

Policy for lending to Micro, Small and Medium Enterprise**(MSME)**

Version 1.00

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1 INTRODUCTION

MSME (Micro Small and Medium Enterprises) sectors are growth drivers of our economy. MSME sector accounts for significant share in employment, number of enterprises, manufacturing output and exports. In order to enable identification and facilitate development of MSMEs, Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. The MSMED Act, 2006, was enacted to provide enabling policy environment for promotion and development of the sector by way of defining MSMEs, putting in place a framework for developing and enhancing competitiveness of the MSME enterprises.

This policy will act as a framework for lending to MSME borrowers.

2 DEFINITION OF MICRO, SMALL & MEDIUM ENTERPRISE:

- a) The MSMED Act, 2006 means 'Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 as notified by the Government of India on June 16, 2006 and amendments, if any, carried out therein by the Government of India from time to time.
- b) Micro, Small and Medium Enterprises' mean the enterprises as defined in the MSMED Act, 2006 and the amendments, if any, carried out therein by the Government of India from time to time.
- c) Priority Sector means the sectors specified in the Master Directions - Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2025 dated March 24, 2025, as updated from time to time.

2.1 In terms of Gazette notification no.S.O.1364 (E).dated March 21, 2025 (with effect from April 1, 2025), an enterprise shall be classified as Micro, Small or Medium on the basis of the following criteria:

Category of MSME	Turnover criteria	Plant & machinery / equipment criteria
Micro enterprise	<= Rs. 10 crores	<= Rs.2.5 crore
Small enterprise	<= Rs. 100 crores	<= Rs.25 crore
Medium enterprise	<= Rs. 500 crores	<= Rs.125 crore

This criteria is subject to amendments, if any, carried out by the Government of India from time to time.

2.2 The above enterprises as defined in para 2.1 are required to register online on the Udyam Registration portal and obtain 'Udyam Registration Certificate'. For PSL purposes banks shall be guided by the classification recorded in the Udyam Registration Certificate (URC).

2.3 Retail and Wholesale trade are included as MSMEs for the limited purpose of priority sector lending and are allowed to be registered on Udyam Registration Portal

2.4 The certificate issued on Udyam Assist Portal (UAP) to Informal Micro Enterprises (IMEs) shall be treated at par with Udyam Registration Certificate for the purpose of availing Priority Sector Lending benefits. IMEs with an Udyam Assist Certificate shall be treated as micro enterprises for the purpose of PSL classification.

3. BANK'S STRUCTURE FOR SUPPORTING MSMEs :

The branch forms the centre to service the customer's day to day banking requirements. To cater to the lending requirements of the customer the respective Business relationship teams are based at the Branches/Area/Regional offices.

The Bank is using core banking system and is connected through all branches and is further supported by alternate channels like

- o ATMs
- o Internet Banking
- o Phone Banking
- o Mobile Banking

4. PRODUCTS AND SERVICES:

The Banks aims to provide end-to-end support for all the business requirement of MSMEs. Below is the indicative list of products and services available to the MSME customers

Products	Brief
Working Capital Facilities	
Cash Credit/Overdraft	To meet the complete working capital needs of the business
Foreign Trade Facilities	
Export Packing Credit	Finance is provided in Indian or foreign currency depending upon the need of the borrower.
Post Shipment Credit	
Bill Discounting under LC	Bill discounting is available to bridge the short term finance requirements
Business Expansion	
Term Loan	Fixed tenor loans for business expansions
For Retail Outlets	
Merchant Enterprises Over draft/Term Loan	OD/TL against credit card receivables
Non Fund Facilities	
Letter of Credit	Bank extends Domestic and Foreign LCs and has a strong trade finance set-up.
Bank Guarantee	Banks issues various types of guarantees - performance, financial, bid bond etc.

- i) Composite loan limit of ₹1 crore can be sanctioned to the MSE entrepreneurs to avail of their working capital and term loan requirement through Single Window (through Bank's customer relationship team).

- ii) Respective Business segments and Credit team shall consider extending following facilities for providing funds in unforeseen circumstances subject to case meeting internal assessment criteria:
 - a) Standby credit facility in case of term loans.
 - b) Additional working capital to meet with emergent needs of MSE units in line with the adhoc policy.
 - c) Mid-term review of the regular working capital limits as per specific request of the borrower, where bank is convinced that changes in the demand pattern of MSE borrowers requires increasing the existing credit limits of the MSEs, every year based on the actual sales of the previous year.

5. COMMON GUIDELINES / INSTRUCTIONS FOR LENDING TO MSME SECTOR”

i. Application

- a) To ensure the application process is hassle free, respective Business segments RM would collect all particulars required for processing the application for facility at the time of application. In case any additional information required, respective Business segments RM shall contact the customer, unless otherwise required, due to transactional or regulatory requirements or assessment complexities
- b) Status of loan application shall be updated to applicant depending on progress of application by respective Business segments RM / Credit team (Credit Manager), including communication on rejected loan application to MSME customers with reasons for rejection of loan applications within reasonable time as decided by respective Business Group Head.
- c) Respective Business segments RM shall furnish the indicative checklist of documents required for processing the MSME loan application to applicant at the time of applying loan. Indicative checklist is as under:
 - Application Form & KYC of Applicants
 - Constitution Documents, 3 Years ITR, Audited Financials as applicable
 - Schedules to Balance sheet, GST and Bank statements of firm
 - LEI, URC, Net worth Certificate as required.
 - Any other document as required by bank for appraisal process
- d) Respective Business segments and Credit team would ensure timeline for credit decisions for loans up to ₹25 lakh to units in the MSE borrowers shall not be more than 14 working days and over ₹25 lakh to be processed within 6 weeks (provided client application is complete in all respects and is accompanied by documents as per the checklist)

ii. Evaluation and Assessment of limits

Customer appraisal is a process of evaluating various risks such as Management risk, Business risk, Financial risk, Transaction risk, Security risk, Regulatory risk etc. for arriving at credit decision covering both quantitative/financial factors relating to Leverage, Interest Coverage, Profitability, Debt Service Coverage etc. as well as wide spectrum of qualitative factors such as Integrity, Borrower's market

position, Management competence, Expectation of future performance etc. Facility, tenor, security would affect the risk of the facility itself.

To support MSEs, Bank does assessment for sanctioning cases up to Rs.5 crore by surrogate method/turnover wherever meeting the internal criteria such as GST returns, Bank statements, Bureau checks etc.

Respective Business segments and Credit team shall ensure to fix sub-limits within the overall working capital limits to the large borrowers specifically for meeting the payment obligation in respect of purchases from MSMEs wherever requested by large Borrower subject to meeting internal assessment norms.

iii. **Pricing / Rate of Interest**

Respective Business segments, Credit team and Operations team shall ensure following points:

- a) Interest Rate and other charges would be as per the sanction terms as detailed in the Sanction Letter /Key Facts Statement /loan Agreement for the facility, duly acknowledged by the customer.
- b) Increase in the Fees/Charges would be notified through our website/Account statements/email/sms/notice at the branches, 30 days prior to the effective date of such increase.
- c) All floating rate loans to Micro, Small and Medium enterprise units are linked to external Benchmarks (EBLR).
- d) Not charge any processing fee for loans up to `5 lakh provided, whether sanctioned or not.

iv. **Security**

The facilities offered by banks would be secured by primary security and collateral security, wherever applicable. The evaluation and acceptability would be as per the credit policy decided by the Bank from time to time.

Respective Business segments and Credit team shall ensure not to accept collateral security in the cases of loans up to ₹10 lakh to units in the MSE sector and all units financed under the Prime Minister Employment Generation Programme (PMEGP) administered by KVIC. Also, evaluate and provide collateral free loans up to ₹25 lakh basis evaluation of financial strength and other aspects on a case-to-case basis, considering the credit profile of the borrowers.

v. **Post disbursement**

Respective Business segments, Credit team and Operations team shall ensure following points:

- a) Permit prepayment of fixed rate loans up to Rs.50 lakh without levying any prepayment penalty for MSE Borrowers.
- b) Permit prepayment of Floating loan without levying any prepayment penalty for MSE Borrowers.

vi. **Monitoring and Due Diligence**

All MSME Borrowers having credit facility with the bank would be subject to regular monitoring as per the Credit policy. These includes visits to Administrative offices and Manufacturing facilities, Regular stock statements assessments and Stock Audits, Monitoring churn in the account and other account conduct parameters like over drawings, Cheque bounces, Interest Servicing and EMI servicing, etc.

vii. **Financial Literacy, Counselling and Training**

The Central PSL team shall conduct Financial Literacy camps and credit counselling services for MSE borrowers. This helps the borrowers with their financial needs and overcome from the financial difficulties. The respective Product team shall provide regular training to Branch level functionaries and field staff to create awareness on MSME lending and encourage MSE borrowers to avail Credit Guarantee Scheme (CGS) of CGTMSE.

viii. **General Credit Card (GCC) Facility**

Bank has Corporate Credit Card policy in place and eligible MSEs can be granted this facility subject to meeting the norms set as per Bank's policy.

6. RELATED POLICIES

This policy should be read in conjunction with related policies formulated by the bank from time to time. The indicative list of the related policies are listed below which are also hosted on the Bank web site.

- a) Policy and Process for Revival & Rehabilitation of MSMEs.
- b) Compromise settlements Policy.
- c) Code of Bank's Commitment to MSEs.

