

RBI/2009-10/392

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April 9, 2010

The Chairman/ Managing Director

*[All domestic scheduled commercial banks
(excluding Regional Rural Banks)]*

Dear Sir,

Priority Sector Lending - Advances to Micro and Small Enterprises engaged in exports

Please refer to our Master Circular dated July 1, 2009 on Lending to Priority Sector, in terms of which finance granted by banks to micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, is eligible for classification under priority sector.

2. Some commercial banks have sought clarification in respect of classification of loans granted to micro and small enterprises engaged in exports, under priority sector. The issue has been examined and it is clarified that loans granted by commercial banks to micro and small enterprises (MSE) (manufacturing and services) are eligible for classification under priority sector, provided such enterprises satisfy the definition of MSE sector as contained in MSMED Act, 2006, irrespective of whether the borrowing entity is engaged in export or otherwise.

3. The export credit granted to MSEs may be reported separately under heading "Export credit to micro and small enterprises sector".

Yours faithfully,

(B. P. Vijayendra)

Chief General Manager