

MSMEs are considered to be “Growth Engines” of our Indian Economy. MSME is one of the focused sector in the Indian Economy and contributes significantly to country’s GDP, Manufacturing output, Exports and provide employment to larger section of society. Indian Bank has been pioneer in extending finance to MSME by customized various Structured Loan Products viz., IND SME Secure, IB Trade well scheme, IB Contractor etc. and various Cluster Schemes.

❖ **Policy for MSME**

**Definition of Micro, Small and Medium Enterprises as per MSMED Act 2006**

- (i) **Micro Enterprises** - where the investment in plant and machinery or equipment does not exceed one Cr rupees and turnover does not exceed five Cr rupees
- (ii) **Small Enterprises** - where the investment in plant and machinery or equipment does not exceed ten Cr rupees and turnover does not exceed fifty Cr rupees
- (iii) **Medium Enterprises** - where the investment in plant and machinery or equipment does not exceed fifty Cr rupees and turnover does not exceed two hundred and fifty Cr rupees

❖ **Other Guidelines:**

**‘Udyam Registration Certificate’ shall be obtained from all MSME enterprises (existing and new).**

❖ **Composite criteria of investment and turnover for classification**

- (i) A composite criterion of investment and turnover shall apply for classification of an enterprise as micro, small or medium.
- (ii) If an enterprise crosses the ceiling limits specified for its present category in either of the two criteria of investment or turnover, it will cease to exist in that category and be placed in the next higher category but no enterprise shall be placed in the lower category unless it goes below the ceiling limits specified for its present category in both the criteria of investment as well as turnover.
- (iii) All units with Goods and Services Tax Identification Number (GSTIN) listed against the same Permanent Account Number (PAN) shall be collectively treated as one enterprise and the turnover and investment figures for all of such entities shall be seen together and only the aggregate values will be considered for deciding the category as micro, small or medium enterprise.]

### ❖ Calculation of investment in plant and machinery or equipment

- (i) The calculation of investment in plant and machinery or equipment will be linked to the Income Tax Return (ITR) of the previous years filed under the Income Tax Act, 1961.
- (ii) In case of a new enterprise, where no prior ITR is available, the investment will be based on self-declaration of the promoter of the enterprise and such relaxation shall end after the 31st March of the financial year in which it files its first ITR.
- (iii) The expression ‘plant and machinery or equipment’ of the enterprise, shall have the same meaning as assigned to the plant and machinery in the Income Tax Rules, 1962 framed under the Income Tax Act, 1961 and shall include all tangible assets (other than land and building, furniture and fittings).
- (iv) The online form for Udyam Registration captures depreciated cost as on 31st March each year of the relevant previous year. Therefore, the value of Plant and Machinery or Equipment for all purposes shall mean the Written Down Value (WDV) as at the end of the Financial Year as defined in the Income Tax Act and not cost of acquisition or original price.

### Calculation of turnover

- i) Exports of goods or services or both, shall be excluded while calculating the turnover of any enterprise whether micro, small or medium, for the purposes of classification.
- ii) Information as regards turnover and exports turnover for an enterprise shall be linked to the Income Tax Act or the Central Goods and Services Act (CGST Act) and the GSTIN.

### ❖ Reclassification on change in investment in plant and machinery or equipment or turnover or both

In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise will maintain its prevailing status till expiry of one year from the close of the year of registration. In case of reverse-graduation of an enterprise, whether as a result of re-classification or due to actual changes in investment in plant and machinery or equipment or turnover or both, and whether the enterprise is registered under the Act or not, the enterprise will continue in its present category till the closure of the financial year and it will be given the benefit of the changed status only with effect from 1st April of the financial year following the year in which such change took place.

❖ **Disposal of Applications**

The time norms for disposal of MSME applications complete in all aspects accompanied by documents as per checklist, are as follows:

Loans up to Rs 5 Lakh	Within two weeks
Above Rs 5 Lakh and up to Rs 25 Lakh	Within three weeks
Above Rs 25 Lakh	Within six weeks

❖ **MUDRA Loans**

Pradhan Mantri MUDRA Yojana (PMMY) was launched to ‘fund the unfunded’ by bringing such enterprises to the formal financial system and extending affordable credit to them. This segment mainly consists of non-farm enterprises in manufacturing, trading and services whose credit needs are below Rs.10.00 lacs. The loans to be given to this segment for income generation is known as MUDRA loans under the PMMY and branded accordingly. The overdraft amount of Rs.10,000 sanctioned under PMJDY is also classified as MUDRA loans under PMMY. Loans up to Rs.50,000 is termed as “Shishu”, loans from Rs.50,001 to Rs.5.00 lacs is termed as “Kishore” and loans above Rs.5.00 lacs to Rs.10.00 lacs is termed as “Tarun”. Thrust is given for MUDRA loans and targets are fixed by Department of Financial Services, Ministry of Finance, and Government of India. Field level functionaries to put in best efforts for achieving the set targets under MUDRA.

**MUDRA Card**

Our Bank has introduced a special Rupay debit card, called MUDRA card, cobranded with MUDRA. All Micro borrowal accounts sanctioned from 08.04.2015 with total credit limits up to Rs.10.00 lacs only is covered under this. This may include government sponsored schemes, our Banks Structured Loan Products under MSME and all loans (excluding jewel loans) given to non-farm enterprises in manufacturing, trading and services sector whose credit needs are below Rs.10.00 lacs. Guidelines of the MUDRA card as per our circular ADV / 155 / 2015 – 16 dated 09.12.2015.

❖ **Credit Guarantee Scheme under CGTMSE**

The Trust shall cover credit facilities (Fund based and/or Non fund based) to a single eligible borrower in the Micro and Small Enterprises sector for credit facility not exceeding ₹500 lakh by way of term loan and/or working capital facilities, without any collateral security and/or third party guarantees. Provided (i) Credit facility is standard and regular (not SMA) as per RBI guidelines and / or (ii) The business or activity of the borrower for which the credit facility was granted has not ceased; and / or (iii) The credit facility has not wholly or partly been utilized for adjustment of any debt deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from the Trust.

Under new “Hybrid Security” product bank will be allowed to obtain collateral security for a part of the credit facility, whereas the remaining unsecured part of the credit facility, up to a maximum of ₹500 lakh, can be covered under CGS-I. CGTMSE will have pari- passu charge on the primary security as well as on the collateral security provided by the borrower for the credit facilities extended.

❖ **Guarantee Fund for Micro Units (CGFMU):**

- Credit Guarantee Fund for Micro Units (CGFMU) is managed and operated by National Credit Guarantee Trustee Company Ltd (NCGTC), wholly owned trustee company of Government of India.
- The Credit Guarantee is available for o Micro loans up to Rs.10 lakh under Manufacturing /Services sector including retail trade and loans for allied agricultural activities. o Overdraft loan amount of Rs.10,000/- sanctioned under PMJDY.
- Loans sanctioned to Self Help Groups (SHGs) between Rs.10 lakhs and Rs. 20 lakhs under SHG Shakti Product after 30.01.2021 would be eligible for coverage under CGFMU, irrespective of the availability of group guarantee of SHG members.
- Credit facility to JLGs falling under any sector under PMMY or MSMED ACT 2006 with credit limit of Rs. 10 lacs.

❖ **Credit Guarantee Fund for Stand Up India (CGSSI):**

- Credit Guarantee Fund for Stand Up India (CGSSI) is managed and operated by National Credit Guarantee Trustee Company Ltd (NCGTC), wholly owned trustee company of Government of India.
- The Credit Guarantee is available for all MSME Loans conforming to the norms of

Stand Up India Scheme over Rs.10 lakh & up to Rs.100 lakh inclusive of Working Capital, to a single borrower particularly for SC/ST/Women for setting up of Greenfield Enterprises without any Collateral security and / or third party guarantee.

Delegation for Accepting Relaxation in Financial / Performance Benchmarks–MSME Loans

- Delegation for Accepting Relaxation in Financial / Performance Benchmarks – as mentioned in the annexure II, page no-128-130.
- For COVID related special loan schemes, no specific financial benchmark will be applicable unless specified in the particular scheme.
- Compliance of Current Ratio need not be insisted for Educational institutions, Hospitals, Hotels, Start-ups subject to assessment based on cash budget.

The details of various Structured MSME Scheme can be further referred at

<https://indianbank.in/category/loans/sme/>