



Utkarsh Small Finance Bank

Lending to Micro and Small Enterprises and Rehabilitation

- In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes: **Manufacturing Enterprise & Service Enterprises**.
- Criteria for classification of MSME, the bank shall follow **RBI Master Direction RBI/FIDD/2017-2018/56 Master Direction FIDD.MSME & NFS.12/06.02.31/2017-18 July 24, 2017 (Updated June 11, 2024)** and update from time to time.
- Enterprises are required to register online on the Udyam Registration portal and obtain 'Udyam Registration Certificate.' For PSL purposes the bank shall be guided by the classification recorded in the Udyam Registration Certificate (URC).
- 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.
- Utkarsh Small Finance Bank shall provide both secured and unsecured lending to its MSME clients. The products will be designed with cognizance to the fact that many micro and small enterprises are not able to provide collateral security and hence are not able to avail bank finance, Utkarsh SFB shall cater to needs of such enterprises also with its products.
- USFB shall be guided by circular no. RPCD.MSME & NFS. BC. No. 61/06.02.31/2013-14 dated December 02, 2013, on General Credit Card Scheme for 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.
- Government of India, Ministry of Micro, Small and Medium Enterprises had launched Credit Linked Capital Subsidy Scheme (CLSS) for Technology Upgradation of Micro and Small Enterprises subject to terms and conditions. The bank will be guided by the said guidelines for lending to MSME units under the said scheme.
- The Bank shall furnish the MSME borrowers with an indicative checklist of documents required for processing the loan application at the time of applying for the loan.
- The Bank shall, within the Board approved sanction time norms, convey to the MSME borrowers in writing the main reason/reasons which, in the opinion of the bank after due consideration, have led to rejection of the loan applications.
- The Banking Codes and Standards Board of India (BCSBI) has formulated a Code of Bank's Commitment to Micro and Small Enterprises. This is a voluntary Code, which sets minimum standards of banking practices for banks to follow when they are dealing with Micro and Small Enterprises (MSEs) as defined in the Micro Small and Medium Enterprises Development (MSMED) Act, 2006. It provides protection to the MSE and explains how banks are expected to deal with MSE for their day-to-day operations and in times of financial difficulty. The Code does not replace or supersede regulatory or supervisory instructions issued by the Reserve Bank of India. The bank has adopted the BCSBI MSE Code & the complete text of the Code is available at Bank's website.
- Keeping in view the high extent of financial exclusion in the MSME sector, it is imperative for SFBs 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 underscoring the need for facilitation by banks in these critical financial areas. Utkarsh Small Finance Bank shall provide financial literacy & Consultancy support to MSME units.

- Utkarsh Small Finance Bank shall be guided by the contents of the following circulars and as updated time to time, while extending credit to the MSME sector:
 - RBI circular RPCD.No. PLNFS.BC.22 /06.02.31/98-99 dated August 28, 1998, regarding implementation of Kapur Committee recommendations regarding Credit to SSI (now MSE).
 - RBI circular RPCD. PLNFS/ BC. No. 61/06.0262/2000-01 dated March 2, 2001, to implement the Nayak Committee Recommendations regarding adequacy of Institutional Credit to SSI Sector (now MSE) and Related Aspects.
 - Report of the Working Group on Flow of Credit to SSI (now MSE) Sector (Ganguly Committee) vide circular RPCD.PLNFS.BC.28/06.02.31 (WG)/ 2004-05 dated September 4, 2004.
 - Working Group on Rehabilitation of Sick SMEs (Chairman: Dr. K.C. Chakraborty)
- While the prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances will continue to be as per the instructions consolidated in the Master Circular on IRAC Norms dated October 1, 2021, and as updated from time to time, the revival and rehabilitation of MSMEs having loan limits up to Rs.25 Crore will be in terms of these operating instructions. Restructuring loan accounts with exposure of above Rs.25 Crore will continue to be governed by the extant guidelines on Corporate Debt Restructuring (CDR) / Joint Lenders' Forum (JLF) mechanism.

Please note: The information provided above is only illustrative and not exhaustive. For more details, please contact your nearest USFB Bank Branch or customer care no 1800 123 9878.