



# CHAMBER OF SMALL INDUSTRY ASSOCIATIONS

Member, National Board for MSMEs [2010-2012]

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COSIA/017/09/14/056

24<sup>th</sup> September 2014

**Smt. Chaithanya Devi I,**  
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**Namaskar,**

**Subject:- Suggestions for the Meeting of Standing Advisory Committee on Flow of Institutional Credit to MSME Sector to be held in November 2014.**

Apropos your letter No. RPCD. MSME & NFS. NO. 2960/06.02.28/2014-15 dated 11<sup>th</sup> September 2014, we request to discuss the following issues of MSMEs in the said meeting.

1. **Financial support for takeover of NPA MSE :-**

In number of cases it has been observed that banks are reluctant to support with adequate funds and for working capital to a successful MSME entrepreneur who plans to take over a small NPA unit. This attitude needs a sea change in the policy and functioning of banks for it in fact discourages the revival of such small NPA unit. The banks should aggressively come forward to back up and actively support a successful entrepreneur who desires to purchase such sick units. In the absence of support from banks the very purpose of revival of NPA units is not served.

This issue is very important and number of such cases can be pointed out. We suggest that RBI should take up this subject on priority and issue apt instructions vis-à-vis guidelines to be followed by the banks in such cases.

2. **Line of Credit:-**

Currently banks serve MSEs through different products like Working Capital, Hypothecation, Export Credit, and Cash Credit and so on. Instead, banks should provide a Credit Line to MSMEs considering all such purposes.

3. **Working Capital Limit:-**

At present banks are providing working capital maximum at 20% of the turnover even though this is a minimum limit. Looking at the current scenario banks should provide minimum 30% of the projected turnover as a working capital.

Thanks & regards,  
Mohan Gadgil,  
Chairman, Banking Committee –COSIA