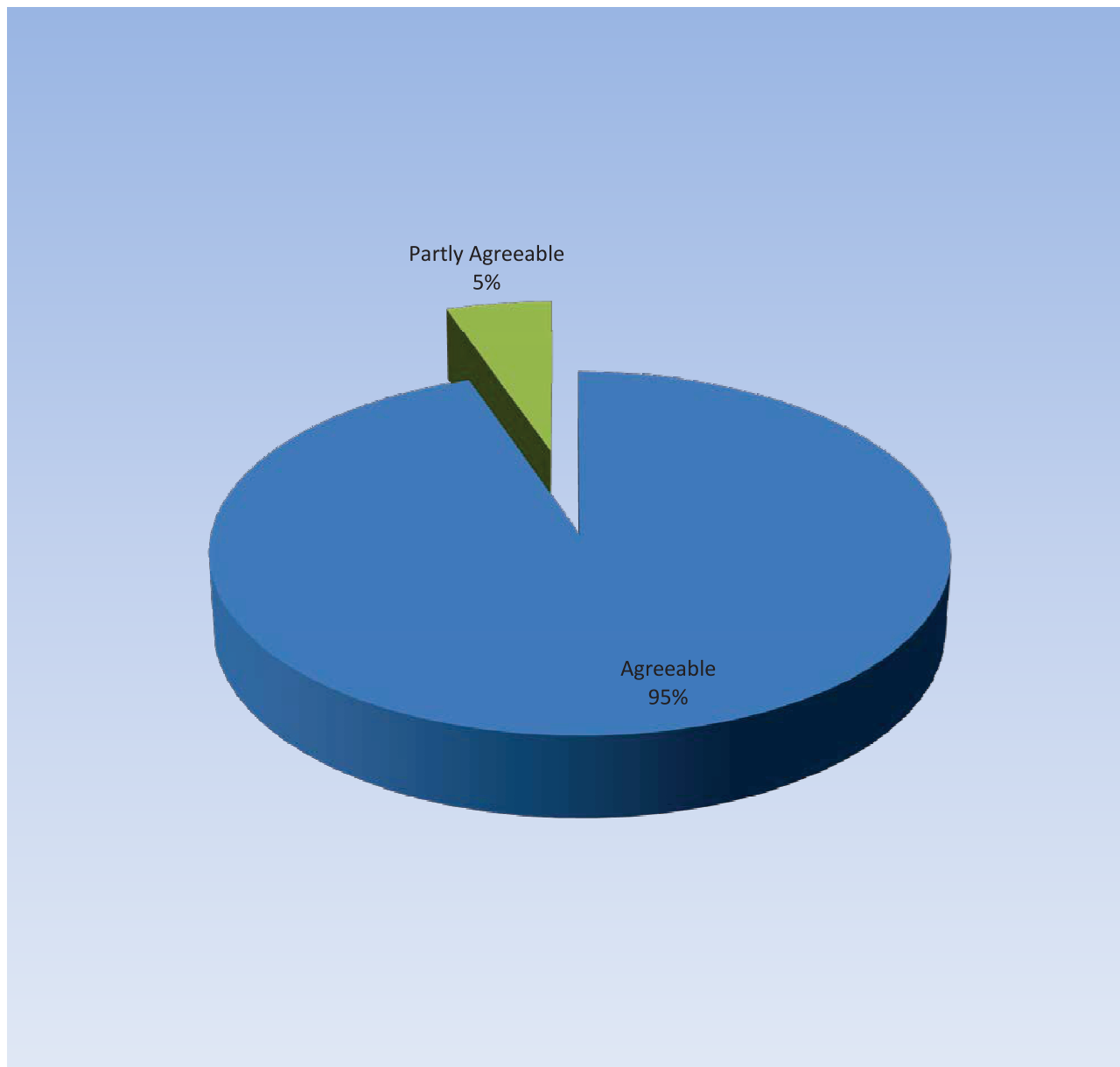
TIMELY AND ADEQUATE FINANCE

05. At the time of sanction/ Rejection, a Travel Sheet of the Flow of the application as per Annexure- I should invariably be a part of Sanction / Rejection Letter.



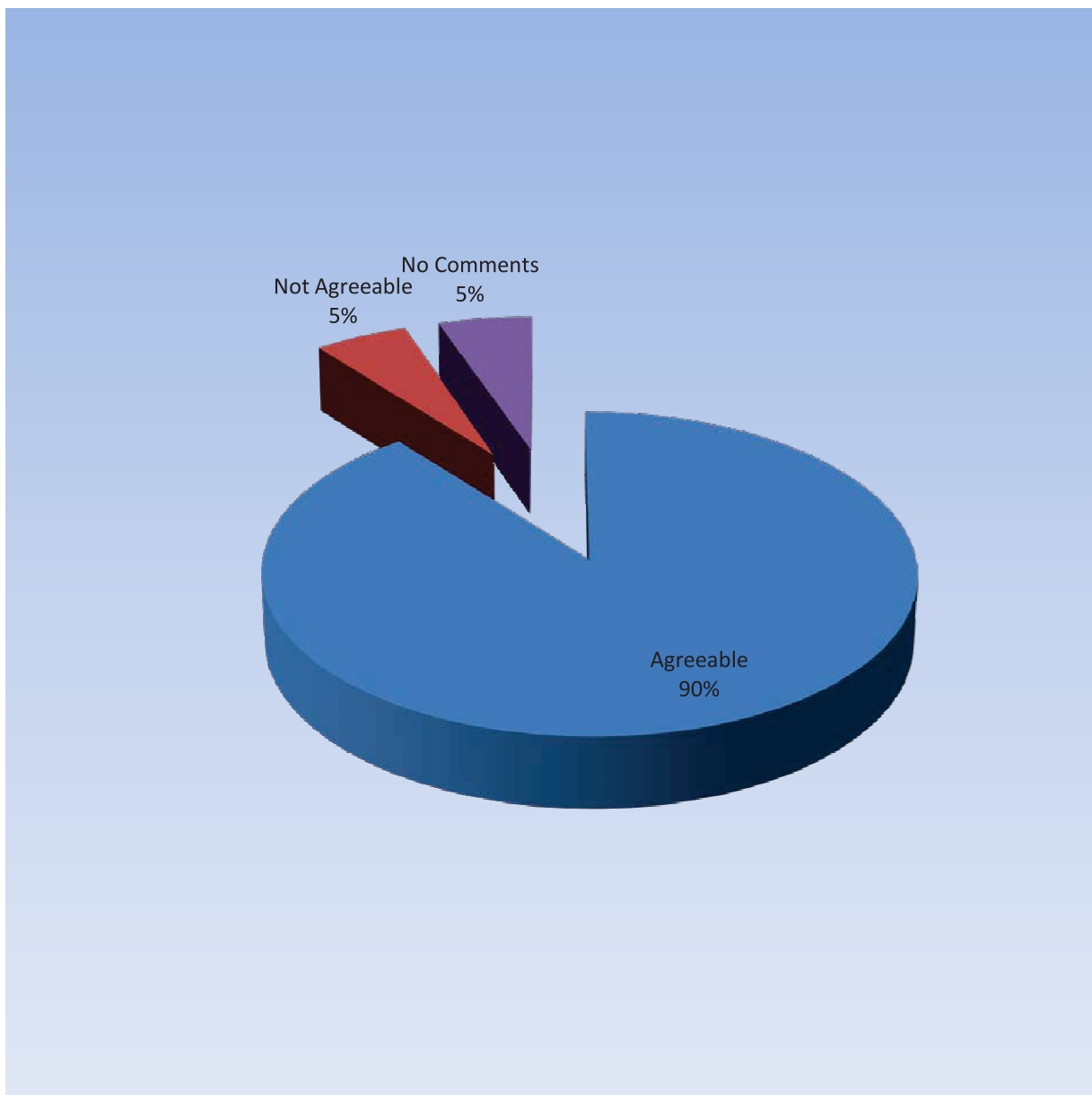
TIMELY AND ADEQUATE FINANCE

06. Reason of Rejection should also be conveyed to the company.



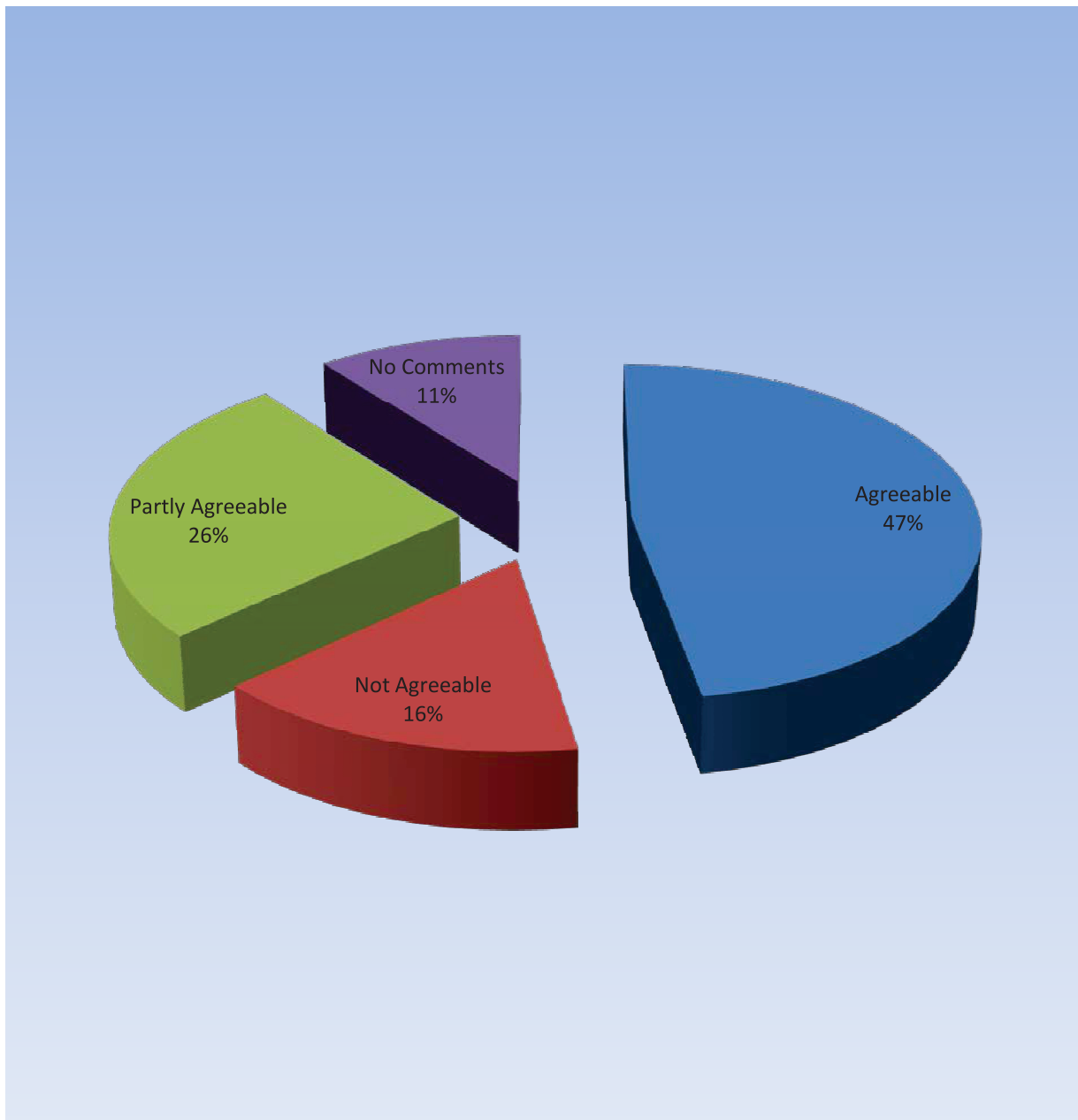
CREDIT RATING

01. There should be different credit rating scale for MSMEs and Large Corporate under Basel II.



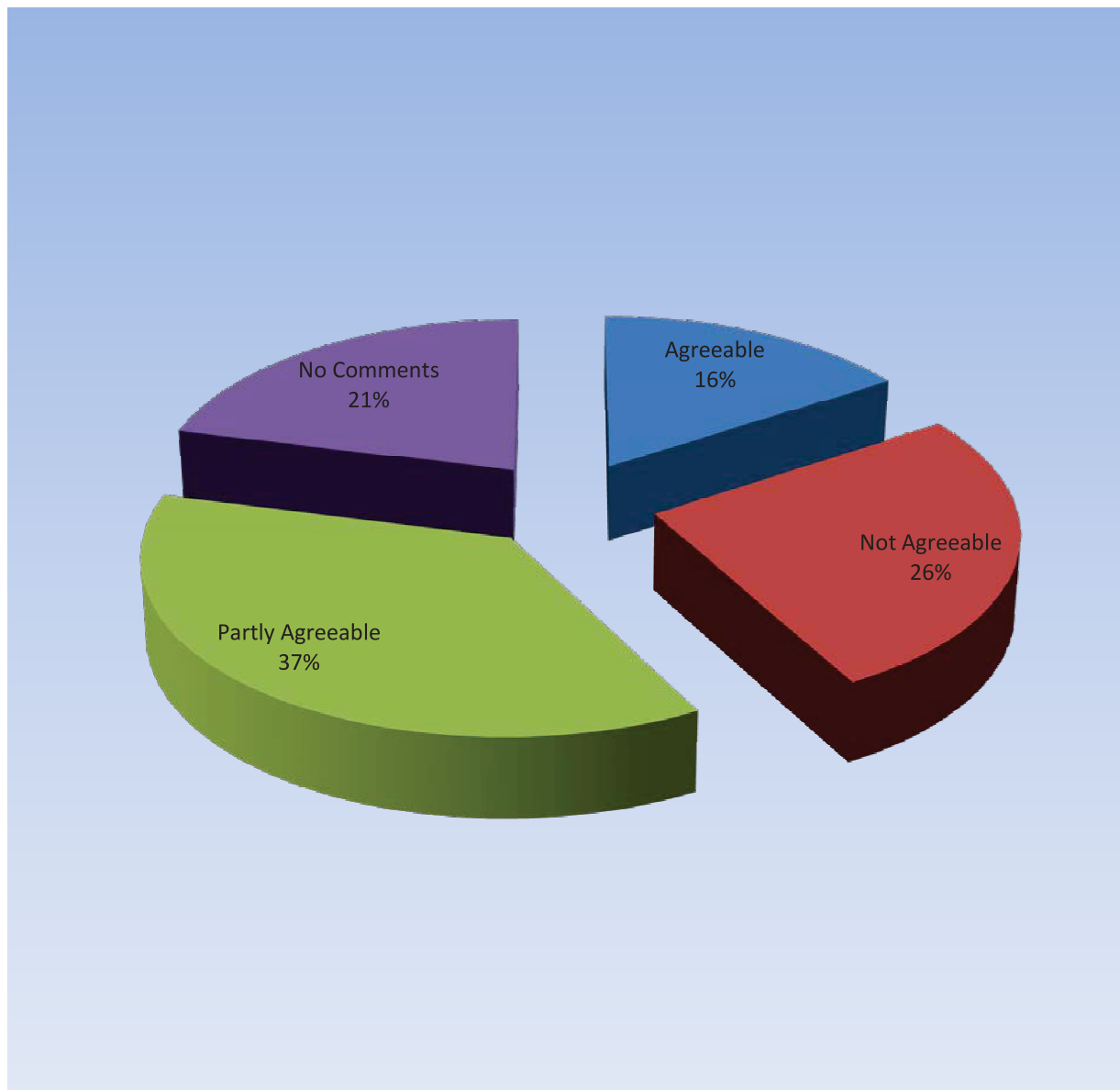
CREDIT RATING

02. The threshold limit for external credit rating should be increased from the present Rs. 5 crore to Rs. 25 crore. IBA should approach RBI with data mapping internal rating with external ratings for limits / exposure below Rs. 25 crore.



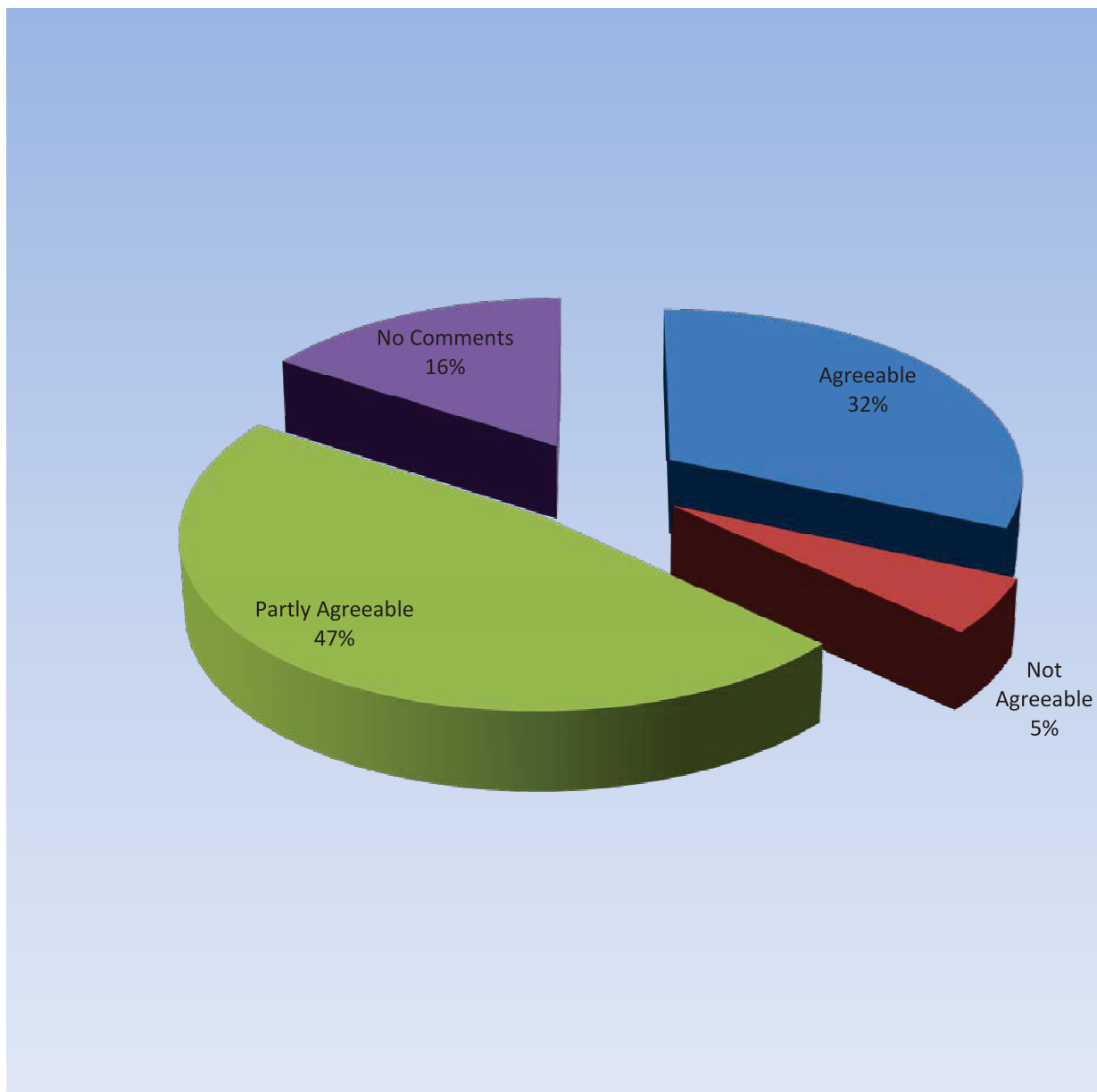
PARTICIPATION OF INDUSTRIAL ASSOCIATIONS

01. A representative of MSME Associations should be a member of Regional/ Zonal MSME Review Committee of all the banks. This committee should hold meeting every month at all the Regional/ Zonal offices of all the banks to review the progress of MSME loan proposals.



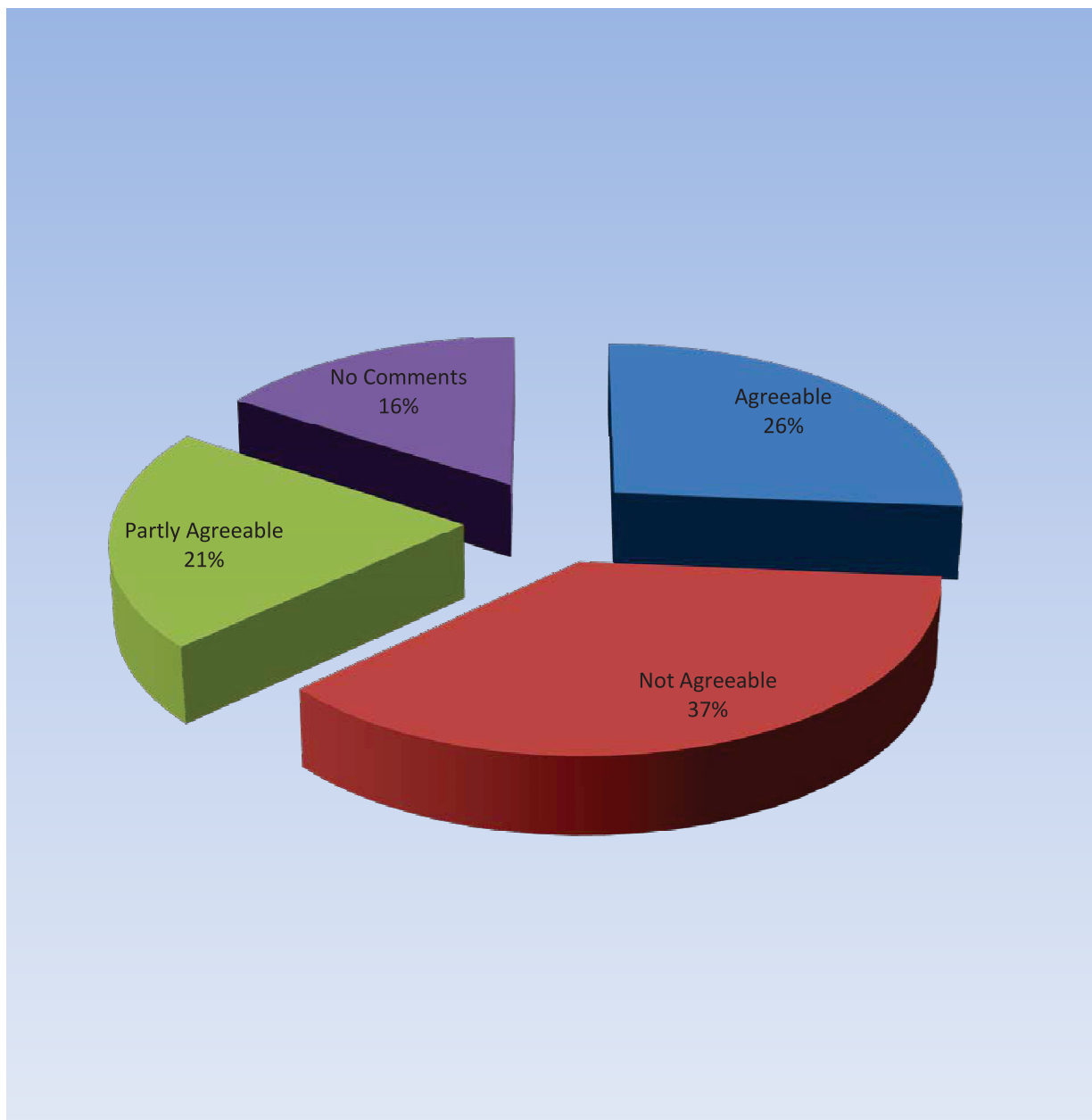
PARTICIPATION OF INDUSTRIAL ASSOCIATIONS

02. New channels of Credit Delivery like Industry Associations / Banking Correspondents may be developed. SIDBI has taken initiative in capacity building of select industry associations in different clusters. We recommend that the model adopted by SIDBI may be replicated with suitable modification if so required, by other banks/FIs for capacity building of Industry Association.



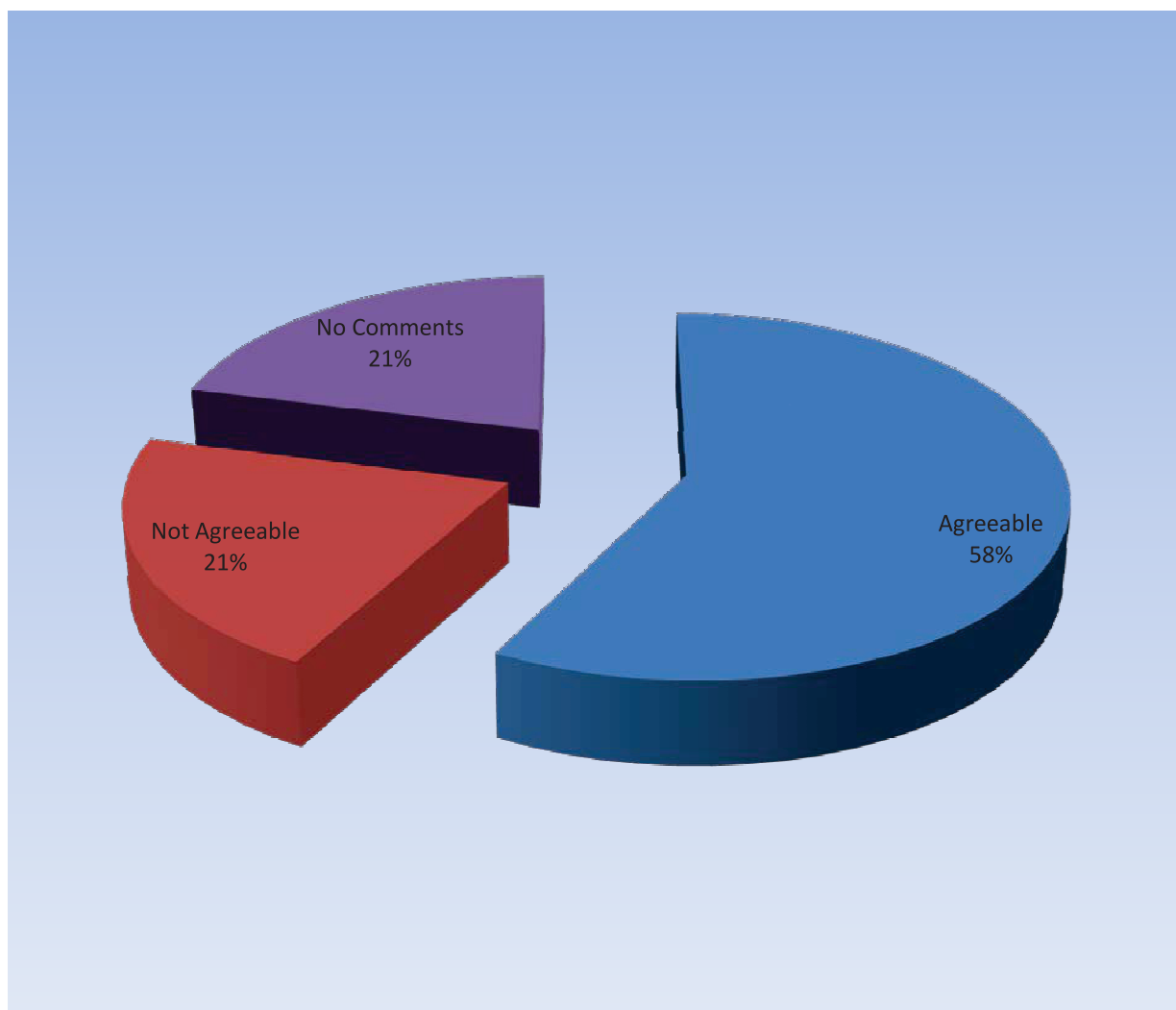
SME BRANCHES

01. The SME branches should be headed by some senior executive preferably Asstt General Manager of the bank.



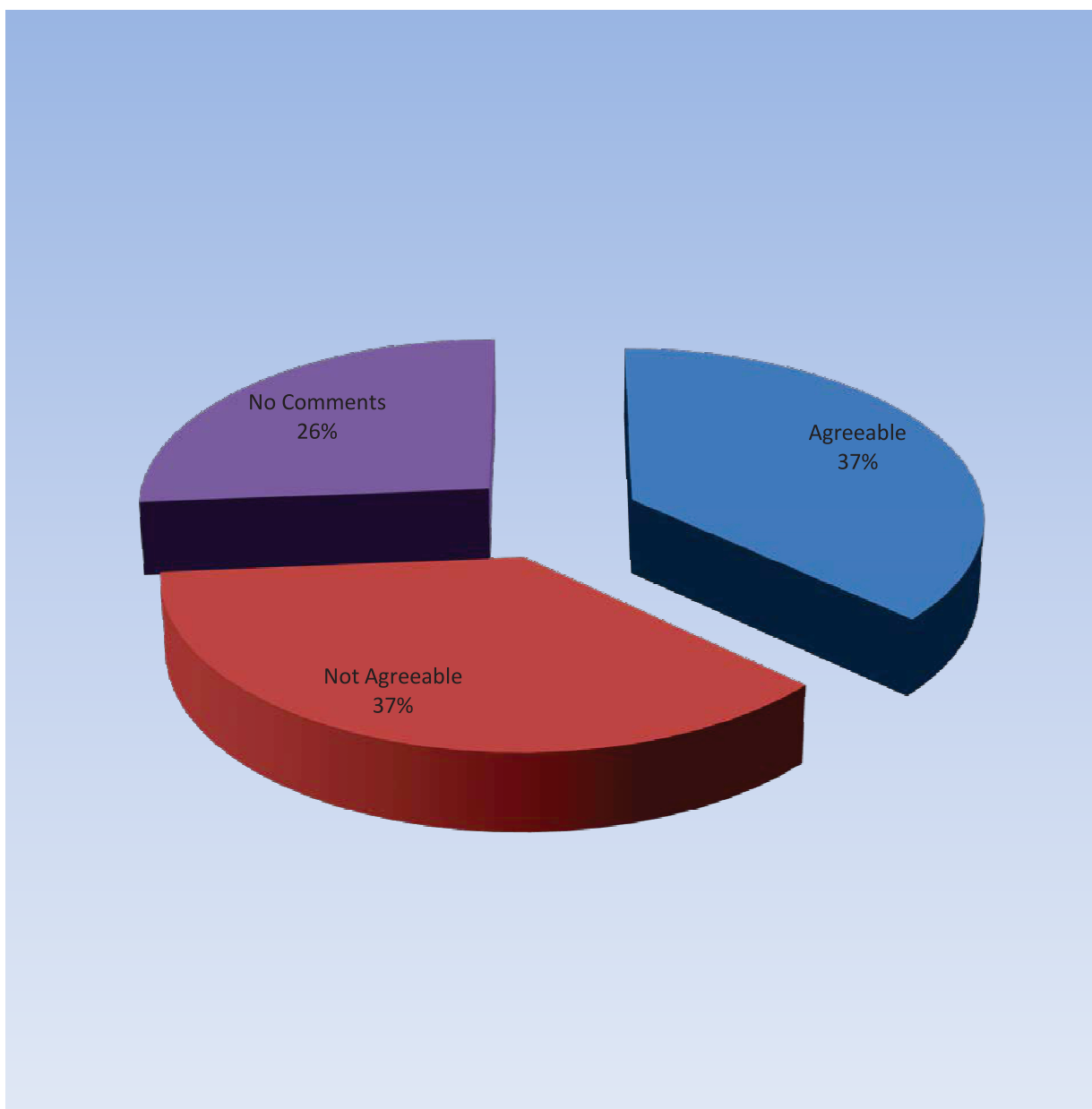
RE- APPRAISAL

01. It has been the practice at the banks that the proposals recommended by branches headed by AGM/ DGM are re-appraised by a junior officer at the Regional/ Zonal office. Further the proposals recommended by the Regional Managers/ Zonal Managers with the rank of DGM/ GMs are re-appraised by the lower ranked officer at the Head office of the bank. Different queries are thus raised at different levels. We recommend that at the higher office which may be Regional office/ Zonal office/ Head office, the queries should be raised only by an officer above or atleast of the same rank officer, who has recommended the proposal from Branch / Regional/ Zonal level.



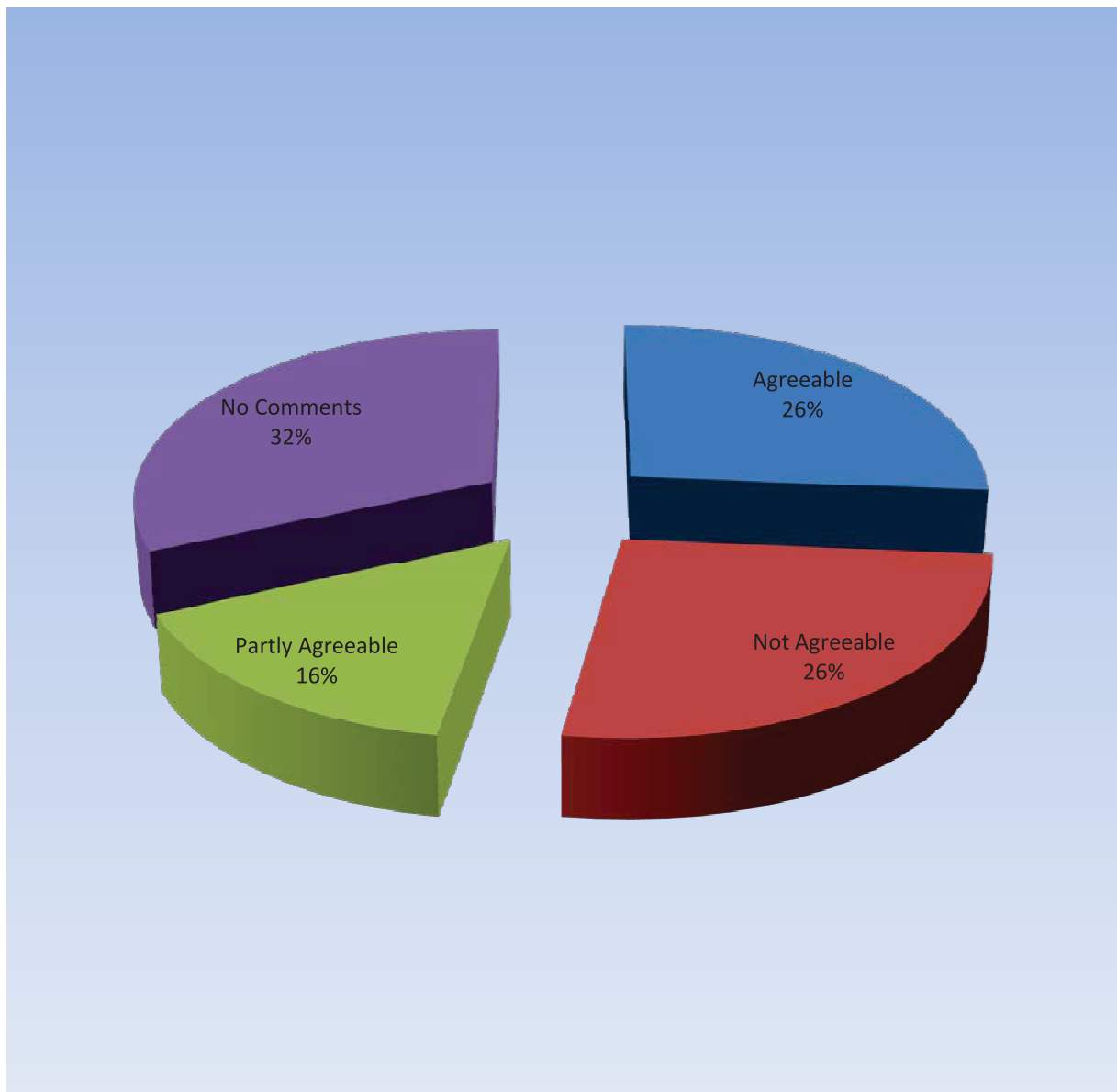
CENTRAL GRIEVANCES CELL

01. Central Grievances cell should be formed especially for credit proposals of MSME sector, in line with Banking OMBUDSMAN Scheme.



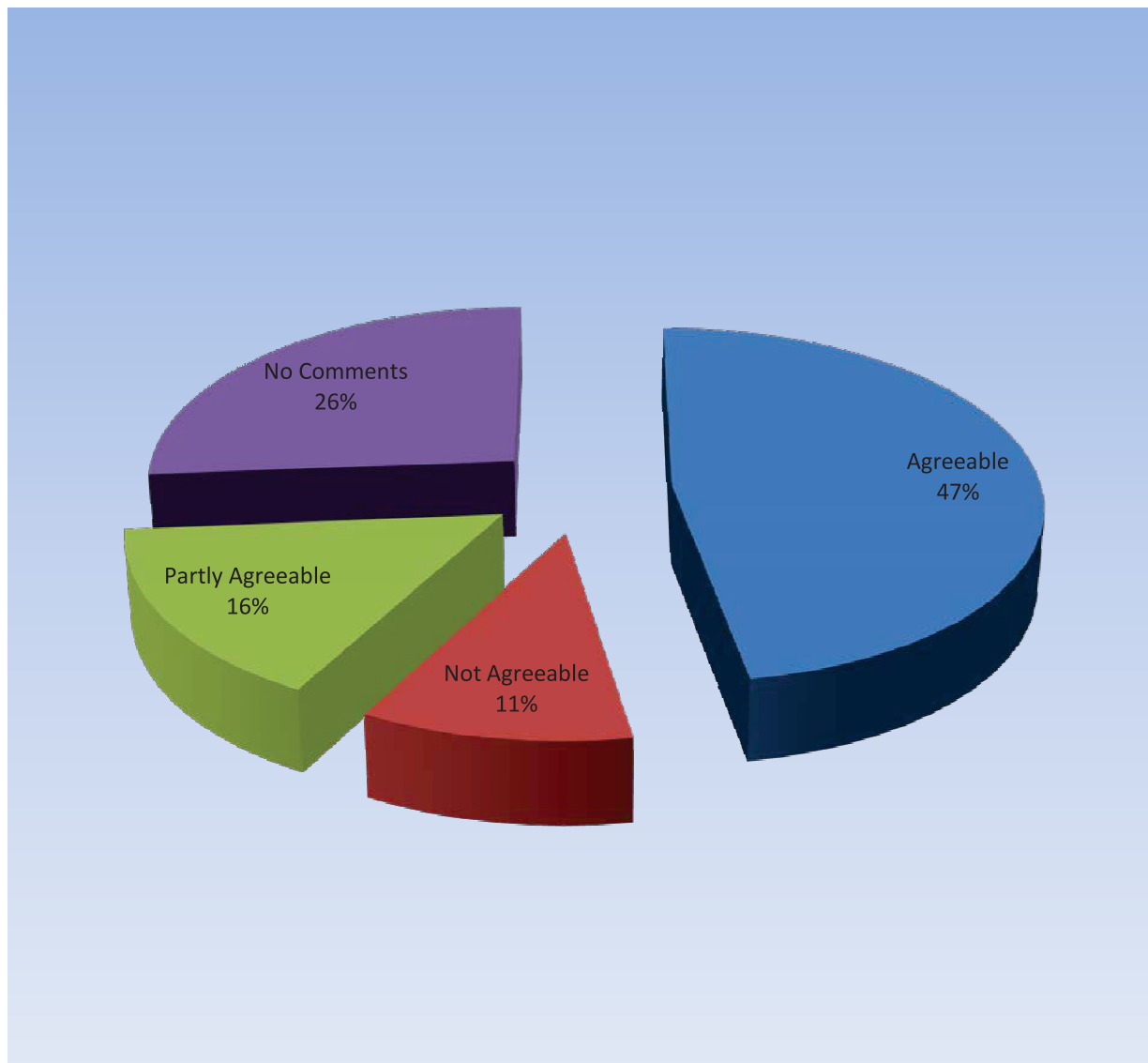
CONSORTIUM ARRANGEMENT

01. It has been observed in many cases that the Lead Bank appraise and assess the total requirement of the company, still the other member banks do not sanction their required share to the company on time. There is thus no use of the Consortium funding. It should be mandatory for all the Consortium members to sanction the facilities assessed by the Lead Bank within a period of one month of the assessment.



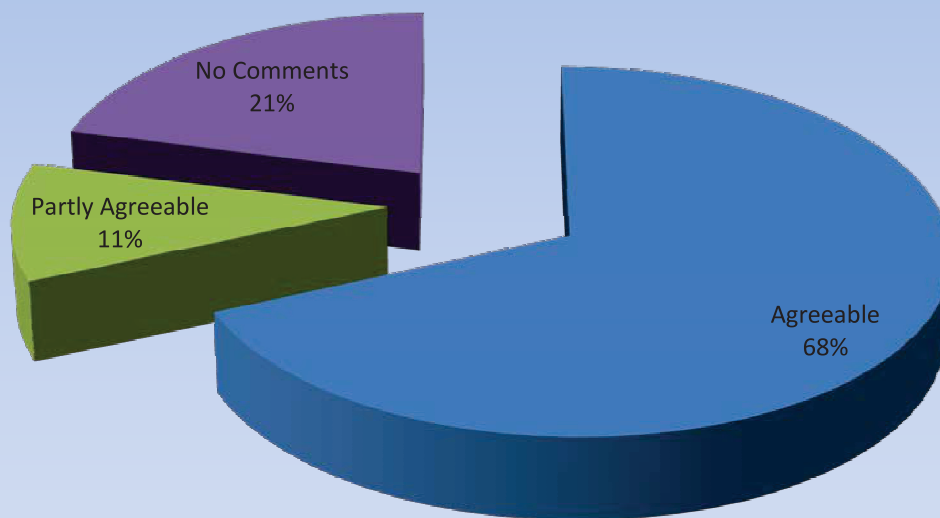
REHABILITATION & EXIT POLICY

01. As there is a Board for Industrial & Financial Reconstruction (BIFR) for large public and private sectors owning industrial undertakings, similarly a separate Board could be constituted for MSMEs so that their restructuring process could be fastened. The Board would act as the nodal agency which will be authorized to examine and declare the MSME unit as sick unit on a reference by the MSME unit like BIFR. Rehabilitation proposal can then be finalised in consultation with banks and the borrowers.



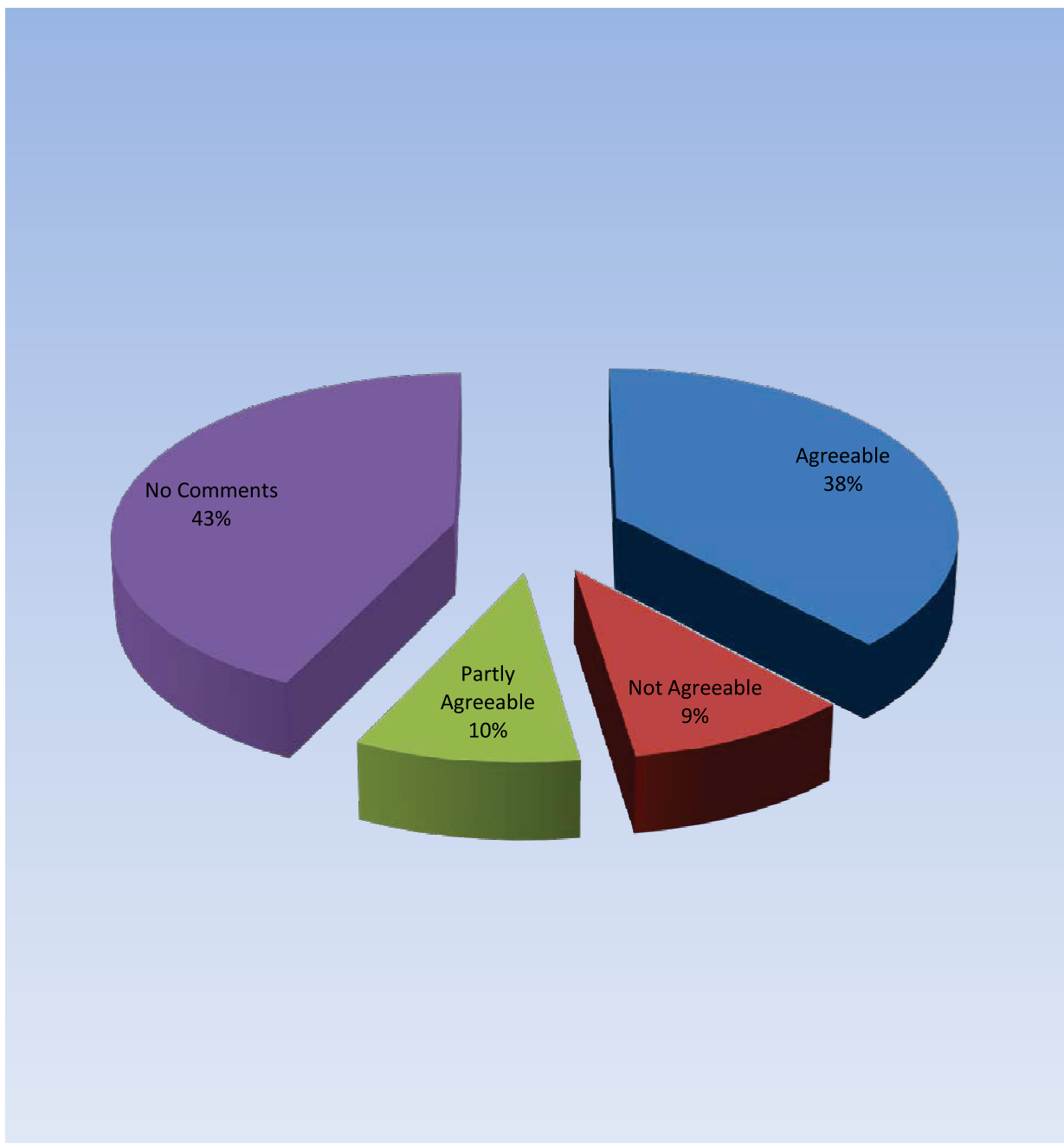
REHABILITATION & EXIT POLICY

02. SIDBI has formulated Scheme for “Management / Restructuring of Stressed Assets, Rehabilitation and model OTS Scheme for MSME” and has also circulated the same with banks. An independent view on the scheme formulated by SIDBI may be taken up; thereafter the same scheme may be put up by banks to their board for their consideration.



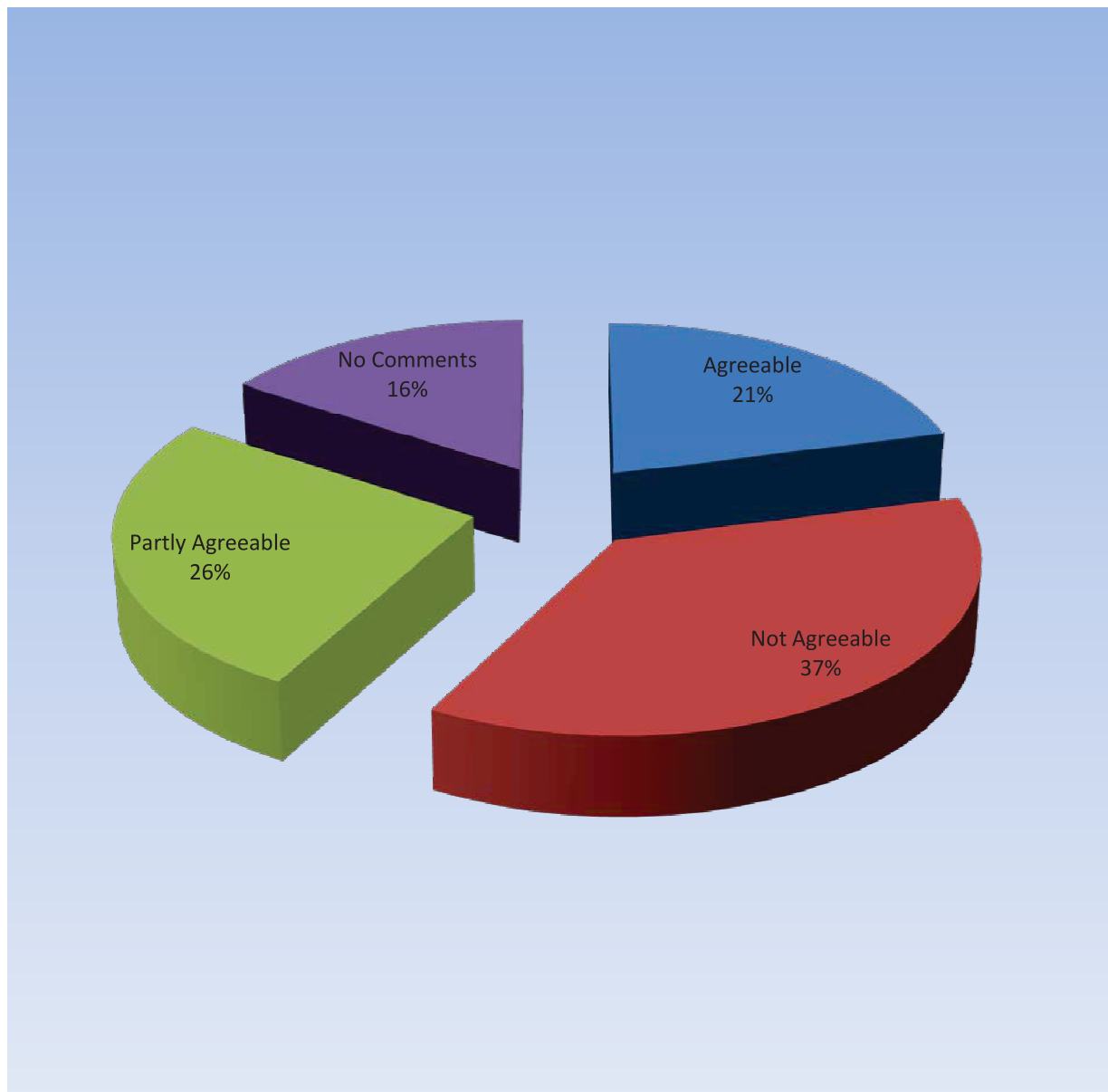
REHABILITATION & EXIT POLICY

03. The NPA norms for MSEs should be changed from 90 days to 120 days to enable units to help company take steps to revive the company.



INTERACTION WITH CHIEF EXECUTIVES OF BANK

01. Most of the time the Chief Executives i.e. CMDs/ EDs of the banks are busy in their internal meetings/ meetings with the large corporates. It is very difficult for SME clients to fix up appointments with them. There should be at-least one day during a month as a public day for MSME sector, where the CMDs/ EDs should be available for meeting with MSME clients without any prior appointment.



ABOUT THE CHAMBER OF INDIAN MICRO, SMALL & MEDIUM ENTERPRISES

The Chamber of Indian Micro Small & Medium Enterprises is floated by a group of professionals to promote and protect the trade & commerce of MSMEs in India.

The Chamber represents the interest of units in SMEs sector with Banks, Financial Institutions, Concerned Ministries and Organizations to promote bilateral dialogue for the benefit of the sector. The Chamber's agenda includes organizing Seminars, Conferences, Workshops, Training Programs and other trade promotional activities to educate and create awareness amongst the SMEs, including facilitating finance to them.

The Chamber gives a platform to MSMEs from a broad spectrum of activities to share their experiences and discuss, for mutual benefit, common issues and challenges facing them. The Chamber also exemplifies star performers for emulation of their best practices by other members. The main purpose of this chamber is to induce traits amongst members which spell success for micro, small and medium business enterprises.

Our focus is on helping SMEs grow and improve their bottom lines. Towards this end we are committed to nurturing our members by offering a variety of benefits and services to help them grow.

An initiative unique to the Chamber is of entering into MOUs with banks for ensuring speedy credit to MSMEs. Under this arrangement, CIMSME undertakes to do due-diligence on the credit proposals of applicant units and ensuring that all the required documents and information is furnished at one go to the bank. Banks on their part, undertake to dispose-off the member's application in a time bound manner. This initiative is helpful to the Banks in that they get all required documents and information at one go, whetted by experts and the applicant is benefitted by faster processing of his application, through expert handholding by the Chamber.

CIMSME has also launched a portal www.SMEHelpline.com. We are offering FREE CONSULTANCY to the members of [SMEhelpline.com](http://www.SMEHelpline.com), apart from other facilities on various issues related to the SME sector, be it Finance, Marketing, Accounting, Taxation, Legal, Registration of MSME and/or Venture Capital etc.

The portal www.SMEHelpline.com is catering to the need of SME's in India. The portal is loaded with information like Special Schemes for Financing by Government, Funding Opportunities, Indian Trade Associations, Tenders, Upcoming Events, News, Researches etc for Micro Small & Medium Enterprises.

The portal www.SMEHelpline.com is a one stop B2B marketplace for sellers & buyers. It also provides to SMEs the internet space to increase their reach & profitability. We are doing free listing on smehelpline.com for the members networking.

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