



**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**  
www.rbi.org.in

RBI / 2012-13/495

RPCD. MSME&NFS. BC.No. 74/06.02.31/2012-13

May 9, 2013

The Chairman/Managing Director/  
Chief Executive Officer  
All Scheduled Commercial Banks  
(excluding Regional Rural Banks)

Dear Sir / Madam,

**Structured Mechanism for monitoring the credit growth to the MSE sector**

In view of the concerns emerging from the deceleration in credit growth to the Micro and Small enterprises (MSEs), there is a need for a structured monitoring mechanism to be put in place in banks at every supervisory level (Branch, Region, Zone, Head Office level etc.) for holistic monitoring of all credit related matters pertaining to the MSE sector and for follow-up of action points on a continuous basis. This proposal was placed in the 14<sup>th</sup> Standing Advisory Committee on MSMEs wherein it was decided to set up an IBA led Sub-Committee of banks (Chairman: Shri K.R.Kamath) to examine the issue. Following the submission of the Report by the Sub-Committee, it was proposed in [paragraph 66](#) of the Monetary Policy 2013-14 that banks need to strengthen their monitoring mechanism and monitor their loan disposal process so as to step up credit flow to the sector and ensure timely rehabilitation of sick MSE units.

2. While banks have their Board approved loan policy for financing of the MSE sector as also their own monitoring system to review the credit flow to the sector, the Sub-Committee has reviewed the current systems being followed by the member banks and made recommendations to make the system of monitoring, at all stages and levels, more effective. The banks are, therefore, advised to implement the following recommendations:

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**हिंदी आसान है, इसका प्रयोग बढ़ाइये**

"चेतावनी: - रिज़र्व बैंक द्वारा, डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।"

Caution: RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.

## **A. Need for a Comprehensive Performance MIS**

3. A system-driven comprehensive performance Management Information System (MIS) should be put in place at various supervisory levels in the bank viz. Region, Zone, Bank level etc. The frequency of MIS may also be fixed by each bank, according to their requirements so as to ensure regular monitoring at all levels. The data drawn up through the performance MIS should be critically evaluated and follow up action taken in a time bound manner. Corrective action, if any, required in the under- performing branch / region should be taken to bring it up the curve. The credit flow to the sector may also be reviewed by the Board of the banks at periodic intervals.

## **B. Credit Proposal Tracking System**

4. We reiterate the instructions to banks, vide our [circular RPCD.SME & NFS.BC.No.102/06.04.01/2008-09 dated May 4, 2009](#) and [circular RPCD.MSME.NFS.BC.No.53/06.02.31/2011-12 dated January 4, 2012](#), advising banks to put in place a Central Registration of loan applications and use the same technology for online submission of loan applications as also for online tracking of loan applications as recommended by the Working Group on Rehabilitation of sick SME Units (Chairman: Dr. K. C. Chakrabarty). While banks may finalize the operational modalities to be followed by them for online tracking of the credit proposals of their MSE borrowers, the recommendations of the Sub-Committee, as given below, may be taken as a benchmark which can be improved upon by banks, if required. The Credit Proposal Tracking System (CPTS) of the banks may ensure that:

- All MSME applications received by the branch physically with required documents are entered in CPTS.
- CPTS shall automatically generate an acknowledgement of the application, having a unique application serial number.
- This acknowledgement shall be issued by the branch to the applicant.
- Banks should endeavor to make application status available to the customer online using the unique application serial number on a day to day basis.

- The acknowledgement and status of the application to be sent automatically to the applicant
- On submission of set of documents as per check list, the disposal time of the application should also be advised to the applicant, with banks right to demand additional documents / information as it feel necessary.

### **C. Monitoring the loan application disposal process**

5. To facilitate monitoring of the loan disposal system in the bank at all levels, a format for reporting of applications received from MSME customers, sanctioned /rejected is provided in **Annex A**. The position in this regard may be displayed by the banks on their website from the quarter ending June 2013. The format provides for capturing the details of the applications pending at the end of previous quarter, applications received during the quarter, sanctioned and rejected during the quarter and pending at the end of the quarter. The report generation should be automated centrally. The reporting software should be capable of generating the reports - Branch wise, Region wise, Zone Wise and for the bank as a whole. Data should also be generated District wise and State wise for use by the bank, Reserve Bank of India, and the Government. Such data may be utilized by the bank to find out the progress made in flow of credit to MSME sector at each level. The data for the bank as a whole will enable the bank to review its own performance at the end of each month/ quarter and to initiate follow up measures and corrective actions, wherever necessary, for improvement in performance of the sector.

### **D. Rehabilitation of Sick Units**

6. Timely detection of sickness is critical for any enterprise, as any delay may impinge on the revival prospects of sick, but potentially viable units. In order to speed up the process for identification of a unit as sick, and its rehabilitation, revised guidelines have been issued by RBI vide [circular No. RPCD.CO.MSME &NFS.BC.40/06.02.31/2012-13 dated November 01, 2012](#) which are to be followed in letter and spirit. The guidelines emphasize on the speedy process of identification of a unit as sick, early detection of incipient sickness and prescribe a procedure to be adopted by the banks, before declaring a unit as unviable.

7. The banks may evolve a system driven mechanism for monitoring rehabilitation of sick MSE units. Each bank should constitute a MSE Rehabilitation Cell (MRC) at all its Zonal / Circle Head Quarters. The Cell should be responsible for monitoring identification of sick units / incipient sickness, conducting viability study, follow-up action, etc. for timely rehabilitation of viable / potentially viable sick MSE units. A format for monitoring of the progress in rehabilitation of sick MSE units on a quarterly basis is furnished at **Annex – B**. The progress in this regard should be available on the website of the banks from the quarter ending June 2013.

**E. Sensitizing branch level functionaries**

8. Banks need to sensitize their Branch level functionaries of the requirements of the MSE sector and hold training programs to improve the awareness of guidelines pertaining to the sector, at branch level.

9. Please acknowledge receipt and forward an Action Taken Report by June 15, 2013.

Yours faithfully,

(Madhavi Sharma)  
Chief General Manager

Encl.: Annex - A and B

From: .....

To: .....

**MSME ACCOUNTS- Format for reporting of Applications received/sanctioned/rejected for the Quarter ended JUNE / SEPT / DEC / MAR .....**

Sector	Micro Enterprises				SMALL ENTERPRISES				MICRO & SMALL ENTER.				Medium Enterprises				Total MSME			
	Mfg		Services		Mfg		Services		Mfg		Services		Mfg		Services		Mfg		Services	
	FB	NFB	FB	NFB	FB	NFB	FB	NFB	FB	NFB	FB	NFB	FB	NFB	FB	NFB	FB	NFB	FB	NFB
	ACS	AMT	ACS	AMT	ACS	AMT	ACS	AMT	ACS	AMT	ACS	AMT	ACS	AMT	ACS	AMT	ACS	AMT	ACS	AMT
Applications pending at the beginning of Quarter																				
Applications pending beyond sanction time norms at the beginning of Quarter																				
Applications received During the Quarter																				
Applications sanctioned during the Quarter																				
Out of sanctions made, Disbursed during the Quarter(inclusive of previous sanctions)																				
Applications rejected during the Quarter																				

\*No. of A/Cs in actuals & Amount in Rs Crore



Sub-Committee on MSME to create a structured mechanism for the MSE sector

<b>Applications pending at the end of the Quarter</b>																					
<b>Applications pending beyond sanction time norms at the end of the Quarter</b>																					

\*No. of A/Cs in actuals & Amount in Rs Crore



Sub-Committee on MSME to create a structured mechanism for the MSE sector

From: .....

To: .....

**MSE Accounts - Rehabilitation of SICK MSE UNITS for the Quarter ended JUNE / SEPT / DEC / MAR.....**

No. of A/Cs in actuals and Amount in Rs Crore

Sector		Micro Enterprises				SMALL ENTERPRISES				MICRO & SMALL ENTERPRISES			
		Mfg		Services		Mfg		Services		Mfg		Services	
		A/cs	Amt	A/cs	Amt	A/cs	Amt	A/cs	Amt	A/cs	Amt	A/cs	Amt
<b>Sick Units with investment below Rs 5 lac in mfg unit and below Rs 2 lac in service unit</b>	Position as at the end of the previous Quarter					NA		NA					
	Additions during the Quarter					NA		NA					
	Deletions during the quarter					NA		NA					
	Cum. position at the end of current Quarter					NA		NA					
<b>Sick Units other than above</b>	Position as at the end of the previous Quarter												
	Additions during the Quarter												
	Deletions during the quarter												
	Cum. position at the end of current Quarter												
<b>Units in respect of which Bank is yet to take decision on viability</b>	Position as at the end of the previous Quarter												
	Additions during the Quarter												
	Deletions during the quarter												
	Cum. position at the end of current Quarter												
<b>Potentially Viable Units</b>	Position as at the end of the previous Quarter												
	Additions during the Quarter												
	Deletions during the quarter												
	Cum. position at the end of current Quarter												
<b>Non viable Units</b>	Position as at the end of the previous Quarter												
	Additions during the Quarter												
	Cum. position at the end of current Quarter												
<b>Viable Units put under Nursing</b>	Position as at the end of the previous Quarter												
	Additions during the Quarter												
	Deletions during the quarter												
	Cum. position at the end of current Quarter												



**TO BE PUT UP TO BANKs H. O. Only**

<b>Detailed List of MSE SICK Units ELIGIBLE FOR VIABILITY STUDY FOR THE Quarter Ended</b>							
<b>ALL UNITS DECLARED SICK AS PER RBI DEFINITION WITH INVESTMENT IN P&amp;M ABOVE RS 5 LAC FOR MFG UNIT AND RS 2 LAC FOR SERVICE UNIT</b>							
<b>Sl No.</b>	<b>Name of the unit</b>	<b>Limits</b>	<b>Out. at the end of previous Qt. End.</b>	<b>Date of unit being declared as SICK</b>	<b>Date of Viability Study</b>	<b>Whether found Viable or Not</b>	<b>Name of the official/ Committee</b>
		TL FB NFB					
<b>A.</b>	<b>SICK UNITS OF WHICH VIABILITY STUDY WAS NOT DONE AT THE END OF PREVIOUS QUARTER</b>						
<b>B</b>	<b>UNITS BECAME SICK DURING THE QUARTER</b>						

