

GRC BULLETIN

JULY - 2024, VOLUME: I

RBI

Amendment to Master Direction - Lending to Micro,
Small & Medium Enterprises (MSME) Sector

[Click Here to Read Full Bulletin](#)



CORPORATE LAWS

Authority

Reserve Bank of
India (RBI)

Circular Date

June 11, 2024

Circular Number

RBI/FIDD/2017-
2018/56

Effective Date

Jun 11, 2024

RBI – AMENDMENT TO MASTER DIRECTION – LENDING TO MICRO, SMALL & MEDIUM ENTERPRISES (MSME) SECTOR

Applicability:

Applicable to all Scheduled Commercial Banks (excluding Regional Rural Banks RRBs).

The Reserve Bank of India (RBI) has issued amended guidelines to banks regarding lending to the Micro, Small, and Medium Enterprises (MSME) sector. These amended guidelines are consolidated in the Master Direction – Reserve Bank of India [Lending to Micro, Small & Medium Enterprises (MSME) Sector] - Directions, 2017.

- Banks must review and adjust their lending policies to ensure timely and adequate credit to viable MSE borrowers, especially in unforeseen circumstances which includes,

Timeline for credit decisions for loans: up to ₹25 lakh – 14 working days; above ₹25 lakh – as per Board approved norms. Credit-related information for MSMEs should be prominently displayed on the bank's website

- Banks must implement a structured mechanism to monitor credit issues in the MSE sector, including
 - Credit Proposal Tracking System: Central registration and e-tracking of MSME loan applications. Provide automatic acknowledgment and status updates.
 - Indicative Checklist of Documents: Provide to MSME borrowers at the time of loan application.
 - Monitoring Loan Application Disposal: Monitor the loan application disposal process. Display the disposal process and pending applications on the bank's website quarterly.
 - Reasons for Loan Rejection: Communicate the main reasons for loan application rejections within approved sanction time norms.
 - Comprehensive Performance MIS: Implement a system-driven performance management information system. Regularly evaluate and review this system by the bank's Board.
- Cluster Approach
 - Regularly check the Ministry of MSME's official website for updates on clusters identified by the Ministry of Micro, Small, and Medium Enterprises, Government of India.
 - Obtain information on clusters recognized by State governments or Union Territories directly from the respective



CORPORATE LAWS

Authority

Reserve Bank of
India (RBI)

Circular Date

June 11, 2024

Circular Number

RBI/FIDD/2017-
2018/56

Effective Date

June 11, 2024

respective authorities.

- Convenor banks of SLBC/UTLBC must display the updated list of clusters on their portals.
- Update the list semi-annually, at the end of March and September.
- Lead banks in districts should promote credit-linkage initiatives in all clusters within the district.
- This includes assessing credit needs, facilitating credit proposals, creating awareness about formal credit linkage, enabling skill development initiatives, and improving financial services in underbanked clusters.
- Ensure that the credit needs of clusters are incorporated into branch/block level plans.
- These plans should then be aggregated by lead banks into the District Credit Plan (DCP).
- SLBC/UTLBC Convenor banks should use these aggregated plans to prepare the Annual Credit Plan (ACP).
- Convenor banks must disclose the credit extended to clusters on their portals every quarter.

Source: [Click Here for more details](#)

Head Quarters:

Vasudha, 2nd Floor, No. 2, 38th Main Rd,
Rose Garden, JP Nagar Phase 6, J. P. Nagar,
Bengaluru, Karnataka 560078

Ph: 080 41673023

Email: info@ricago.com

Website: www.ricago.com

Subscribe to the Newsletter:

Subscribe