



CHAMBER OF SMALL INDUSTRY ASSOCIATIONS

Member, National Board for MSMEs [2010-2012]

ESTD.YEAR 1990

Silver Jubilee Year

REGD.NO.11-67185

COSIA/017/05/14/008

15th May 2014

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Sub: Suggestions on Draft Report on Working Group on Pricing of Credit.

The Chamber of Small Industry Associations (COSIA) is the National Chamber of MSME. The Draft Report on Working Group on Pricing of Credit is being considered in the meeting of Banking committee of COSIA. Based on the discussions in the said meeting, we offer following suggestions :-

1. **Recommendation No.5** - There should be base rate system only and BPLR system should be scrapped immediately as it creates confusion, increases paper work and particularly to SME customers, it has been found unsuitable. All existing accounts with BPLR interest rate system should be switched over to Base Rate system without any penalty or switchover charges and discrimination between new and old customer should be avoided completely. Transparency and simplicity should be given due importance in this exercise as it has been found many borrowers particularly from SME sector do not understand complexity in the interest rates charged by the banks.
2. **Recommendation No.7** – The Recommendation of developing a New Bench Mark for floating interest rate products by Indian Bank Associations appears to be impractical to implements. Since this is not viable, it should not be accepted.
3. **Recommendation No.8, 10, 11, 12 , 13** – These recommendation are very vital for the MSME customers and therefore should be accepted and implemented in TOTO and without any rider.

Kindly accept our suggestions while finalizing the report.

A line in reply will be appreciated

Thanking you,
With regards,
Mohan Gadgil
Chairman, Banking Committee .