

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

- 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.

Directives of GOI /RBI

- In line with GOI policy directives to achieve 20% Year on Year growth in credit to Micro, Small & Medium sector, the Bank envisages growth of at least 20%.
- *Domestic Commercial Banks are required to 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.*
- 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 be increased to 60% of Micro & Small Enterprises of previous year by accelerating lending to Micro Enterprises.
 - 10% year on year 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. The guidelines on timely sanctioning of MSME applications, margin, rate of interest, collateral security etc. shall continue to be adhered to.

Guidelines on CGTMSE Scheme

- RBI vide their Circular No. RBI/ FIDD/2016-17/37/Master Direction.FIDD.MSME & NFS.3/06.02.31/2016-17 dated 01.07.2015 has advised that the banks are mandated not to accept collateral security in the case of loans up to Rs.10 lakh extended to units in the MSE sector. Branches/COs are, therefore, advised as under:
 - 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 and all such cases must be got covered under guarantee scheme of CGTMSE or any other guarantee scheme of Govt. agency.
 - Where the loan amount is above Rs.10 lakh to Rs.50 lakh, wherever collateral security is available, Incumbents in all the scales are empowered to sanction the loans, as per extant guidelines. However, if any eligible loan is

proposed to be covered under CGTMSE, prior concurrence be obtained from CIRCLE HEAD.

- Where the loan amount is above Rs.50 lakh, in highly deserving cases, ZM shall have the discretion to examine each proposed case on merits, to cover it in CGTMSE. In case the CGTMSE Coverage is not obtained, the extant guidelines for obtaining collateral security and/or third party guarantee, shall apply.

Cluster based lending Approach

- The Bank has adopted Cluster based lending approach for MSME sector. Under Cluster based approach, Bank has adopted **203 MSME clusters** and more are to be adopted in the years to come. Emphasis will be made for customization 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 some of its MSME Credit Growth Initiative Branches with these clusters. In case, no MSME Credit Growth Initiative Branch is available at the center, endeavor will be made to convert one of its branches as MSME Credit Growth Initiative Branch at such centers, where we are lead bank.

Disposal of Loan Applications

- 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

New Schemes

PNB STANDBY CREDIT FACILITY FOR MSES TO FUND UNFORESEEN CAPITAL EXPENDITURE :

RBI vide its circular no.FIDD.MSME&NFS.BC.No.60/06.02.31/2015-16 dated 27.08.2015 has advised to sanction a 'standby credit facility' to MSEs to fund unforeseen project cost overruns, at the time of sanction of project loans so that the capital asset creation is not delayed and commercial production can commence at the earliest.

At the time of credit assessment of Borrowers / project, such cost overruns are also taken into account while determining viability and repayment ability of the borrower. Such 'standby credit facilities' are sanctioned at the time of initial sanction; but disbursed only when there is a cost overrun and at the written request of the borrower.

In order to comply with the RBI direction, we have devised the above facility in our Bank. Existing MSE borrowers of the Bank, having satisfactory dealings with Bank, are eligible under the scheme. Detailed guidelines have been circulated vide MSME Division Cir. No. 66/2016 dated 23.11.2016.

PNB WEAVER MUDRA SCHEME : *In order to achieve the MUDRA targets as well as to achieve the targets of lending to Micro Enterprises, a new scheme called PNB Weaver Mudra Scheme (PNBWMS), in coordination with office of DC (Handlooms), Ministry of Textile, GOI, has been formulated by incorporating the benefits of Margin money assistance, Interest subsidy and Credit Guarantee. Detailed guidelines have been circulated vide MSME Division Cir. No. 36/2016 dated 04.07.2016*

Additional Working Capital Facility

MSE units are facing difficulties in getting timely credit assistance to meet the exigencies of working capital requirement, as sanction of Adhoc or ToD facility takes times. To overcome the problem and to avoid delay in providing timely credit assistance to MSEs for meeting the temporary rise in working capital requirements arising mainly due to unforeseen / seasonal increase in demand for products produced, RBI has advised to sanction additional Working Capital Facility at the time of original sanction of limit. This additional working capital fund will be disbursed within the available DP (Drawing Power) at the time of requirement, at written request of the borrower.

Additional Working Capital Facility upto 10% of original sanctioned limit subject to the maximum of Rs.10 lac, should be sanctioned, at the time of sanction & renewal of Cash credit/ OD facility. Such limits may be released primarily, where there is a sufficient evidence of increase in the demand for products produced by MSEs.

*Further, **Additional Working Capital Facility** will be valid for maximum 12 months or next renewal whichever is earlier. Detailed guidelines have been circulated vide MSME Division Cir. No. 08/2017 dated 23.01.2017.*

Moratorium

- 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 installments after moratorium period shall be fixed accordingly.

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.

Loaning Powers

- 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 with field functionaries to ensure faster disposal of MSMEs loan applications:
 - Branch Managers have been vested with higher powers to directly dispose of proposals at branch level for financing Micro, Small and Medium Enterprises (manufacturing/service) covered under priority sector as follows:
 - Scale –II Managers vested with the powers of Scale-III Managers.
 - Scale –III and IV Managers vested with 150% of their vested loaning powers.
 - *Incumbents of all present 414 MSME Credit Growth Initiative branches and to be identified subsequently during the year, 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.*

Credit Proposal Tracking System (CPTS)

• At present, there is a system of online filing of loan applications by MSMEs on Bank's website. The Bank is providing 20% concession in processing/upfront fee, in case MSME applications are received online. Bank is also providing application tracking system to its MSME borrowers. All MSME applications received with required documents are to be entered in Credit Proposal Tracking System (CPTS) which automatically generates an acknowledgement. The acknowledgement of the application is having a unique application serial number, a user ID and password for the applicant and is given by the branch to the applicant. The acknowledgement is now also sent automatically to the applicant by email on his recorded email Id. SMS containing the User Id and Password and status is also sent on the recorded Mobile Number. Applicants can e-track the status of their applications by login at our corporate website using the ID and password.

Loan Application

Simplified Loan Application (PNB – 1166/2013 for credit requirement up to Rs. 100 Lakh for Micro, Small and Medium Enterprises (Manufacturing & Service sector) has been made available alongwith provisional acknowledgement through a perforated sheet and check list of documents. Loans Applications above Rs. 100 lakh to Rs. 200 lakh (Manufacturing) PNB 1016/2013 and loan applications above Rs. 200 lakh (Manufacturing) PNB 1017/2013 are also available alongwith check list on corporate website / Knowledge Centre.

Further, we are devising separate loan application form for service sector for credit facilities over Rs. 100 Lakh as per the IBA suggestions. Hence, presently the forms (PNB 1016 & PNB 1017) are to be used for both manufacturing as well as service sector till the separate loan application form for service sector is devised.

DP calculation

Bank's guidelines provide for extending Cash Credit facilities against combined level of stocks and book debts. *Guidelines on revised methodology for DP calculation have been issued vide L&A Cir.No.10 dated 31.01.2015.*

Assessment of working capital

Earlier, our 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 MSMEs units (Manufacturing and Service) for credit requirement up to Rs. 500 lakh. Now, IBA has advised to increase the Minimum Permissible Bank Finance in turnover method as under :

*In view of the prevailing economic environment, WC limits of MSE units (availing Fund Based Working Capital requirement upto Rs.5 crores) will be assessed at **31.25% of the projected annual turnover** and unit will be sanctioned limit of a **minimum 25% of the projected annual turnover** (amount equivalent to minimum **6.25% will be brought in as margin**) as also need-based on the production /processing cycle of the relative units.*

To encourage digital transactions, in case of those units which are also effecting sales through digital mode and having minimum digital portion of 25 percent of projected turnover, the assessment for fixing limits to the extent of 30% of digital part of Sales against existing 20% be considered, keeping the prescribed margin (37.5% of annual turnover registered digitally, shall be working capital requirement and 7.5% shall be the margin). All other guidelines shall remain unchanged.

Detailed guidelines have been circulated vide MSME Division Cir. Letter No. 01/2017 dated 12.01.2017 and 03/2017 dated 08.02.2017.

MSME Credit Growth Initiative Branches

Over a period of time Bank has been emphasizing upon the need that one of the key drivers of credit growth in our Bank has to be MSME sector. Besides contributing significantly to country's economy as a whole, it gives a sustained credit growth and expansion of customer base as well.

In view of above, **414 MSME Credit Growth Initiative branches** have been identified. The broad objective of this initiative has the following 2 aspects:

- i. To achieve 30% YoY growth of MSME in the identified **414 branches**
- ii. To significantly reduce current turnaround time (TAT) upto 2-4 weeks

Role of MSME Managers, Branch Managers at branch level and MSME Coordinators at CO/FGMO level and their duties have been defined under this initiative.

- The Bank has adopted the Code of Bank's commitment to Micro and Small Enterprises of Banking Code and Standards Board of India (**BCSBI Code –August 2015**)

Sick Units

- 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.

- MSE Rehabilitation Cell (MRC) to be headed by a senior officials not below the rank of Chief Manager have been created in all FGMOs/Circle Offices for monitoring identification of sick units / incipient sickness, conducting viability study, follow up action etc. for timely rehabilitation of viable / potentially viable sick MSE unit.

- A unit should be declared unviable only if the non viability status is evidenced by a viability study. However, it may not be feasible to conduct viability study in very small units as it will only increase paperwork. As such for micro (manufacturing) enterprises, having investment in plant and machinery up to Rs.5 lakh and micro (service) enterprises having investment in equipment up to Rs. 2 lakh, the Branch Manager will take a decision on viability and record the same, along with the justifications. Such cases identified as non-viable are to be placed before the present sanctioning authority for declaring non-viable. A letter for declaring the unit non-viable is issued to the promoters requesting them to present their case before the sanctioning authority.

- In all cases (other than those covered above) of sick units, declaration of the unit as unviable as evidenced by viability study should have the approval of present sanctioning authority as per extant procedure and a list of all such cases be sent to next higher authority for information. After declaring a unit as unviable an opportunity will be given to the promoters to present their case before next higher authority.

- Where credit facilities are of Rs.1 crore and above, decision of declaring MSE sick units as unviable will be taken by committee headed by a senior official (not below the rank of a Chief Manager) at circle office with two other members from the restructuring cell.
- After identification of a unit as sick, its viability should be decided within one month.
- It should be ensured that rehabilitation package to viable / potentially viable units approved by the competent authority is implemented at the earliest but not later than one month from the date of identification of the unit as viable / potentially viable.

FRR (Framework for Revival and Rehabilitation) for MSMEs :

RBI issued FRR (Framework for Revival and Rehabilitation) for MSMEs on 17.03.2016, in replacement of existing DRM (Debt Restructuring Mechanism).It facilitates early detection of distress and rehabilitation of MSMEs, in a more structured and transparent manner. MSMEs with total credit limits upto Rs 25 crores, are covered. However, only Standard & Sub-standard a/cs are eligible (whereas in DRM Doubtful a/cs were also covered). A/cs upto Rs 10 lacs be dealt at branch level for deciding CAP (Corrective Action Plan) but concurrence of Committee at Circle level, is required for recovery. A/cs above Rs 10 lacs and upto Rs. 25 crores be referred to the Committee at Circle level, for deciding CAP. Committees have been formed at Circle level for examining the CAP for all SMA-2 a/cs and consist of 2 external members. Detailed guidelines have been circulated vide MSME Division Cir. No. 40/2016 dated 14.07.2016.

Guidelines on scoring of MSME Loans

- For objective decision making in MSME accounts, 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 (only for PNB Sanjeevani & PNB Kushal Vyapari) and PNB Score SME for all other MSME advances. Scoring has been exempted for all MSME accounts upto Rs. 2 Lakh. For accounts more than Rs. 2 Lakh & upto Rs. 50 lakh Scoring be done under the relevant model PNB Score (only for PNB Sanjeevani & PNB Kushal Vyapari) or PNB Score SME for all other MSME advances. The Score Card IDs generated by PNB Score and PNB Score SME are to be mandatorily entered in CBS in 'V' details (Free text Code 1 for PNB Score and Free text 6 for PNB Score SME). The Score Card ID is also to be recorded in monthly Limit Sanctioned Statement. While monitoring the Limit Sanctioned Statement, Circle Heads to ensure

that only a valid Score Card ID is entered by the branches in all the cases, new as well as renewals.

- For non Govt. Sponsored schemes, in view of revised guidelines of Risk rating categories, B3 category (Score $>40 \leq 46$) is defined as Yellow zone where application can be considered by next higher Authority for sanction.
- For new Loans under Govt. Sponsored scheme (eg. PMEGP scheme etc.) above Rs.2 lakh and up to Rs. 20 lakh, where Capital subsidy / interest subsidy / concession etc. is available for scores above 40, branches can consider the application for sanction as per their vested loaning power.

MUDRA: MUDRA Ltd. (Micro Units Development & Refinance Agency Limited) was launched by the Hon^{ble} Prime Minister on 08.04.2015. All the loans w.e.f. 08/04/2015 given to non-farm enterprises in manufacturing, trading & services with limit upto Rs. 10.00 Lacs for income generation shall be known as MUDRA loans under Pradhan Mantri Mudra Yojana (PMMY). The overdraft amount of Rs 5000/- sanctioned under PMJDY is also classified as MUDRA loans under PMMY. All MUDRA loans shall be categorized as

- Shishu (Loans with limit upto Rs.50000)
- Kishore (Loans from Rs.50001/- to Rs.5.00 Lacs)
- Tarun (Loans above Rs.5.00 Lacs to Rs.10.00 Lacs).

Loans covered under Mudra are collateral free loans. However assets created out of Bank finance to be charged with the Bank.

Mudra Card, which is a Rupay debit card and can be operated on ATM and PoS machines has also been launched. All Shishu loan A/Cs under PMMY are to be disbursed through Mudra card only.

• **STAND UP INDIA**

Stand-Up India scheme has been launched by the Hon^{ble} Prime Minister on April 05, 2016. The objective of the Stand-Up India Scheme is to facilitate bank loans between Rs. 10 lakh to Rs. 100 lakh to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one Woman borrower by each branch for setting up of Greenfield enterprise i.e. First time venture in manufacturing, trading or services sector.

In case of non-individual enterprises, 51% of the shareholding and controlling stake should be held by either SC/ST and/or Women Entrepreneur.

Other Guidelines :

- To promote advances to “Micro Enterprises”, an incentive scheme for branches for financing to Micro Enterprises is in place. As per this scheme, top three branches at All India level and one top performing branch from each Circle are rewarded under the scheme. All ZMs / Circle Heads to ensure that one day of the week is celebrated as “Micro lending Day” in the branches.
- MSME campaigns are to be conducted on monthly basis in the cluster of 6 to 8 branches in a circle and report of the same is being sent to RBI on quarterly basis. The progress of these campaigns is also being updated periodically on Bank’s website.
- In order to promote **financing against pledge of Warehouse Receipts**, a special rate of interest is being provided by the Bank to such units with the objective to reduce financing cost, so that benefit may be passed on to MSME to augment sustained growth in this sector.
