Advances to Micro, Small & Medium Enterprises (MSME):

Bank has well defined policy for lending to Micro, Small & Medium Enterprises (MSMEs) with built-in concessions and incentives. The operative part of the MSME policy for the year 2013-14 is as under:

- The Bank shall continue to lay emphasis on financing Micro, Small & Medium Enterprises and our existing MSME credit portfolio shall be enlarged with special focus on lending to Micro Enterprises.

- Following recommendations of High Level Task Force constituted by Hon'ble Prime Minister on Micro, Small & Medium Enterprises (MSME) Sector will be implemented:

    - Achievement of 20% year on year growth in credit to Micro and Small Enterprises.

    - The share of Micro Enterprises in Micro & Small Enterprises lending be increased to 60% by accelerating lending to Micro Enterprises.

    - 10% annual growth in number of accounts of advances to Micro Enterprises.

- The Reserve Bank of India guidelines on financing to MSMEs shall continue to be followed and be incorporated in various schemes for financing MSMEs. These guidelines on timely sanctioning of MSME applications, margin, rate of interest, collateral security, etc shall continue to be adhered to.

- The Bank envisages MSEs credit growth through financial inclusion by way of collateral free and without third party guarantee lending by leveraging CGTMSE. As per RBI mandatory guidelines, loans upto Rs.10 lakh to Micro and Small Enterprises, which are eligible for coverage under Credit Guarantee Scheme of CGTMSE, are to be considered on merits without accepting any collateral security / third party guarantee and all such cases must be got covered under guarantee scheme of CGTMSE. Further, as per Banks guidelines, MSE proposals up to Rs.100 lakh, which are eligible under Credit Guarantee Scheme of CGTMSE, are to be sanctioned by the competent authority without taking any collateral security/third party guarantee.

- Disposal of Loan Applications within the prescribed time limit is to be ensured as under:

Upto Rs. 2 lakh	2 Weeks
Above Rs.2 lakh & upto Rs.50 lakh	4 weeks
Above Rs.50 lakh & upto Rs.100 lakh	5-6 weeks
Above Rs.100 lakh & upto Rs.100 crore	6-7 weeks
Above Rs.100 crore	8-9 weeks

- The Bank has approved Credit Rating agencies like SMERA, CRISIL, ICRA, ONICRA and BRICKWORK for rating of the MSME units and is extending interest concession of 0.50% for first two rating grades and 0.25% to third rating grade only. However, it is to be ensured that at a time only one concession will be admissible to the borrowers having good rating of SMERA/ CRISIL/ICRA/ONICRA/BRICKWORK.

- In case of MSEs (to new as well as to existing cases) where implementation of project is in progress, liberal moratorium on term loan and working capital shall be extended by including interest also, during first 6-12 months of operation on case to case basis by the sanctioning authorities. As such, interest debited during this period be treated as long term funding of project and instalments after moratorium period shall be fixed accordingly.

- Special concession to Women owned enterprises have been extended in margin requirement and interest rates, irrespective to the amount of loan.

- District-wise project profiles – With a view to obviate the need for TEV studies for each project, common industrial activities prevailing in a district are being identified at Lead Districts of the Bank for preparation of standard project reports for loans up to Rs. 1 crore. Wherever, these Standard Project Profiles have been approved by the DLRC in the Lead Districts of the Bank, the Techno – Economic Viability Study is not required. Similarly project profiles approved by DLRC's in other districts, where we are not lead bank, shall be adopted for financing and TEV reports will not be required.

- The Bank is financing Artisans, Craftsmen, Village & Cottage Industries and Industries falling under KVIC schemes like PMEGP (Prime Minister Employment Generation Programme), Interest Subsidy Eligibility Certificate cases etc. These loans are to be classified under advances to Micro Enterprises without any investment ceiling. The small non – farm sector units in rural areas, minorities, SC/ST and other special groups are being financed in terms of GOI/RBI policy and shall continue to be given attention.

- Sufficient Loaning Powers have been vested to ensure faster disposal of MSMEs loan applications:

  i) Branch Managers have been vested with higher powers to directly dispose of proposals at branch level for financing Micro Enterprises (manufacturing/service) covered under CGTSME scheme as follows:

  - Scale –II Managers vested with the powers of Scale-III Managers.
  - Scale –III Managers vested with 125% of their vested loaning powers.

(ii) Incumbents of all the specialized MSME branches may consider takeover proposals to the extent of 50% of their regular loaning powers in case of MSME advances without obtaining prior approval from the next higher authority.

- At present there is a system of online filing of loan applications by MSEs on Bank's website. The Bank is providing 20% concession in processing/upfront fee, in case such applications received online.

- Simplified Loan Application (PNB - 1166) for credit requirement up to Rs. 50 Lakh for Micro & Small Enterprises (Manufacturing & Service sector) has been made available along with the check list of documents. Loans Applications above Rs. 50 lakh are also available along with check list.

- Bank's guidelines provide for extending Cash Credit facilities against combined level of stocks and book debts. The sundry creditors are netted against the sundry debtors and surplus receivables, if any, are considered for calculation of DP after providing for adequate margin. Similarly, surplus sundry Creditors will be reduced from the value of stock.

- The Bank is providing Working Capital through simplified turn over method (Nayak Committee) i.e. providing 20% of the turn over as bank finance with 5% promoter's contributions to MSEs units (Manufacturing and Service) for credit requirement up to Rs. 500 lakh. However in case of Retail Trade this limit is restricted up to Rs. 200 lakh. The Quarterly Monitoring System (QMS) forms have been simplified and Current ratio norms relaxed to 1.25:1.

- The Bank has adopted Cluster based lending approach for MSME sector. Under Cluster based approach, Bank has adopted 55 MSME clusters and more are to be adopted in the years to come. Emphasis will be made for customisation of cluster specific schemes for boosting MSME advances. To promote cluster based lending approach, Bank will provide financial support to MSMEs, situated in these clusters by way of mapping of one of its specialised MSME branches with these clusters. In case of no MSME specialised branch is available at the center, endeavor will be made to covert one of its branches as MSME specialised branch at such centers where we are lead bank.

- The Bank has 59 specialized MSME branches & 465 MSME focus branches to support finance to MSME units. These branches shall be developed as centres of excellence in MSME financing. These branches shall primarily focus for credit growth through MSME advances especially advances to Micro Enterprises.

- The Bank has adopted the Code of Bank's commitment to Micro and Small Enterprises of Banking Code and Standards Board of India (BCSBI).

- For identifying sick units in MSE sector, Bank has adopted following revised definition of MSEs sick units:

A Micro or Small Enterprise (as defined in the MSMED Act 2006) will be said to have become Sick, if

- Any of the borrowal account of the enterprise remains NPA for three months or more

OR

- There is erosion in the net worth due to accumulated losses to the extent of 50% of its net worth during the previous accounting year.

- The Bank has implemented RBI guidelines of Debt Restructuring Mechanism for MSMEs, to ensure timely and transparent mechanism for restructuring of debts of potentially viable units.

- Bank has also set up Rehabilitation-cum-Care Centers at Circle Offices to guide the MSME units on the matters relating to their financial needs and the facilities available from the Banks/Govt./RBI.

- For objective decision making, Credit Scoring Models for loans up to Rs. 50 lakh have been launched and made applicable at all branches. These Credit Scoring Models have been placed on the server of the bank and available on Finacle with link as PNB Score SME and PNB Score. These models i.e. PNB Score SME or PNB Score, as applicable, are being used for scoring of eligible MSME accounts. To track delinquency in the scored accounts, score card IDs are necessarily being fed in MIS (V) details of accounts opened in CBS.

- The Bank is providing application tracking system to its MSME borrowers. All MSME applications received with required documents, are being entered in Credit Proposal Tracking System (CPTS) which automatically generate an acknowledgement comprising of unique application serial number, user ID and password for tracking the application.

- To promote advances to Micro Enterprises, there is an incentive scheme for branches for financing to Micro Enterprises. Top three branches at All India level and one top performing branch from each circle are recommended under the scheme.

- MSME campaigns are being conducted every month in the cluster of 6 to 8 branches in every circle and report of the same is being sent to RBI on quarterly basis. The progress of these campaigns is also being updated on Bank's website on quarterly basis.

- With an effort to promote Food and Agro processing sector, a special rate of interest is being provided by the Bank, with the objective of integration of food processing units with farm sector as well as domestic and international market.

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