



# CHAMBER OF SMALL INDUSTRY ASSOCIATIONS

Member, National Board for MSMEs [2010-2012]

ESTD.YEAR 1990

REGD.NO.11-67185

*Silver Jubilee Year*

COSIA/017/09/14/058

30<sup>th</sup> September 2014

**Shri. P K K Krishnan**  
**Senior Vice President**  
**Banking Codes and Standards Board of India**  
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**Namaskar,**

## **Subject: Suggestions on Code of Bank's Commitment to Micro and Small Enterprises –Review**

While placing on record our sincere thanks for inviting suggestions on the Code of Bank's Commitment to Micro and Small Enterprises August 2012 attached herewith please find our suggestions in tabular form.

COSIA desires that the key commitment of the banks should be to provide adequate and timely working capital not only for the current operations but also for the growth of the micro into small and small into medium enterprise.

It is unfortunate that the MSEs are paying the highest rate of interest and are looked upon as highly risked sector. A time has come to change the traditional mindset of financing the MSEs.

With this observation I request you kindly to review the code in such manner that will provide graduation of micro to small and small to medium.

Thanks & with regards,  
Dilip Salvekar,  
Secretary General

## Silver Jubilee Year

### COSIA's suggestion on Code of Bank's Commitment to Micro and Small Enterprises –Review

Point No.	Particulars of the Code	COSIA's Suggestion	Reasoning for Suggestion
5 (g)	We shall endeavour to organize meetings of MSE borrowers at periodic intervals as a regular channel for exchange of ideas and suggestions.	We shall constitute a Committee for MSE services in association with the local industry organizations to have periodic exchange of ideas and suggestions.	The formation of Committee at branch or regional level will be more fruitful than organising meetings with MSE borrowers. The participation of representative of the MSE association will provide the more insight and information about the issues of credit to MSEs.
5.1(i)	Not charge any processing fee for loans up to ₹ 5 lakh, whether sanctioned or not.	We will not charge any processing fee if a loan is not sanctioned. Similarly, no processing fee will be charged for the loans to any Micro enterprise and to any woman entrepreneur.	If the loan is not sanctioned to any Micro or Small Enterprise, charging of process fee is unjust even if it is above ₹5 lakh. Similarly, to support the Micro Enterprises and Woman Enterprises no process fee be charged by the banks.
5.1(j)	Dispose of your application for a credit limit or enhancement in existing credit limit up to ₹ 5 lakh within two weeks; and for credit limit above ₹ 5 lakh and up to ₹ 25 lakh within 4 weeks; and for credit limit above ₹ 25 lakh within 8 weeks from the date of receipt, provided your application is complete in all respects and is accompanied by documents as per 'check list' provided.	The loan applications of Micro Enterprises and of Woman Enterprises shall be disposed of within 15 days and those are small enterprises within a period of 3 weeks.  All the loan applications of MSEs for credit limit above Rs. 50 lakh shall be disposed of within a period of 6 weeks.	It is essential to dispose of the loan applications or applications for the enhancement in the existing credit limits should be disposed of quickly.
5.2 (c) (i)	Not insist on collateral for credit limits up to ₹ 10 lakh or up to limits specified by Reserve Bank of India, from time to time.	Not insist on collateral for credit limits up to ₹ 25 lakh or up to limits specified by Reserve Bank of India, from time to time.	This should be as per the current practice.

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5.2 (c) (ii)	Consider providing collateral free credit limits up to ₹ 25 lakh if we are satisfied about your track record and financial position being good and sound.	Delete	It is binding on banks to provide loans under credit guarantee scheme upto ₹1 Crore and hence the deletion.
5.2(c) (iv)	Provide micro and small enterprises (manufacturing) working capital limits computed on the basis of a minimum of 20 per cent of your projected annual turnover.	Provide micro and small enterprises (manufacturing) working capital limits computed on the basis of a minimum of <b>30</b> per cent of your projected annual turnover.	To have adequate working capital banks should provide minimum 30 per cent of the projected annual turnover.
6.1 (e)	We will investigate your complaints about unfair practices by our recovery agents. In the event of receipt of any complaint from you that the bank's representative / recovery agent has engaged in any improper conduct or acted in violation of the Code, we will investigate the matter and communicate the findings to you within 30 working days from the date of receipt of complaint and wherever justified, compensate you for losses, if any.	We will investigate your complaints about unfair practices by our recovery agents. In the event of receipt of any complaint from you that the bank's representative / recovery agent has engaged in any improper conduct or acted in violation of the Code, we will investigate the matter and communicate the findings to you within <b>15</b> working days from the date of receipt of complaint and wherever justified, compensate you for losses, if any.	It is essential to investigate the complaints in shorter period. 30 working days means actually 34 or 35 days which is too long period.

  
 Dilip Salvekar,  
 Secretary General