

Indian Overseas Bank Central Office, 763, Anna Salai Chennai - 600002		Advances – Permanent Ref No. ADV/193/2025-26 Date: 18.03.2026 Issuing Department: MSME
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To all Indian Branches, Regional Offices and Other Offices

First Annual Review of MSME Policy

1. Preamble:

Micro, Small and Medium Enterprise (MSME) sector has emerged as a very important sector of the Indian economy, contributing significantly to employment generation, innovation, exports, and inclusive growth of the economy. The MSME sector also contributes in a significant way to the growth of the Indian economy with its vast network.

Bank has therefore designed a separate policy document - MSME Policy to have a standardized approach towards the MSMEs and have a reference material to one and all dealing with MSME matters. The MSME Policy is a formal policy document mentioning therein the Bank's role & approach for meeting the need of the MSME clients. All the latest guidelines related to MSME sectors lending issued by the RBI & GOI have been incorporated in the policy.

Our Bank has approved the MSME Policy. The Policy is valid from 06.11.2024 to 30.11.2027, subject to annual review. First annual review of the MSME Policy has been approved by the board. A synopsis of modification in the policy as under: -

S No in Existing Policy	Addition / Modification / Deletion	Existing	Proposed Modification					
2.1	Modification Definition of Micro, Small and Medium Enterprises	Government of India (GoI), vide Gazette Notification S.O. 2119 (E) dated June 26, 2020 , had notified new criteria for classifying the enterprises as Micro, Small and Medium enterprises. The new criteria have come into effect from July 1, 2020. As per new definition, there is no distinction between Manufacturing and Service MSMEs. Earlier, the MSMEs were defined on the basis of investment only, but now the revised definition also includes turnover of the unit/firm/company. An enterprise shall be classified	Government of India (GoI), vide Gazette Notification S.O. 1346 € dated March 21, 2025, had notified new definition for classifying the enterprises as Micro, Small and Medium Enterprises. The new Criteria has come into effect from 01.04.2025. An enterprise shall be classified as a Micro, Small or Medium enterprise on the basis of the following criteria, namely: <table border="1" data-bbox="1086 1843 1505 2022" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="1086 1843 1286 1917">Classification</th> <th data-bbox="1286 1843 1505 1917">Criteria</th> </tr> </thead> <tbody> <tr> <td data-bbox="1086 1917 1286 2022">Micro Enterprise</td> <td data-bbox="1286 1917 1505 2022">A micro enterprise, where the</td> </tr> </tbody> </table>		Classification	Criteria	Micro Enterprise	A micro enterprise, where the
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		as a Micro, Small or Medium enterprise on the basis of the following criteria, namely:		investment in plant and machinery or equipment does not exceed two crore and fifty lakhs rupees and turnover does not exceed ten crore rupees.											
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			turnover does not exceed two hundred and fifty crore rupees.	
4.13	Modification Processing Fee/Upfront fee and other Charges for MSME Loans	<p>Foreclosure Charges: -</p> <ul style="list-style-type: none"> ➤ There are no pre-payment/ foreclosure charges for MSME loans/ credit facilities if pre-payment / foreclosure is done from Internal accruals /owned funds by the borrower. ➤ If MSME credit facilities are taken over by other financial institution, then foreclosure charges are applicable as per service charges circular issued by BOD. 	<p>Prepayment charges to be levied as per Reserve Bank of India (Commercial Banks - Responsible Business Conduct) Directions, 2025 issued vide RBI/DOR/2025-26/170 DOR.MCS.REC.No.89/01-01-032/2025-26 dated 28th November 2025. These Directions shall be applicable to all loans and advances sanctioned or renewed on or after January 1, 2026.</p> <p>As per RBI guidelines pre-payment charges are waived for Micro and Small Enterprises only.</p> <p>Pre-Payment Charges for Medium Enterprises will be applicable as per the BOD Service Charges Circular updated time to time.</p> <p>Bank shall adhere to the following Directions regarding levy of pre-payment charges on all floating rate loans and advances:</p> <p>(i) For all loans granted for purposes other than business to individuals, with or without co-obligant(s), Bank shall not levy pre-payment charge.</p> <p>(ii) For all loans granted for business purpose to individuals and MSEs (Micro and Small Enterprises), with</p>	

			<p>or without co-obligant(s) shall not levy any pre-payment charges.</p> <ul style="list-style-type: none">➤ The Directions shall be applicable irrespective of the source of funds used for pre-payment of loans, either in part or in full, and without any minimum lock-in period.➤ Applicability of above Directions for dual/ special rate (combination of fixed and floating rate) loans will depend on whether the loan is on floating rate at the time of pre-payment.➤ In cases other than those mentioned above, pre-payment charges, if any, shall be as per the approved policy of the Bank. However, in case of term loans, pre-payment charges, if levied by the Bank, shall be based on the amount being prepaid. In case of cash credit/ overdraft facilities, pre-payment charges on closure of the facility before the due date shall be levied on an amount not exceeding the sanctioned limit.➤ In case of cash credit/ overdraft facilities, no pre-payment charges shall be applicable if the
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			<p>borrower intimates the Bank of his/ her/ its intention not to renew the facility before the period as stipulated in the loan agreement, provided that the facility gets closed on the due date.</p> <ul style="list-style-type: none"> ➤ Bank shall not levy any charges where pre-payment is effected at the instance of the Bank. ➤ The applicability or otherwise of pre-payment charges shall be clearly disclosed in the sanction letter and loan agreement. Further, in case of loans and advances where Key Facts Statement (KFS) is to be provided as specified in the Reserve Bank's circular dated April 15, 2024 on 'Key Facts Statement for Loans and Advances', the same shall also be mentioned in the KFS. No pre-payment charges which have not been disclosed as specified herein shall be charged by Bank. <p>Bank shall not levy any charges/ fees retrospectively at the time of pre-payment of loans, which were waived off earlier by the Bank.</p>
8	Addition POLICY GUIDELINES	--	New Chapter 8 added.

	FOR STARTUP FINANCING		
9	Addition POLICY GUIDELINES FOR PRODUCTS & SERVICES DESIGNED FOR GIG WORKERS	--	New Chapter 9 added.

Subsequent to approval of the MSME Policy by the board the following changes/additions have been made by the RBI/ Other Regulatory authorities.

S No in Existing Policy	Addition / Modification / Deletion	Existing	Proposed Modification
4.7	Modification Collateral Security	<p>a. Reserve Bank of India has mandated not to accept collateral security in case of loans up to Rs 10 lakhs extended to units in the MSE sector.</p> <p>The said loans can be covered under CGTMSE or CGFMU or any other Credit Guarantee Schemes formed by the State/Central Govt. agencies.</p>	<p>a. Reserve Bank of India has mandated not to accept collateral security in case of loans up to ₹20 lakhs extended to units in the MSE (Micro and Small Enterprises) sector. Banks are also advised to extend collateral-free loans up to ₹20 lakh to all units financed under the Prime Minister Employment Generation Programme (PMEGP) administered by KVIC. Bank may, on the basis of good track record and financial position of the MSE units, increase the limit to dispense with the collateral requirement for loans up to ₹25 lakh on case to case basis.</p> <p>The said loans can be covered under CGTMSE or CGFMU or any other Credit Guarantee Schemes formed by the State/Central Govt. agencies.</p> <p>However, accepting gold and silver as collateral</p>

		<p>b. All MSME credit up to Rs.5.00 crores will also be granted without any collateral security and third-party guarantee where CGTMSE guarantee is available. Collateral can be taken only if CGTMSE cover is not available for the unit. Bank will cover all eligible advances under CGTMSE. When an MSME borrower prefers collateral security to CGTMSE Cover for loans above Rs. 10 Lakhs and, up to Rs. 500 lakhs, Bank will accede to the borrower's request. Such preference of the borrower and Bank's acceptance of the collateral security will be recorded.</p> <p>c. For all MSME advances of above Rs. 500 lakhs, suitable collateral security and/or third-party guarantee may be taken based on risk perception and judgment of sanctioning authority.</p> <p>d. No MSME proposals, however, should be rejected for want of tangible collateral security alone, if otherwise the Bank is satisfied with regard to viability of the project.</p>	<p>pledged voluntarily by borrowers for loans sanctioned by the banks up to the collateral free limit, will not be construed as a violation of the above mandate.</p> <p>b. All MSE credit up to Rs.10.00 Crores will also be granted without any collateral security and third-party guarantee where CGTMSE guarantee is available. Collateral can be taken only if CGTMSE cover is not available for the unit. Bank will cover all eligible advances under CGTMSE. When an MSE borrower prefers collateral security to CGTMSE Cover for loans above Rs. 20 Lakhs and, up to Rs. 10.00 Crores, Bank will accede to the borrower's request. Such preference of the borrower and Bank's acceptance of the collateral security will be recorded.</p> <p>c. For all MSME advances of above Rs. 10.00 Crores, suitable collateral security and/or third-party guarantee may be taken based on risk perception and judgment of sanctioning authority.</p> <p>d. No MSME proposals, however, should be rejected for want of tangible collateral security alone, if otherwise the Bank is satisfied with regard to viability of the project.</p>
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		e. In case of rejection of MSME proposals for any reason, the rejection should be conveyed to the applicant, only with the Consent of the next higher Authority.	e. In case of rejection of MSME proposals for any reason, the rejection should be conveyed to the applicant, only with the Consent of the next higher Authority.
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Conclusion:

We advise the Regional Offices and Branches to go through the policy and garner more business under MSME financing on merits. Further Regional Offices and Branches are advised to ensure strict compliance of the guidelines as per the policy.

अमित श्रीवास्तव (AMIT SRIVASTAVA)

उप महाप्रबंधक Deputy General Manager (विभाग प्रमुख/HOD)

Indian Overseas Bank



MSME Policy (2026)

**MSME Department
Central Office
Chennai**

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CHAPTER - 1

POLICY OVERVIEW

1.1 Introduction:

The Micro Small and Medium Enterprises (MSMEs) sector is a major contributor to the socio-economic development of the country. In India, the sector has gained significant importance due to its contribution to Gross Domestic Product (GDP) of the country and exports. The sector has also contributed immensely with respect to entrepreneurship development especially in semiurban and rural areas of India. MSME sector accounts for significant share in employment, number of enterprises, manufacturing output and exports. Over the years, the sector has emerged as a platform for growth and development of entrepreneurship and bedrock of innovations, resulting in diversified development and import substitution.

Development of the MSME sector has been a priority of Government of India due to its significant contribution towards economic growth, employment generation, balanced regional development, overall poverty reduction and emergence as an important vehicle for attaining inclusive growth in the country.

The contribution of the sector in the economy is currently constrained due to several challenges affecting growth of the sector. Some of the major ones are mentioned below:

- a). Policy and institutional interventions.
- b). Accelerating growth and enabling formalization.
- c). Addressing infrastructural bottlenecks.
- d). Facilitating capacity building.
- e). Facilitating access to credit and risk capital.
- f). Technological interventions for improving underwriting standards and delivery.
- g). Enabling market linkage and tie-up with public procurement platforms.

Combinations of Digital Public Infrastructure, Progressive regulation and new market forces have the potential to energize the MSME lending sector. Emergence of a digital lending value chain will provide fast turnaround and easy accessibility for MSME borrowers and use new data and credit scoring algorithms to provide new types of risk adjusted lending products. This infrastructure can operate at a scale, break access barriers and provide MSMEs with the ability to access finance and scale to reach their potential.

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 on 16th July, 2006. The MSMED Act, 2006, was enacted with an aim to enable MSME entrepreneurs for increasing their worth and efficiency so that they may sustain the competition, enlarge their scope of activity and enlist them among the top performers. Further to broaden the scope of MSMEs, Government of India modified/amended the MSME act, based on the recommendations of the advisory committee in July 2020 changed the classifications of MSMEs.

1.2 Background:

Bank has, therefore, designed a separate document - MSME Policy - to have a standardized approach towards the MSMEs and have a reference material to one and all dealing with MSME matters.

The MSME Policy is a formal policy document mentioning therein the Bank's role & approach for meeting the need of the MSME clients. Lending to MSMEs being an integral part of MSME Act and priority sector lending guidelines of RBI is also discussed in the policy, wherever applicable.

1.3 Objectives:

The MSME Policy is based on the following principles:

- Enlarging the MSME client base through aggressive credit marketing.
- Addressing the credit needs of the existing MSME clients for judicious and prompt credit decision.
- Bank's approach towards credit appraisal skills and strategies on the one hand and flexibility and innovation on the other hand.
- To ensure that the socio-economic obligations of the Bank are fully met.
- To ensure continuous growth of loan assets while keeping those assets performing and standard.
- To have a comprehensive Management Information System based on a reliable data base and endeavours to mitigate and reduce risk associated with the lending by fine tuning systems and controls.
- Ensuring compliance of all the directives, guidelines issued by Government/Reserve Bank of India and other regulatory authorities on MSME credit matters. The Bank would follow the guidelines in all aspects issued from time to time by the authorities. MSME Department, Central
- Office to communicate MSME related schemes/guidelines of Government Authorities issued from time to time for growth of MSME credit portfolio.
- In case of varying interpretations of these guidelines, the Bank will adopt reasonable interpretation as determined by GM/ HOD, MSME Department, CO without deviating from the spirit behind the guidelines.
- One of the basic objectives of issuing this Policy is to create awareness among the Field level functionaries regarding needs of the sector and guidelines issued thereof.

1.4 Scope:

- The Policy would deal with all MSME credit related matters such as fund based, non-fund based and other forms of credit dispensation of MSME credit.
- Since other credit related areas have been dealt in detail in Loan Policy document, those aspects are not covered in the MSME Policy to avoid duplication. Hence, the MSME Policy should be read along with the Loan Policy document [LPD].
- The Policy will cover all types of MSME customers such as Individuals, Proprietorship, Partnerships, Limited Liability Partnership, Association of persons, Companies Registered under Indian Companies Act, SHG, JLG, Cooperative Society etc.

- This policy has been made in compliance with all RBI & extant regulatory guidelines issued till date.
- The guidelines enumerated in the policy are applicable for all Branches/Regional offices/Other offices.
- In view of the changes that are taking place in the financial sector, action may be called for at a short notice and therefore it is necessary that the MD & CEO is empowered to take decisions on exceptions or deviations. Such modifications should be placed before the Board for information at the time of review of policy.

1.5 Ownership:

MSME Department, CO shall frame, design/review/fine tune/modify all policies/procedures in relation to MSME credit in the Bank, with the approval of Board of Directors.

1.6 Concluding Remarks:

The MSME loan policy will operate within the overall loan policy of the Bank and subject to guidelines / instructions of Regulatory Authorities /RBI/ Government of India. In case of any clause in the MSME Policy contradicts with our Loan Policy, then guidelines of Loan Policy shall prevail. New/Revised guidelines received from Regulatory Authority/RBI/Government will automatically form part of this policy and will be placed to the board at the time of review/renewal of the policy. This policy is valid for three years subject to review annually or at an earlier date, as may be required by the bank for accommodating the emerging requirements. MD & CEO is empowered to extend the validity of the policy for 6 months.

CHAPTER - 2

MICRO, SMALL AND MEDIUM ENTERPRISES

2.1 Definition of Micro, Small and Medium Enterprises:

Government of India (GoI), vide Gazette Notification S.O. 1346 € dated March 21, 2025, had notified new definition for classifying the enterprises as Micro, Small and Medium Enterprises. The new Criteria has come into effect from 01.04.2025.

An enterprise shall be classified as a Micro, Small or Medium enterprise on the basis of the following criteria, namely:

Classification	Criteria
Micro Enterprise	A <i>micro enterprise</i> , where the investment in plant and machinery or equipment does not exceed two crore and fifty lakhs rupees and turnover does not exceed ten crore rupees.
Small Enterprise	A <i>small enterprise</i> , where the investment in plant and machinery or equipment does not exceed twenty-five crore rupees and turnover does not exceed one hundred crore rupees.
Medium Enterprise	A <i>medium enterprise</i> , where the investment in plant and machinery or equipment does not exceed one hundred twenty-five crore rupees and turnover does not exceed five hundred crore rupees.

RBI vide its notification RBI /2021-2022/67 FIDD.MSME & NFS.BC.No.13 /06.02.31 /202122 dated July 7, 2021 has decided to include Retail and Wholesale trade as MSMEs for the limited purpose of Priority Sector Lending and they would be allowed to be registered on Udyam Registration Portal for the NIC Codes 45,46 & 47 and activities mentioned against them.

2.2 Udyam Registration Certificate/Udyam Assist Certificate:

- Udyam registration certificate / Udyam assist certificate is mandatory for all above enterprises.
- It is mandatory for the branches to obtain/capture Udyam Registration Certificate/ Number for the existing and new borrowers. However, it is not applicable for loans granted under PMSVANIDHI Scheme.
- Aadhaar Number is mandatory for filing Udyam Registration. Aadhaar number shall be of the proprietor in the case of proprietorship firm, managing partner in case of partnership firm and of karta in the case of Hindu Undivided family (HUF).

- d) In case of company or a limited liability company partnership or a cooperative society or a society or trust, the organization or its authorized signatory shall provide its GSTIN and PAN.
- e) All existing enterprise are required to register again on the Udyam Registration portal, even though they previously were in possession Udyog Adhaar Number.
- f) All the above enterprises 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).
- g) Accounts will be classified as Micro, Small & Medium on the basis of Udyam Registration Certificate.
- h) Annual review for classification of MSME accounts is done on the basis of URN classification of the account.
- i) 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.
- j) 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.
- k) Udyam Registration Number (URN) is mandatory for getting guarantee coverage under Credit Guarantee Scheme from January 16,2023 onwards. In this regard, obtaining URN of each beneficiary has been made mandatory while submitting application for coverage under the scheme to extend the guarantee coverage.
- l) To obtain URN of all the existing beneficiaries covered under Credit Guarantee Scheme of CGTMSE and update it in CGTMSE's portal using path: Member Login >> Guarantee maintenance >> Modify borrower details >> provide CGPAN and update URN.

2.3 Composite criteria of investment and turnover for classification:

- i. A composite criterion of investment and turnover shall apply for classification of an enterprise as micro, small or medium.
- ii. If an enterprise crosses the ceiling limits specified for its present category in either of the two criteria of investment or turnover, it will cease to exist in that category and be placed in the next higher category, but no enterprise shall be placed in the lower category unless it goes below the ceiling limits specified for its present category in both the criteria of investment as well as turnover.
- iii. All units with Goods and Services Tax Identification Number (GSTIN) listed against the same Permanent Account Number (PAN) shall be collectively treated as one enterprise and the turnover and investment figures for all of such entities shall be seen together and only the aggregate values will be considered for deciding the category as micro, small or medium enterprise.

2.4 Calculation of investment in plant and machinery or equipment:

- i. The calculation of investment in plant and machinery or equipment will be linked to the Income Tax Return (ITR) of the previous years filed under the Income Tax Act, 1961.
- ii. In case of a new enterprise, where no prior ITR is available, the investment will be based on self-declaration of the promoter of the enterprise and such relaxation shall end after the 31st of March of the financial year in which it files its first ITR.
- iii. The expression "plant and machinery or equipment" of the enterprise, shall have the same meaning as assigned to the plant and machinery in the Income Tax Rules, 1962 framed under the Income Tax Act, 1961 and shall include all tangible assets (other than land and building, furniture and fittings). The purchase (invoice) value of a plant and machinery or equipment, whether purchased first hand or second hand, shall be taken into account excluding Goods and Services Tax (GST), on self-disclosure basis, if the enterprise is a new one without any ITR.
- iv. The cost of certain items specified in the *Explanation 1* to sub-section (1) of Section 7 of the MSMED Act 2006 shall be excluded from the calculation of the amount of investment in plant and machinery.

NOTE: - The online form for Udyam Registration captures depreciated cost as on 31st March each year of the relevant previous year. Therefore, the value of Plant and Machinery or Equipment for all purposes of the [Notification No. S.O. 2119\(E\) dated June 26, 2020](#) and for all the enterprises shall mean the Written Down Value (WDV) as at the end of the Financial Year as defined in the Income Tax Act and not cost of acquisition or original price, which was applicable in the context of the earlier classification criteria.

2.5 Exclusions from list of plant & machineries / equipment:

The cost of the following plant & machinery / equipment etc. would be excluded for computation of investment value.

- i. Equipment such as tools, jigs, dies, moulds, and spare parts for maintenance and the cost of consumable stores.
- ii. Installation cost of plant & machinery; iii. Research & development and pollution control equipment.
- iv. Power generation set and extra transformer installed by the enterprise as per the Regulations of the State Electricity Board.
- v. Bank charges and Service Charges paid to the National Small Industries Corporation or the State Small Industries Corporation; vi. Procurement or Installation of cables, wiring bars, electrical control panels (not mounted on individual machines)
- vii. Oil circuit breakers or miniature circuit breakers which are necessarily to be used for providing electrical power to the plant and machinery or for safety measures.
- viii. Gas producing plants.
- ix. Transportation charges (other than sales tax or value-added tax and excise duty) for indigenous machinery from the place of their manufacture to the site of the enterprise).
- x. Charges paid for technical know-how for erection of plant machinery.
- xi. Such storage tanks which store raw materials and finished products only and are not linked with the manufacturing process.

- xii. Fire-fighting equipment; and xiii. Such other items as may be specified, by notification from time to time.

In case of Service Enterprises, the original cost to exclude furniture, fittings and other items not directly related to the services rendered. Cost of Land and Building should be excluded while computing the investments in P & M / Equipment for both Manufacturing & Service Industries.

In case of imported machinery/equipment, the following duty/charges/costs shall be included in calculating their value:

- i. Import Duty (excluding miscellaneous expenses such as transportation from the port to the site of the factory, demurrage paid at the port);
- ii. Shipping Charges.
- iii. Customs Clearance charges; and iv. Sales Tax or Value-added Tax.

2.6 Calculation of turnover:

- i. Exports of goods or services or both, shall be excluded while calculating the turnover of any enterprise whether micro, small or medium, for the purposes of classification.
- ii. Information as regards turnover and exports turnover for an enterprise shall be linked to the Income Tax Act or the Central Goods and Services Act (CGST Act) and the GSTIN.

In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise will maintain its prevailing status till expiry of one year from the close of the year of registration. In case of reverse-graduation of an enterprise, whether as a result of re-classification or due to actual changes in investment in plant and machinery or equipment or turnover or both, and whether the enterprise is registered under the Act or not, the enterprise will continue in its present category till the closure of the financial year and it will be given the benefit of the changed status only with effect from 1st April of the financial year following the year in which such change took place. Other aspects relating to registration of enterprises, grievance redressed, etc. are mentioned in the Gazette Notification S.O. 2119 (E) dated June 26, 2020.

2.7 Classification of MSME Priority Sector:

- a) All bank loans to MSMEs shall qualify under priority sector without any credit cap.
- b) The clubbing of investments of two or more enterprises under the same ownership for the purpose of classification of industrial undertakings as MSME has been rescinded.
- c) Investments in Securitised Assets, transfer of pool of loan assets through direct assignments / outright purchases and investments in Inter Bank Participation Certificates (IBPCs) on risk sharing basis shall be eligible for classification under respective categories of priority sector provided the underlying assets are eligible to be categorized under the respective categories of priority sector as per RBI guidelines.
- d) The outstanding Priority Sector lending certificates bought by the bank will be eligible for classification under respective categories of priority sector provided the assets are originated by banks and are eligible to be classified as priority sector

advances and fulfill the Reserve Bank of India guidelines on priority sector lending certificates.

e) To increase liquidity support for the MSME sector, factoring transactions taking place through TReDS (Trade Receivables Discounting System) shall be eligible for classification under priority sector.

f) **Udyam Registration Certificate [URC]/Udyam Assist Certificate [UAC] is compulsory to classify the accounts under Micro, Small & Medium Enterprises [MSME]. Accounts will be classified as Micro, Small & Medium Enterprises on the basis of Udyam Registration Certificate [URC]/ Udyam Assist Certificate [UAC].**

g). **For PSL purpose bank shall be guided by the classification recorded in the Udyam Registration Certificate [URC]/ Udyam Assist Certificate [UAC].**

For classification an MSME asset under Priority Sector Lending [PSL], the guidelines published in RBI circular vide RBI/FIDD/2024-25/128, Master Directions FIDD.CO.PSD.BC.13/04.09.001/2024-25 March 24, 2025 and last updated on January 19,2026 will be applicable and revised guidelines whenever issued will be followed for PSL classification of an MSME asset.

2.8 Khadi and Village Industries Sector (KVI):

All loans to units in the KVI sector will be eligible for classification under the sub-target of 7.5 percent prescribed for Micro Enterprises under priority sector.

2.9 Other Finance to MSMEs:

- i. Loans up to Rs. 50 Crore to Start-ups, as per definition of Ministry of Commerce and Industry, Govt. of India.
- ii. Loans to entities involved in assisting the decentralized sector in the supply of inputs and marketing of output of artisans, village, and cottage industries. In respect of UCBs, the term "entities" shall not include institutions to which UCBs are not permitted to lend under the RBI guidelines / the legal framework governing their functioning.
- iii. Loans to co-operatives of producers in the decentralized sector viz. artisans, village, and cottage industries (Not applicable for UCBs).
- iv. Loans sanctioned by banks to NBFC-MFIs and other MFIs (Societies, Trusts etc.) which are members of RBI recognized Self-Regulatory Organization (SRO) for the sector for on-lending to MSME sector.
- v. Loans to registered NBFCs (other than MFIs) for on-lending to Micro & Small Enterprises.
- vi. Credit outstanding under General Credit Cards (including Artisan Credit Card, Laghu Udyami Card, Swarojgar Credit Card and Weaver's Card etc. in existence and catering to the non-farm entrepreneurial credit needs of individuals).
- vii. Overdraft to Pradhan Mantri Jan-Dhan Yojana (PMJDY) account holders as per limits and conditions prescribed by Department of Financial Services, Ministry of Finance from time to time, will qualify as achievement of the target for lending to Micro Enterprises.
- viii. Outstanding deposits with SIDBI and MUDRA Ltd. on account of priority sector shortfall.
- ix. Loan to PM SVANidhi Borrowers.

- x. Export credit to the MSME sector, including pre-shipment and post-shipment export credit (excluding off-balance sheet items) as defined in the Master Circular on Rupee/Foreign Currency Export Credit and Customer Service to Exporters, issued vide DBR No.DIR.BC.14/04.02.002/2015-16 dated July 1, 2015 and updated from time to time.
- xi. Loan to Individual and Joint Liability Group (JLGs) belonging to Vulnerable Occupational Groups (VOGs) will be facilitated with subsidized bank credit.

The 6 VOGs are as under:

1. Transport workers
2. Domestic workers
3. Gig workers
4. Waste workers
5. Construction workers
6. Care workers

CHAPTER 3

RBI GUIDELINES & INTERNAL GUIDELINES OF MSME PRIORITY SECTOR LENDING

3.1 MSME- PRIORITY SECTOR LENDING (RBI Guidelines & Internal Guidelines thereof):

Priority Sector Lending shall continue to be a chosen area of the Bank. Bank will endeavor to exceed the overall share of 40% of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher as at the end of the previous year. Further the sub-target for lending to Micro Enterprises, under priority sector, is 7.5% of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher as at the end of the previous year.

Bank loans to Micro, Small and Medium Enterprises, for both manufacturing and service sectors are eligible to be classified under the priority sector as per the norms.

3.2 TARGETS/ SUB-TARGETS FOR LENDING TO MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) - as per Priority Sector Guidelines:

- i. Advances to Micro, Small and Medium Enterprises (MSME) sector shall be reckoned in computing achievement under the overall Priority Sector target of 40 percent of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.
- ii. Bank is required to achieve a sub-target of 7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, for lending to Micro Enterprises.
- iii. In terms of the recommendations of the Prime Minister's Task Force on MSMEs, the Bank has to achieve:
 - **20 percent** year-on-year growth in credit to micro and small enterprises,
 - **10 percent** annual growth in the number of micro enterprise accounts and
 - **60 percent** of total lending to MSE sector as on corresponding quarter of the previous year to Micro enterprises.

3.3 COMMON GUIDELINES / INSTRUCTIONS FOR LENDING:

- i. All the loan applications received manually or online, from the MSME borrowers to be acknowledged and it is to be ensured that a running serial number is recorded on the application form as well as on the acknowledgement receipt.
- ii. Bank has introduced Online-Loan Application Received Register, where in Bank can access the journey of the proposal from the date of receipt to sanction. Bank shall develop online application tracking system in coordination with IT Team.
- iii. All loan applications for MSE units up to a credit limit of Rs. 25 lakh should be disposed of within 14 days and for credit limit above Rs.25 lakh to be disposed as under, provided the loan applications are complete in all respects and accompanied by a "check list".

Limits /Loans	Time Limit Not Exceeding
Adhoc Limit	15 Working Days.

Review/Renewal/Enhancement of existing limits/Loans	30 Working Days.
Fresh Loans/Limits	45 Working Days.

The processing of the loan application and decision to be conveyed within the prescribed time limit as mentioned above. The time limit shall start from the date of submission of complete information/data by the applicant. However, the MSME applications received through www.psbloansin59minutes.com portal is to be sanctioned within 07 days of date of In-principal approval from the portal.

- iv. Loan applications rejection register (either manually or digitally) shall be maintained at Branches wherein the date of receipt, sanction/rejection/disbursement with reasons thereof shall be recorded. In case of rejection/curtailment of MSE loan proposal, a reference to higher authorities should be made; In case of proposals from SC/ST, rejection should be at a level higher than that of Branch Manager.

3.4 MSME Online Loan Application of the Bank:

Bank has introduced the online application module for MSME entrepreneurs. Customer can apply through www.iob.in >>> MSME>> Apply MSME Online. The MSME applicants have facility to apply online for a loan. Under the module, the entire application for MSE is available online to the applicant. Applicant may choose his preferred branch and shall fill up the entire application form. A unique application id will be generated by the system. Online acknowledgement will also be generated. Bank shall develop online application tracking system in coordination with IT Team. The Bank pursues tie-ups with Fintech companies engaged in development of innovative financial technologies and providing an end-to-end credit dispensation solution.

3.5 MSME Portal of the Bank:

Bank has set up an MSME Portal on its website which displays following relevant information and data pertaining to MSME customers: -

- Online system of acknowledgement of loan application.
- Format of loan application form with check list
- MSME policy of the Bank
- Presence in MSME clusters
- Interest Rates/ Service charges on MSMEs.
- Our Bank's Products for MSMEs

3.6 MSME Proposals Processing through Loan Origination System (LOS):

Our Bank has developed a Loan Origination System (LOS) for faster and robust processing of loan proposals. We have implemented various MSME schemes under LOS and implementation of few other MSME schemes is under process which will be implemented at the earliest.

3.7 Common Application form:

Indian Banks' Association (IBA) Managing Committee has approved a Simplified Common Loan Application Form for MSMEs to be used by the Bank for loans up to Rs.2.00 crore. Bank has adopted the same and circulated among all the branches for use.

CHAPTER 4

GUIDELINES ON MSME FINANCE

Advances to MSME sector will be assessed like any other advance (except for the specific relaxations and concessions given in this policy) and credit decisions will be taken based on viability, merits and commercial judgment in each case as per general norms of lending. The credit appraisal will be made in a transparent and non-discriminatory manner.

All genuine and just requirements of the MSME units will be considered and adequate amount of credit will be sanctioned to ensure that the unit does not suffer for want of funds at a later date.

Necessary credit support will be extended to MSME units for business restructuring, modernization, expansion, diversification and technological up gradation as may be required from time to time.

The following type of credit facilities will be extended to MSME units.

1. Term Loans
2. Project Finance
3. Working Capital Finance
4. Purchase and discounting of Bills
5. Negotiation of Bills
6. Non-fund-based facilities such as LC and LG
7. Pre shipment/Post shipment finance
8. Credit facilities under Bank's special credit schemes.
9. Any other type of credit depending on specific need

4.1 Due Diligence:

Due Diligence as per Bank extant guidelines to be carried out while providing the credit facilities to the MSME borrowers.

4.2 Term Loan:

- Term loan may be for normal capital expenditure, acquisition of fixed assets, expansion of existing operational facilities, Working capital term loan etc.
- Moratorium period should be considered depending on requirement of the project / proposal and as per existing guidelines of the bank.
- Maximum duration of loans including moratorium period shall be up to 10 years, based on cash flow.
- In case of Consortium lending, the holiday period as decided by the leader Bank /institution may be considered for acceptance.
- In case of Multiple Banking, the holiday period, as permitted by the Bank/Institution, with major share, may be accepted.
- Term Loan can be considered to the MSME borrowers as per the existing guidelines of the Bank.
- For loans under Government sponsored schemes and Bank's special credit schemes, maximum repayment as per particular scheme shall be considered.
- All the MSME loans will be NON-EMI based. **Except Government Sponsored Schemes loan.**

4.3 Working Capital Assessment:

a) Turnover method - for working capital limits requirement up to Rs.7.50 Crores, turnover method would be applicable as per Nayak Committee Recommendations.

Branches/ROs to adopt simplified procedures for sanction of Working Capital Limits to MSEs (Micro and Small Enterprises) i.e., 25% of the projected and accepted annual turnover could be extended as Working Capital limit to MSE units requiring aggregate fund based working capital limits up to Rs.7.50 Crores. In such cases where 25% of the accepted Turn Over is extended as working capital, the borrower shall bring in 6.25% of the accepted turnover as margin for the proposed working capital limit. Current Ratio of 1.25 to be maintained. Respective sanctioning authority may accept lower current ratio on case-to-case basis.

b) Working Capital Assessment for Digital Portion: For those units enjoying working capital limits up to Rs 5.00 Crores, Branch/ROs would consider extending working capital up to 30% of the digital portion of the turnover projected. The borrower shall bring in 7.50% of the accepted digital turnover as margin.

c) MPBF (Maximum Permissible Bank Finance) method: It is conventional method of assessing working capital for units with longer operating cycle and / or for units requiring working capital more than Rs. 7.50 Crores and up to Rs.10.00 Crores. The assessment is based on the buildup of Current Assets and Current Liabilities. 25% of Current Assets should be brought in by the borrower/promoter by way of net working capital contribution. As a measure of incentives for exports, stipulation of providing margin on export receivables may be waived. As such the minimum margin required will be 25% of total Current Assets excluding export receivables.

Further for MSE units 20% of Current Assets should be brought in by the borrower/promoter by way of net working capital contribution as MSE units maintaining current ratio of 1.25:1 shall be considered acceptable.

d) Cash Budget method: Where working capital requirement is more than Rs.10 crore assessments should be carried out under cash budget method.

This is applied to certain seasonal industries such as tea and sugar and to specific industry. Besides, sanctioning authority may apply the cash budget system where they feel this system is more appropriate as in case of construction contractor or revenue is recognized on progressive billing basis, etc.

Under this method, the peak level cash deficit will be the level of total working capital finance to be extended to the borrower. The peak level cash deficit will be ascertained from the projected Cash Budget statement submitted by the borrower. The cash budget statement would comprise of projected receipts and payments for the next 12 months on account of business operations including advance payment, mobilization advance, non-business operations, cash flow from capital accounts and other sundry items.

Working capital limits above Rs.10 Crores, may be assessed as per the Cash Budget method or as per MPBF method.

4.4 Non-Fund Limits (LG/ LC/ Forward Contract):

The non-fund limits are sanctioned as per need-based requirements of the borrower. The proposals for non-fund facilities should be dealt with same diligence as in case of funded limits.

4.5 Composite Loan:

A composite loan up to Rs.1.00 crore can be sanctioned comprising both term loan and working capital to MSMEs through single window based on the track record and financials of the borrower as per delegated authority. Branches/Offices which have sanctioned Term Loan singly or jointly must also sanction working capital limit singly (or jointly) to avoid delay in commencement of commercial production thereby ensuring that there are no cases where term loan has been sanctioned and working capital facilities are yet to be sanctioned

4.6 Margin Norms:

- a) No margin is required for loans up to Rs.50000/-.
- b) Minimum margin requirements for loans/credit facilities above Rs.50000/- are as under:

Term Loan	Margin
Loans above Rs.50000/- and up to Rs.5 Lakhs	Minimum 10%
Loans above Rs.5 Lakhs	Minimum 20%
Financing second-hand machineries	Minimum 50%

Working Capital against Inventories	Margin
Loans above Rs.50000/- and up to Rs.5 Lakhs	Minimum 15%
Loans above Rs.5 Lakhs	Minimum 20%

Working Capital against Book Debts	Margin
Loans above Rs.50000/-	Minimum 25%

Working Capital (Bills Discounting)	Margin
Bills under LC (Inland/ Foreign)	Nil
Bills under Non-LC (Inland/ Foreign)	Minimum 10%

Non-Fund Based	Margin
Letter of Credit (DP/DA)	Minimum 10%
Letter of Guarantee (Performance)	Minimum 10%
Letter of Guarantee (Financial)	Minimum 20%

Land Purchase	Margin
Purchase of land for construction of Factory/ Shop/ Office. The loan towards purchase of land shall not exceed 50% of the total project cost which includes Purchase of land and construction of Factory/ Shop/ Office.	Minimum 25% on Registration Price or FMV whichever is lower

- c) For loans under Government Sponsored Schemes and Bank's special credit schemes, margin will be obtained as stipulated in the scheme even if it is different from the levels indicated in our Loan Policy Document.
- d) Other than above margin norms to be followed as specified in Loan Policy Document of our Bank. Branches/Regional offices should adhere the same for lending under MSME segment.
- e) In exceptional cases, margins lesser than indicated in Loan Policy Document can be prescribed for MSME with the approval of the appropriate authority as per prevailing delegated power.

4.7 Collateral Security: (Subsequent to approval of the MSME Policy by the board the following changes/additions have been made by the RBI vide Directions RBI/2025-26/206 FIDD.MSME & NFS.BC.No.12/06.02.31/2025-26 dated 09.02.2026 for Lending to Micro, Small & Medium Enterprises (MSME) Sector (Amendment) Directions, 2026)

- a. Reserve Bank of India has mandated not to accept collateral security in case of loans up to ₹20 lakhs extended to units in the MSE (Micro and Small Enterprises) sector.
Banks are also advised to extend collateral-free loans up to ₹20 lakh to all units financed under the Prime Minister Employment Generation Programme (PMEGP) administered by KVIC.
Banks may, on the basis of good track record and financial position of the MSE units, increase the limit to dispense with the collateral requirement for loans up to ₹25 lakh on case to case basis.
The said loans can be covered under CGTMSE or CGFMU or any other Credit Guarantee Schemes formed by the State/Central Govt. agencies.
However, accepting gold and silver as collateral pledged voluntarily by borrowers for loans sanctioned by the banks up to the collateral free limit, will not be construed as a violation of the above mandate.
- b. All MSE credit up to **Rs.10.00 Crores** will also be granted without any collateral security and third-party guarantee where CGTMSE guarantee is available. Collateral can be taken only if CGTMSE cover is not available for the unit. Bank will cover all eligible advances under CGTMSE. When an MSE borrower prefers collateral security to CGTMSE Cover for loans above **Rs. 20 Lakhs and, up to Rs. 10.00 Crores**, Bank will accede to the borrower's request. Such preference of the borrower and Bank's acceptance of the collateral security will be recorded.
- c. For all MSME advances of **above Rs. 10.00 Crores**, suitable collateral security and/or third-party guarantee may be taken based on risk perception and judgment of sanctioning authority.
- d. No MSME proposals, however, should be rejected for want of tangible collateral security alone, if otherwise the Bank is satisfied with regard to viability of the project.
- e. In case of rejection of MSME proposals for any reason, the rejection should be conveyed to the applicant, only with the Consent of the next higher Authority.

4.8 Guarantee Schemes:

a) Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE):

Credit facilities sanctioned to Micro & Small units defined as per MSMED act 2006, on the basis of investment in Plant & Machineries/ Equipment and falling under manufacturing & services sector including retail trade can be covered under CGTMSE.

Maximum Quantum of loan to a single borrower, in his lifetime, eligible for guarantee coverage should not exceed **Rs. 10.00 Crores**. CGTMSE has "Hybrid Security" product, allowing guarantee cover for the portion of credit facility not covered by collateral security. In the partial collateral security model, the MUs will be allowed to obtain collateral security for a part of the credit facility, whereas the remaining part of the credit facility, up to a maximum of **Rs. 10.00 Crores** can be covered under Credit Guarantee Scheme of CGTMSE. CGTMSE will however, have notional second charge on the primary security as well as the collateral security provided by the borrower for the credit facility.

CGTMSE has removed the tenure Cap of 10 Years for Coverage of Working Capital facilities under Credit facilities under Credit Guarantee scheme. However, a review would be undertaken after each block of five years by CGTMSE.

Special provision for Informal Micro Enterprises (IME) under credit guarantee scheme – The guarantee coverage will be available where the credit facilities up to Rs. 20.00 Lakhs and extent of guarantee coverage will be 85%. For Details of the scheme, Circular Number 238/2023-24 (Ref. No. CGTMSE/229) dated 14.02.2024 issued by CGTMSE may be referred.

b) Credit Guarantee Fund for Micro Units (CGFMU):

Under the CGFMU scheme, the guarantee coverage is available on a portfolio basis for the Retail Trade loans under MUDRA, sanctioned **up to Rs.20 lakhs**. However, these coverage guidelines are dynamic in nature and are subject to change based on the operational feasibility from time to time.

c) Credit Guarantee Scheme for Standup India (CGSSI):

In order to increase the pace of lending under Standup India Scheme, Government of India introduced Credit Guarantee Scheme for Standup India (CGSSI). It facilitates Credit Guarantee Coverage of all eligible accounts sanctioned under Stand-up India. The guarantee coverage is available for the loans sanctioned between Rs. 10 lacs to Rs. 100 lacs.

d) Credit Enhancement Guarantee Scheme for Scheduled Castes (CEGSSC):

The scheme is envisaged for extending Term Loans or Composite Loans (combination of term loan, working capital facility and non-fund based facility) to SC entrepreneurs engaged in Small and Medium enterprises. The borrower engaged in Manufacturing / Trading / Service Sector may be considered for financial assistance. Working capital and non-fund-based facility can be availed only along with term loan facility and not independently.

e) Credit Guarantee Scheme for Start-ups (CGSS):

Government of India has also introduced **Credit Guarantee Scheme for Startups (CGSS)** for providing credit guarantees to loans extended by its Member Institutions. CGSS is aimed at providing credit guarantee up to a specified limit against loans extended by Member Institutions (MIs) to finance eligible borrowers viz. entities recognised as 'startups' by DPIIT. CGSS is operated by the National Credit Guarantee Trustee Company (NCGTC) Limited. The Scheme has been operationalized on 1st April, 2023.

Detailed guidelines on CGTMSE, CGFMU, CGSSI and CEGSSC are communicated to Branches / Administrative Offices at periodical intervals.

The various credit guarantee schemes/ interest schemes of the Government are subject to periodical changes. Any change in the guidelines in guarantee schemes/interest schemes by the guarantee providing Agency/Authority will automatically form a part of this policy.

In view of the same, GM / HOD, MSME will be competent authority to enact any changes in the guidelines in guarantee schemes/ interest schemes in line with statutory/regulatory direction.

4.9 Debt Restructuring for MSMEs:

- a) It is advised to follow the guidelines/instructions on debt restructuring pertaining to MSMEs contained in the **“Master Circular – Prudential Norms on Income Recognition, Asset Classification (IRAC) and Provisioning Pertaining to Advances” issued by BSMD, CO from time to time [Transient Series Circular No 09/2025-26 dated 05.04.2025 and subsequent guidelines issued on the subject be referred].**
- b) Framework for Revival and Rehabilitation of Micro, Small & Medium Enterprises for revival of potentially viable sick units/enterprises.
- c) Non-discretionary One Time Settlement scheme for recovery of nonperforming loans for the MSE sector. **Please refer to circular issued by SAMD vide circular PERM/Misc/01/2025-26 dated 02.04.2025, Master/11/2024-25 dated 14.03.2025, Misc/66/2025-26 dated 18.06.2025 and other circulars to be issued by the SAMD from time to time.**
- d) Timely and adequate flow of credit to the MSE sector be ensured.

4.10 Rating of MSME Accounts

a) Internal Rating:

All MSME loan account should be rated under ICON Rating model except Bank's special schemes where ICON rating waiver is obtained. Please refer to circular issued by Risk Management Department vide Circular No. MASTER/03/2025-26 dated 05.04.2025 and other circulars to be issued by the RMD from time to time.

Guidelines for Internal Rating of Borrowal Accounts to be followed as advised from time to time. Concept of Dynamic rating to be followed as per extant guidelines.

b) External Rating for Borrowal accounts:

As per the Basel III Guidelines issued by RBI, the risk weights for a few segments are based on External Rating. To be eligible for risk weight purposes, the rating should be in force and

confirmed from the monthly bulletin of the concerned rating agency and to be ensured our Bank's Name and exposure are reflected in Press Release (PR) Of Rating Company. Hence for such borrowers where the lender's credit facilities are not disclosed in the borrowers Credit Rating Report from CRAs, Risk weightage of 100% or 150% as applicable for unrated exposures to be applied for the said borrowers, also duly factoring the same in the borrower's costing and pricing.

The rating agency should have reviewed the rating at least once during the previous 15 months. As per present guidelines from RBI, unrated exposures having aggregate credit limit of more than Rs. 200.00 Crore from the Banking system and aggregate exposure from banking system of more than 100 crore which were rated earlier and subsequently have become unrated will attract 150% risk weights, bank shall restrict taking such exposures.

- All MSME borrowal accounts and accounts under various MSME credit schemes having an exposure **up to Rs. 50.00 Crores are exempted from compulsory External Rating.**
- All the MSME borrowal accounts and accounts under various MSME credit schemes having aggregate exposure **above Rs. 50.00 crores are to be compulsorily "externally rated".**

For any deviation in aforesaid external rating can be taken up with CAC on case-to-case basis.

4.11 New Scoring Model for MSME:

New Scoring Model for MSME is designed to assess and filter the entry level MSME applicants. (Credit Limits from Rs. 2 Lacs and above up to Rs. 200 Lacs) The applicant is eligible for bank finance, provided the marks scored by him/her are 60% and above. Before processing the new MSME proposals, (loan amount of Rs. 2 Lacs and above up to Rs. 200 lacs), they must be rated under the New Scoring Model, to arrive at a decision whether to consider the proposal or not. In addition to the above, **Branches/Regions to continue to do rating under ICON rating as applicable for the proposals qualified under the New Scoring Model.**

4.12 Financial Benchmarks for MSME Loans:

1. Current Ratio- 1.33 desirable, however 1.25 is acceptable for MSE.
2. Deferred liability to Tangible net worth ratio i.e., DL/TNW- 2:1 (Maximum)
3. Total outside liability to Tangible Net worth i.e., TOL/TNW – 4:1 (Maximum)
4. While the desirable DSCR would be above 2: 1, average DSCR of 1.5: 1 with minimum DSCR of 1.2: 1 can be accepted on merits. For MSME units located in backward areas an average DSCR of 1.5, with a minimum of 1.2 in any year can be accepted.
5. Book debts: Maximum period 120 days, can be extended up to 180 days as per discretion.
6. Financial Benchmark Ratios for select MSME Industries (loans with exposure \geq Rs 5 crores):

MSME/ Industries	Current Ratio	TOL/TNW	Debt/Equity	DSCR	
				Avg.	Min
Infra. Power	1 .25: 1	4:1	2:1	2:1	1.2:1
Infra Road	1 .25: 1	4:1	2:1	2:1	1.2:1

Other Infra (Including Telecom)	1 .25: 1	4:1	2:1	2:1	1.2:1
Iron & Steel	1 .25: 1	4:1	2:1	2:1	1.2:1
Textiles	1 .25: 1	4:1	2:1	2:1	1.2:1
Gems & Jewellery	1.50: 1	3:1	2:1	2:1	1.2:1
Food Processing	1 .25: 1	4:1	2:1	2:1	1.2:1

- The above ratios are indicative/desirable to the MSME loans with exposure of more than or equal to Rs. 5 Crores for the above identified industries. However, the respective sanctioning authorities are permitted to relax the above Benchmark indicative financial ratios on merits of the case.
- The existing indicative/desirable financial benchmarks will continue to be applied for all other Industries irrespective of the exposure classified under MSME portfolio and for loans below Rs. 5.00 crores for the above identified industries under MSME.

4.13 Processing Fee/Upfront fee and other Charges for MSME Loans:

Service charges circulars issued by Banking operation department [BOD] time to time may be referred for processing fee/upfront fee and other charges for MSME credit facilities. **Latest service charges circular issued by BOD on 27.02.2026 vide circular no-MISC/294/2025-26. Any deviation can be permitted by HLCC GM and above on case-to-case basis.**

Pre-Payment Charges: -

Prepayment charges to be levied as per Reserve Bank of India (Commercial Banks - Responsible Business Conduct) Directions, 2025 issued vide RBI/DOR/2025-26/170 DOR.MCS.REC.No.89/01-01-032/2025-26 dated 28th November 2025. These Directions shall be applicable to all loans and advances sanctioned or renewed on or after January 1, 2026. As per RBI guidelines pre-payment charges are waived for Micro and Small Enterprises only. Pre-Payment Charges for Medium Enterprises will be applicable as per the BOD Service Charges Circular updated time to time.

Bank shall adhere to the following Directions regarding levy of pre-payment charges on all floating rate loans and advances:

- (i) For all loans granted for purposes **other than business** to individuals, with or without co-obligant(s), Bank shall not levy pre-payment charge.
- (ii) For all loans granted **for business purpose** to individuals and MSEs (Micro and Small Enterprises), with or without co-obligant(s) shall not levy any pre-payment charges.
 - The Directions shall be applicable irrespective of the source of funds used for pre-payment of loans, either in part or in full, and without any minimum lock-in period.
 - Applicability of above Directions for dual/ special rate (combination of fixed and floating rate) loans will depend on whether the loan is on floating rate at the time of pre-payment.
 - In cases other than those mentioned above, pre-payment charges, if any, shall be as per the approved policy of the Bank. However, in case of term loans, pre-payment charges, if levied by the Bank, shall be based on the amount being prepaid. In case of cash credit/ overdraft facilities, pre-payment charges on closure of the facility

before the due date shall be levied on an amount not exceeding the sanctioned limit.

- In case of cash credit/ overdraft facilities, no pre-payment charges shall be applicable if the borrower intimates the Bank of his/ her/ its intention not to renew the facility before the period as stipulated in the loan agreement, provided that the facility gets closed on the due date.
- Bank shall not levy any charges where pre-payment is effected at the instance of the Bank.
- The applicability or otherwise of pre-payment charges shall be clearly disclosed in the sanction letter and loan agreement. Further, in case of loans and advances where Key Facts Statement (KFS) is to be provided as specified in the Reserve Bank's circular dated April 15, 2024 on 'Key Facts Statement for Loans and Advances', the same shall also be mentioned in the KFS. No pre-payment charges which have not been disclosed as specified herein shall be charged by Bank.
- Bank shall not levy any charges/ fees retrospectively at the time of pre-payment of loans, which were waived off earlier by the Bank.

4.14 Guidelines on Digital Lending: -

Bank is having a separate policy on Digital Lending. Please refer to Policy on Digital Lending issued by CSSD Department vide circular number ADV/07/2025-26 dated 03.04.2025 and amendment time to time.

CHAPTER 5

BANK'S OTHER POLICY AND PRODUCTS

5.1 Framework for Revival and Rehabilitation of MSMEs:

The Ministry of Micro, Small and Medium enterprises, Government of India vide their gazette notification dated May 29,2015 had notified a Framework for Revival and Rehabilitation of Micro, Small and Medium enterprises to provide a simpler and faster mechanism to address the stress in the accounts of MSMEs and to facilitate the promotion and development of MSMEs.

The Revival and Rehabilitation of MSME units having loan limits up to Rs 25 crores would be undertaken under this framework. The revised framework supersedes earlier guidelines on Rehabilitation of Sick, Micro and Small enterprises except those relating to reliefs and concessions for Rehabilitation of potentially viable units and one-time settlement.

The salient features of the framework are as under:

- i) Before a loan account of an MSME turns into a Nonperforming asset (NPA), Banks or creditors should identify incipient stress in the account by creating three subcategories under the special mention accounts (SMA) category as given in the framework.
- ii) Any MSME borrower may also voluntarily initiate proceedings under this framework.
- iii) Committee approach to be adopted for deciding corrective action plan.
- iv) Timelines have been fixed for taking various decisions under the framework.

Brief guidelines of the scheme

1. The scheme is applicable for MSMEs having loan limits of up to Rs.25.00 crores including consortium and Multiple Banking Accounts (MBA). Restructuring of loan accounts with exposure of above Rs.25.00 crores will be governed by the extant guidelines on CDR/JLF Mechanism.

2. Identification of incipient stress:

Before a MSME account becomes NPA, Banks or creditors should identify incipient stress in the account by creating three sub-categories under Special Mention Account (SMA) viz. SMA O, SMA I & SMA 2. We have taken up with IT Department to enable branches to generate SMA Report for all MSME accounts. Any MSME borrower may voluntarily also initiate proceedings under this framework, if the enterprise reasonably apprehends failure of its business or its inability / likely inability to pay debts or there is erosion in net worth.

3. Committee for stressed MSME:

All Regional Offices having exposure to MSME sector shall constitute a committee at Regional Office level. These committees will be Standing Committees and will resolve the reported stress of the MSME accounts of the branches falling under their jurisdiction. In case of consortium of Banks / MBA, the consortium leader or the bank having largest exposure under MBA shall refer the case to its committee for Corrective Action Plan (CAP).

For detail guidelines on Framework for Revival and Rehabilitation of MSMEs, please refer to circular ADV/028/16-17 dated 30.06.2016 & ADV/66/2024-25 dated 23.08.2024.

5.2 POLICY ON TRADE RECEIVABLES DISCOUNTING SYSTEM (TREDS):

Trade Receivables Discounting System (TReDS) platform is an institutional mechanism set up for financing of trade receivables of MSME suppliers from corporates and other buyers including Government Departments and Public Sector Undertakings (PSUs) through multiple financiers: Under this arrangement both the sellers and buyers of the bank will be benefited by discounting the trade receivables. The MSME seller will have quicker realization of their receivables at a competitive interest rate to ease out their liquidity problems. For the buyer too, the advantage would be compliance with MSMED Act 2006 stable supplier base and better terms with MSME vendors. For further details, **MSME Circular ADV/194/2025-26 dated 18.03.2026 on TReDS policy** and any subsequent amendments to be referred.

5.3 Policy on Transaction involving transfer of assets through direct assignment of cash flows and underlying securities:

- a) Securitization involves pooling of homogeneous assets and the subsequent sale of the cash flows from these asset pools to investors. The securitization market is primarily intended to redistribute the credit risk away from the originators to a wide spectrum of investors who can bear the risk, thus aiding financial stability and provide additional source of funding.
- b) Assets Eligible for Securitization: Under these guidelines, our bank can transfer a single standard asset or a part of such asset or a portfolio of such assets to financial entities through an assignment deed with the certain exceptions.
- c) Detailed policy on Transaction involving transfer of assets through direct assignment of cash flows and underlying securities approved by the board is in place.

For further details, **MSME circular ADV/190/2025-26 dated 17.03.2026** on said policy and any subsequent amendments to be referred.

5.4 Policy for Financing to Ship Breaking Industry:

Ship breaking or ship demolition is a type of ship disposal involving the breaking up of ships for scrap recycling. Most ships have a lifespan of 25-30 years, after which their repair and maintenance costs increases significantly, making them uneconomical to operate. Ship breaking /recycling is the process of dismantling a vessel's structure for scrapping or disposal whether conducted at a beach, pier, or dry dock. It includes a wide range of activities, from removing all gear and equipment to cutting down and recycling the ship's infrastructure. This industry is mainly located in India, Pakistan, China, and Bangladesh. India is the most dominant player, and it accounts for 50% of the total tonnage broken. The major centers in India are at Mumbai (Darukhani Yard), Sosiya in Gujarat (Alang yard) and Kolkata (Kidarpur Plot). There are about 250 Indian Companies involved in ship breaking industry and are located mostly at Alang in Gujarat, where nearly 85% of India's ship breaking activity takes place and on a very limited scale at Mumbai and Kolkata. For further details, **MSME Department circular ADV/189/2025-26 dated 17.03.2026** on said policy and any subsequent amendments to be referred.

5.5 Policy on Cluster Based Finance:

The Ministry of Micro, Small and Medium Enterprises (MSME), Government of India (GoI) has adopted the Cluster Development approach as a key strategy for enhancing the

productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs) and their collectives in the country.

A cluster is a group of enterprises located within an identifiable and as far as practicable, contiguous area or a value chain that goes beyond a geographical area and producing same/similar products/complementary products/ services, which can be linked together by common physical infrastructure facilities that help address their common challenges. For further details, **MSME circular ADV/192/2025-26 dated 17.03.2026** on said policy and any subsequent amendments to be referred.

5.6 Policy on Co-Lending:

RBI has issued the new directions vide its Circular No. RBI/DOR/2025-26/159 DOR.STR.REC.No.78/21.04.048/2025-26 Dated 28.11.2025 in the name of Reserve Bank of India (Commercial Banks- Transfer and Distribution of Credit Risk) Directions, 2025.

Co-Lending is Joint contribution of credit by both the lenders i.e., Bank & NBFCs, it should also involve sharing of risk and reward between Banks and NBFCs.

Co lending is to improve the flow of credit to the unserved and underserved sector of economy and make available funds to the ultimate beneficiary at an affordable cost, considering the lower cost of funds from banks and greater reach of the NBFCs/HFCs. For further details, **please refer circular ADV/191/2025-26 dated 17.03.2026 on said policy and any subsequent amendments to be referred.**

5.7 Start-Up:

In order to build a strong ecosystem for nurturing innovation, startups and encouraging investments in the startup ecosystem of the country, the Government of India launched the Startup India initiative on 16th January 2016.

Under the Startup India initiative, the Government constantly undertakes various efforts for the development and growth of startup ecosystem in the country. In order to meet the objectives of the initiative, the Government unveiled an Action Plan for Startups comprising of schemes and incentives envisaged to create a vibrant startup ecosystem in the country. The Action Plan comprises of 19 action items spanning across areas such as "Simplification and handholding", "Funding support and incentives" and "Industry-academia partnership and incubation".

Under this initiative, **our bank has opened its first Start-Up Branch in Chennai. Further new branches opened in Bangalore, Mumbai and Delhi** which provides funding support to eligible Start-ups recognized by the Department of Promotion of Industry and Internal Trade [DPIIT] once the product is developed and moved to production to have scalable business model with high potential for creation of wealth & employment.

Government of India has also introduced **Credit Guarantee Scheme for Startups (CGSS)** for providing credit guarantees to loans extended by its Member Institutions. CGSS is aimed at providing credit guarantee up to a specified limit against loans extended by Member Institutions (MIs) to finance eligible borrowers viz. entities recognised as 'Startups' by DPIIT. CGSS is operated by the National Credit Guarantee Trustee Company (NCGTC) Limited. The Scheme has been operationalized on 1st April, 2023.

5.8 Schemes under MSME:

Several Credit schemes are available for lending to MSME sectors. Some schemes are sponsored by the Govt (Ex. PMEGP, PMSvandhi, MUDRA, PM Vishwakarma etc.) whereas some are developed by the bank either to tackle specific needs of general MSME borrowers or to cater the needs of specific segment. The schemes are meant to assist the branches in extending finance to the targeted groups but not meant to create air-tight financing formulas.

Branches can finance even beyond the schemes. The finance can be granted outside the scheme. Scheme should not be treated as impediments for finance to eligible borrowers who do not confirm to salient features of the scheme.

CHAPTER 6

GOVERNMENT INITIATIVE TO PROMOTE MSMEs

6.1 Pradhan Mantri MUDRA Yojna (PMMY):

Micro Units Development and Refinance Agency (MUDRA) is a Public Sector Financial Institution which was launched by the Prime Minister on 08-04-2015. The prime objective behind setting up of this Agency is for "Funding the unfunded" and "Formalizing the informal". MUDRA aims at providing refinance /finance to the last mile Financial Institutions" which are in the business of financing micro enterprises in manufacturing, trading, and services sector in rural and urban areas. Accordingly, MUDRA would be extending refinance to the Banks for their lending to Micro Enterprises in the country.

MUDRA has categorized exposure to Micro Units into different buckets based on amount of Loan. The details of classification are as under:

- i. Shishu: Loan amount up to Rs.50,000/-
- ii. Kishore: Loan amount exceeding Rs.50000/- and up to Rs.5.00 Lakhs
- iii. Tarun: Loan amount exceeding Rs.5.00 Lakhs up to Rs.10.00 Lakhs
- iv. Tarun Plus: Loan amount exceeding Rs. 10.00 Lakhs up to Rs. 20.00 Lakhs.**

6.2 Standup India:

STAND UP INDIA is an initiative taken by the Honourable Prime Minister of India which basically aims to promote entrepreneurship among SC/STs and Women entrepreneurs. Standup India scheme facilitates Bank loans between Rs. 10 Lakhs to Rs. 100 Lakhs for SC / ST / Women beneficiaries for starting green field projects. This enterprise may engage in manufacturing, services or trading sector.

SIDBI vide their mail dated 07.04.2025 has advised that the scheme was operative till 31st March 2025 and the scheme is ceased to operate with effect from 01st April 2025.

6.3 Prime Minister's Employment Generation Programme (PMEGP):

The Ministry of Micro, Small and Medium enterprises, Govt of India has launched a credit linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP) by merging the two schemes that were in operation till 31.03.2008 viz Prime Ministers Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of Micro enterprises in rural as well as urban areas. PMEGP is a central sector scheme being administered by the Ministry of MSME.

The Scheme is implemented by Khadi and Village Industries Commission (KVIC), as the nodal agency at the National level. At the State level, the Scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and banks. The Government subsidy under the Scheme is routed by KVIC through the identified Banks for eventual distribution to the beneficiaries / entrepreneurs in their Bank accounts.

6.4 National Urban Livelihoods Mission (NULM):

The Existing Swarna Jayanti Shahari Rozgar Yojana (SJSRY) has been restructured as National Urban Livelihoods Mission (NULM). The Self Employment Programme (SEP) component of NULM focuses on providing financial assistance through a provision of interest subsidy on loans to support establishment of individual & group enterprises and self-help groups (SHGs) of urban poor

6.5 PM SVANIDHI:

The ministry of Housing and urban affairs has launched PM SVANidhi Scheme – A micro credit facility for street vendors of **urban area** on 1st June 2020. The scheme is to provide loan to the street vendors at an affordable rate to resume their livelihood affected by COVID-19.

In Line with the guidelines of Ministry of Housing and Urban Affairs, the scheme is launched in our Bank. The Scheme is fully funded by Ministry of Housing and Urban Affairs.

For detail guidelines on the said Government Scheme, please refer to circulars issued by the department vide circular ADV/50/2020-21 dated 16.07.2020, ADV/77/20-21 dated 31.08.2020, ADV/259/2020-21 dated 09.12.2020, ADV/228/21-22 dated 27.09.2021, **ADV/331/22-23 dated 21.06.2022, ADV/361/22-23 dated 17.09.2022 and ADV/109/2025-26 dated 24.09.2025 and any subsequent amendments to be referred.**

6.6 Cluster-Based Lending Approach:

Cluster based approach for financing MSME units is expected to result in less transaction costs, and risk mitigation, besides providing an appropriate scale for improvement in infrastructure.

The Ministry of Micro, Small and Medium Enterprises has approved a list of clusters under the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) and Micro and Small Enterprises Cluster Development Programme (MSE-CDP) located in 121 Minority Concentration Districts. **We have issued a separate policy for Cluster based finance vide MSME circular ADV/192/2025-26 dated 17.03.2026 and any subsequent amendments to be referred.**

Our bank being a SLBC convenor in the state of Tamilnadu (Other State, if any) shall adhere with the clause 5.5 of RBI circular Ref. FIDD. MSME & NFS.12/06.02.31/2017-18 dated 24.07.2017 (updated on 11.06.2024).

6.7 Co-Lending Based Approach:

RBI has issued the new directions vide its circular no. RBI/DOR/2025-26/139 DOR.STR.REC.44/13.07.010/2025-26 dated 06.08.2025 in the name of Reserve Bank of India (Co-Lending Arrangements) Directions, 2025 and Further Issues the Master Directions vide its Circular No. RBI/DOR/2025-26/159 DOR.STR.REC.No.78/21.04.048/2025-26 Dated 28.11.2025 in the name of Reserve Bank of India (Commercial Banks- Transfer and Distribution of Credit Risk) Directions, 2025.

NBFCs (including HFCs) have acquired niche in providing loans to hitherto new to credit customers in MSME sector and have in place, IT enabled tech platform that facilitate end to end loan life cycle management. Apart from the same, NBFCs (including HFCs) are nimble

footed and have acquired expertise over the years in originating and underwriting credit in shortest possible time. We need to leverage the expertise of NBFCs (including HFCs) to build MSME portfolio of the bank. **We have issued a separate policy for Policy for Co-lending arrangement to Priority Sector & Non- Priority Sector between our Bank and Non- Banking Financial Companies (NBFCs) under CO-Lending Model (CLM) vide MSME circular ADV/ 191/2025-26 dated 17.03.2026 and any subsequent amendments to be referred.**

6.8 Online Application Facility

6.8.1 PSB loans in 59minutes:

Govt. of India launched a transformative initiative in MSME credit space by launching portal www.psbloansin59minutes.com. This web portal is enabled for in principle approval for MSME loans having value minimum of Rs.1.00 Lacs and maximum up to Rs.5.00 Crore within 59 minutes. The Portal sets a new benchmark in loan processing and reduces the turnaround time. Subsequent to this in principle approval, the loan is required to be sanctioned & disbursed in 7-8 working days.

The contactless module process is a straight through process, which involves making use of machine-based analytics (ITR, Bank statement, GST, Aadhaar based KYC credit model etc.) to help lenders take informed decision within 59 minutes, thus reducing the turnaround time for in principle sanction. The borrower can procure in principle sanction (after providing consent to share requisite information) which is then to be followed by visits / due diligence and physical verification of credentials. The process from in principle sanction stage to disbursement of loan is taken care by respective banks.

The platform presents an attractive opportunity for public sector banks to adapt the solutions for their requirements and improve their processes. With adoption of contactless lending platform, the time between an application, sanction and disbursement would be reduced significantly. Accordingly, all Banks have been on boarded on the platform and on-boarding of MSME customers is required for according in principle approval. Customers can also onboard through Market place URL i.e., <https://www.psbloansin59minutes.com> through which Customer has to opt for bank of their choice.

The detailed operational modalities for the usage of the subject portal are already issued separately.

6.8.2 Standupmitra:

Government of India has unveiled Standupmitra portal, a virtual marketplace, where MSME entrepreneurs can apply for loans online through <https://www.standupmitra.in/>, which can be accessed by Bankers and Standupmitra team. As per the preference given by the entrepreneur's, concerned Bank / branch has to pick up the proposal for processing, sanctioning and disbursement. The same is to be updated on the portal simultaneously. All branches have to log in to the portal for verification of proposals submitted by the customers on daily basis.

6.8.3 Udyamimitra:

Udyamimitra is a portal developed by SIDBI for submitting the online loan applications by the MSME entrepreneurs with various Banks which can be accessed through <https://udyamimitra.in/>.

6.8.4 "JanSamarth" Portal for Government Sponsored Schemes:

Government of India through Department of Financial Services (DFS) has taken an initiative towards setting up of a project named NPCGS "National Portal for Credit Linked Government Schemes" under Government's Aatmanirbhar Bharat Abhiyan, which is a single online portal for rolling out various Central/State Government credit linked schemes under Retail, Agriculture and MSME sector. NPCGS has been developed by Online PSB Loans Limited (OPL).

Following credit linked Government Schemes would be included phase wise in the portal:

Phase-I	
Education Schemes	CSIS, Padho Pardesh, Dr Ambedkar
Housing Schemes	PM Awas Vojna (PMAY)
Agriculture Infra Schemes	CABC, AMI, AIF
Livelihood Schemes	NRLM, NULM
Business activity Schemes	PM SVANidhi, Stand Up India, Mudra etc.
Phase- II	
State Government Schemes	

The portal requires MLIs to define the benchmark for product specific parameters in order to give in principle approval of the application received through the portal. Accordingly, the parameter for each scheme is defined on the portal. The applications received from the National Portal are passed through Bank's CRM for the purpose of lead management and eventually the lead will be processed in Bank's Loan Origination System (LOS) by the users. The detail process flow and SOPs is shared by the respective functional department.

6.9 MSME High Intensive Branches/ MSME Focused Branches/ Specialized SME Branches:

- a) Presently, Bank has identified 144 MSME Focused Branches and 22 Specialized SME Branches to expand the MSME business across the country. Bank shall increase number of MSME specialized branches in pan India based on the potential of respective area.
- b) In order to open more MSME specialised branches, Bank shall categorise more general branches as a MSME specialised branches having 60% or more of their advances to MSME sector.
- c) Bank shall endeavour to increase specialized MSME branches in identified clusters/centres with preponderance of small enterprises to enable the entrepreneurs to have easy access to the bank credit and to equip bank personnel to develop requisite expertise.

6.10 MSME Nodal Officers:

One MSME Nodal Officers is nominated at each Regional Office to cater the business requirement and to address the issues related to MSME.

6.11 Credit Linked Capital Subsidy Scheme (CLCSS):

The objective of Credit Linked Capital Subsidy Scheme (CLCSS) is to facilitate technology up-gradation in Micro and Small enterprises (MSEs) by providing capital subsidy of 15 percent (limited to maximum of Rs. 15.00 lakhs) on institutional finance availed by them for induction of well-established and improved technology in the specified 51 sub-sectors or products

approved under the scheme. Maximum limit of eligible loan for calculation of subsidy under the Scheme is Rs. 100.00 lakhs.

The scheme aims at facilitating technology up gradation by providing 15% up front capital subsidy to MSEs including tiny, khadi, village and coir industrial units. Calculation of admissible subsidy will be done with reference to the purchase price of plant and machinery instead of term loan disbursed to the beneficiary unit.

Bank is implementing the scheme through Teynampet Branch, Chennai as a nodal branch. The details of the scheme are circulated through separate guidelines from time to time.

6.12 Banking Codes and Standards Board of India (BCSBI):

The Banking Codes and Standard Board of India (BCSBI) have formulated a Code of Bank's Commitment to Micro and Small Enterprises. This is a voluntary Code, which sets minimum standards of banking practices for banks to follow when they are dealing with Micro and Small Enterprises (MSEs) as defined in the Micro Small and Medium Enterprises Development (MSMED) Act, 2006. It provides protection to MSE and explains how banks are expected to deal with MSE for their day-to-day operations and in times of financial difficulty. While BCSBI has initiated the process of its dissolution, Bank may continue to follow their commitments.

6.13 Micro and Small Enterprises Sector – The Imperative of Financial Literacy and Consultancy Support:

Keeping in view the high extent of financial exclusion in the MSME sector, it is imperative for banks that maximum number of units are brought within the fold of the formal banking sector. The lack of financial literacy, operational skills, including accounting and finance, business planning etc. represent formidable challenge for MSE borrowers underscoring the need for facilitation by banks in these critical financial areas. Moreover, MSE enterprises are further handicapped in this regard by absence of scale and size. To effectively and decisively address these handicaps, RBI vide their circular RPCD.MSME & NFS.BC.No.20/06.02.31/2012-13 dated August 1, 2012 has advised that the banks could either separately set up special cells at their branches, or vertically integrate this function in the Financial Literacy Centres (FLCs) set up by them, as per their comparative advantage. Bank has already set up 24 Financial Literacy Centres named as "SNEHA" as per guidelines of RBI.

6.14 General Credit Card (GCC) Scheme:

In order to enhance the coverage of GCC Scheme to ensure greater credit linkage for all productive activities within the overall Priority Sector guidelines and to capture all credit extended to individuals for non-farm entrepreneurial activity, the GCC guidelines have been revised by Reserve Bank of India. The terms and conditions of the credit facilities extended in the form of GCC shall be as per the Board approved policies of the bank, within the overall framework laid down by RBI.

6.15 Streamlining flow of credit to Micro and Small Enterprises (MSEs) for facilitating timely and adequate credit flow during their 'Life Cycle':

In order to provide timely financial support to MSEs facing financial difficulties during their "Life Cycle", RBI vide circular FIDD.MSME &

NFS.BC.No.60/06.02.31/2015-16 dated August 27, 2015, has issued the guidelines so as to facilitate timely and adequate availability of credit to viable MSE borrowers especially during the need of funds in unforeseen circumstances. The RBI guidelines are detailed as under:

- i. To extend standby credit facility in case of term loans
- ii. Additional Working Capital to meet with emergent needs of MSE units
- iii. Mid-term review of regular working capital limits, where banks are convinced that changes in the demand pattern of MSE borrowers require increasing the

existing credit limits of the MSMEs, every year based on the actual sales of the previous year.

iv. Timelines for Credit Decisions

6.16 Delayed Payments By Companies to Micro/Small Enterprise units:

Under Delayed Payment Act, April 1993 (Amended in 1998), interest on delayed payment by Corporate to Small Scale units and Ancillary Industrial Undertakings, penal provisions have been incorporated to take care of delayed payments to MSME units.

After the enactment of the Micro, Small and Medium Enterprises Development (MSMED) Act 2006, the existing provisions of the Interest on Delayed Payment Act, 1998 to Small Scale units and Ancillary Industrial Undertakings, have been strengthened as under:

- i) Whenever any supplier, supplies any goods or renders service to any buyer, the buyer shall make payments in the following manner:
 - a) On or before the date agreed upon between him (buyer) and the supplier in writing or
 - b) Where there is no agreement in this behalf, before the appointed day.

However, in no case the period agreed upon between the supplier and the buyer in writing shall exceed 45 days from the day of acceptance or day of deemed acceptance.

- ii) In case the buyer fails to make payment of the amount to the supplier, as mentioned under (i) above, the buyer shall be liable to pay compound interest with monthly rests to the supplier on that amount from the appointed day or, on the date agreed on, at three times of the Bank Rate notified by Reserve Bank of India.
- iii) For any goods supplied or services rendered by the supplier, the buyer shall be liable to pay the interest as advised at (ii) above.
- iv) In case of dispute with regard to any amount due, a reference shall be made to the Micro and Small Enterprises Facilitation Council, constituted by the respective State Government.

Further, banks have been advised by Reserve Bank of India 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.

Branches should take note of the above provisions of the MSMED Act, 2006 while verifying the receivables shown by the SME Borrower in their Book Debts Statement as well as annual balance sheet by cross-checking if these receivables appear in the respective buyers' audited balance sheet(s). For the same reason, if any Corporate or other buyers (of any SME suppliers' products) happen to be our Bank's borrowers, branches should verify whether the dues to the supplier (SMEs) are reflected in their audited balance sheet(s).

6.17 Structured Mechanism for monitoring the credit growth to the MSE sector:

- a) **Credit Proposal Tracking System (CPTS):** Banks shall put in place a CPTS/ equivalent tracking mechanism to facilitate central registration and a system of e-tracking of all MSME loan applications. This mechanism shall automatically generate an acknowledgement of the application, having a unique application serial number for both physical and online applications. Further, it shall also be ensured that the acknowledgement and status of the application is sent automatically to the applicants. Bank shall develop online application tracking system in co-ordination with IT Team.

- b) **Monitoring the loan application disposal process:** Bank shall monitor the loan application disposal process and pendency beyond sanction time norms at appropriate levels on a quarterly basis. The position in this regard shall be displayed on bank's website in the format specified by RBI within one month from the end of the preceding quarter.
- c) **Reasons for rejection of loan applications:** Banks shall, convey to the MSME borrowers in writing the main reason/ reasons which, in the opinion of the bank after due consideration, have led to rejection of the loan applications, as per the Board approved sanction time norms.
- d) **Comprehensive Performance MIS:** Bank shall implement a system-driven comprehensive performance management information system (MIS) at branches and supervisory levels (region, CO). The Performance should be critically evaluated on a regular basis. The credit flow to the MSME sector shall also be reviewed by the Board of the banks at periodic intervals.

CHAPTER 7

COMMITTEES ON FLOW OF CREDIT TO MSE SECTOR

(As per RBI Master Direction on lending to Micro Small & Medium Enterprises)

7.1 Report of the High-Level Committee on Credit to SSI (now MSE) (Kapur Committee):

Reserve Bank of India had appointed a one-man High-Level Committee (June 30, 1998) headed by Shri S L Kapur, (IAS, Retd.), Former Secretary, Government of India, Ministry of Industry to suggest measures for improving the delivery system and simplification of procedures for credit to SSI sector.

The Committee made 126 recommendations covering wide range of areas pertaining to financing of SSI sector. These recommendations were examined by the RBI and accepted 88 recommendations which include the following important recommendations:

- i. Delegation of more powers to branch managers to grant ad-hoc limits.
- ii. Simplification of application forms.
- iii. Freedom to banks to decide their own norms for assessment of credit requirements.
- iv. Opening of more specialized SSI branches.
- v. Enhancement in the limit for composite loans to Rs. 5 lakh. (Since enhanced to Rs.1 crore);
- vi. Banks to pay more attention to the backward states.
- vii. Special programmes for training branch managers for appraising small projects.
- viii. Banks to make customers grievance machinery more transparent and simplify the procedures for handling complaints and monitoring thereof.

A circular was issued by RBI vide RPCD.No. PLNFS.BC.22/06.02.31/98-99 dated August 28, 1998 thereby advising implementation of the Kapur Committee recommendations.

7.2 Report of the Committee to Examine the Adequacy of Institutional Credit to SSI Sector (now MSE) and Related Aspects (Nayak Committee):

The Committee was constituted by Reserve Bank of India in December 1991 under the Chairmanship of Shri P. R. Nayak, the then Deputy Governor to examine the issues confronting SSIs (now MSE) in the matter of obtaining finance. The Committee submitted its report in 1992. All the major recommendations of the Committee have been accepted and the banks have been inter-alia advised to:

- i. Give preference to village industries, tiny industries, and other smallscale units in that order, while meeting the credit requirements of the small-scale sector.
- ii. Grant working capital credit limits to SSI (now MSE) units computed on the basis of minimum 20% of their estimated annual turnover whose Credit limit in individual cases is up to Rs.2 crore [since raised to Rs.5 crore].
- iii. Ensure that there should not be any delay in sanctioning and disbursement of credit. In case of rejection/curtailment of credit limit of the loan proposal, a reference to higher authorities should be made.
- iv. Not to insist on compulsory deposit as a `quid pro-quo" for sanctioning the credit.

- v. Open specialized SSI (now MSE) bank branches or convert those branches which have a fairly large number of SSI (now MSE) borrowal accounts, into specialized SSI (now MSE) branches.
- vi. Standardize loan application forms for SSI (now MSE) borrowers; and vii. Impart training to staff working at specialized branches to bring about attitudinal change in them.

A circular was issued by RBI vide RPCD. PLNFS/ BC. No. 61/06.0262/ 2000-01 dated March 2, 2001 thereby advising implementation of the Nayak Committee recommendations.

7.3 Report of the Working Group on Flow of Credit to SSI (Now MSE) Sector (Ganguly Committee):

A "Working Group on Flow of Credit to SSI sector" was constituted under the Chairmanship of Dr. A S Ganguly. The Committee made 31 recommendations covering wide range of areas pertaining to financing of SSI sector. The recommendations pertaining to RBI and banks have been examined and RBI has accepted 8 recommendations so far and communicated the following to banks for implementation which are as under:

- i. Adoption of cluster-based approach for financing MSME sector.
- ii. Sponsoring specific projects as well as widely publicizing successful working models of NGOs by Lead Banks which service small and tiny industries and individual entrepreneurs.
- iii. Sanctioning of higher working capital limits by banks operating in the Northeast region to SSIs (now MSE), based on their commercial judgment due to the peculiar situation of hilly terrain and frequent floods causing hindrance in the transportation system.
- iv. Exploring new instruments by banks for promoting rural industry and to improve the flow of credit to rural artisans, rural industries, and rural entrepreneurs.

A circular was issued by RBI vide RPCD. PLNFS/ BC. No. 28/06.02.31(WG)/ 2004-05 dated September 4, 2004 thereby advising implementation of the Ganguly Committee recommendations.

7.4 Working Group on Rehabilitation of Sick SMEs (Chairman: Dr. K.C. Chakrabarty):

In the light of the recommendations of the Working Group on Rehabilitation of Sick MSEs (Chairman: Dr. K.C. Chakrabarty, the then CMD of Punjab National Bank), following was advised by RBI:

- i. To put in place loan policies governing extension of credit facilities, Restructuring/Rehabilitation policy for revival of potentially viable sick units/enterprises and non- discretionary One Time Settlement scheme for recovery of non-performing loans for the MSE sector, with the approval of the Board of Directors and
- ii. To implement the recommendations with regard to timely and adequate flow of credit to the MSE sector.

To consider implementation of the recommendations, inter alia, that lending in case of all advances up to Rs 2 crores may be done on the basis of scoring model. To undertake a review of the loan policy governing extension of credit facilities to the MSE sector, with a view to using Board approved credit scoring models in evaluation of the loan proposals of MSE borrowers.

A circular was issued by RBI vide RPCD.SME&NFS.BC.No.102/06.04.01/2008-09 dated May 04, 2009 thereby advising implementation of the Dr. K C Chakrabarty Committee recommendations.

7.5. Prime Minister's Task Force on Micro, Small and Medium Enterprises:

A High-Level Task Force was constituted by the Government of India (Chairman: Shri T K A Nair), in January 2010, to consider various issues raised by Micro, Small and Medium Enterprises (MSMEs).

The Task Force recommended several measures having a bearing on the functioning of MSMEs, viz., credit, marketing, labour, exit policy, infrastructure/technology/skill development and taxation. The comprehensive recommendations cover measures that need immediate action as well as medium term institutional measures along with legal and regulatory structures and recommendations for North-Eastern States and Jammu & Kashmir.

It was urged to keep in view the recommendations made by the Task Force and take effective steps to increase the flow of credit to the MSE sector, particularly to the micro enterprises.

A circular was issued by RBI vide RPCD.SME&NFS.BC.No.90/06.02.31/2009-10 dated June 29, 2010 thereby advising implementation of the recommendation of the Prime Minister's Task Force on MSMEs.

7.6 Working Group to Review the Credit Guarantee Scheme for Micro and Small Enterprises:

RBI has advised not to accept collateral security in the case of loans up to Rs. 10.00 Lakh extended to units in the MSE (Micro and Small Enterprises) sector and strongly encourage branch level functionaries to avail of the CGS cover.

CHAPTER 8

POLICY GUIDELINES FOR STARTUP FINANCING

8.1. Purpose

This Startup Financing Policy sets out the principles, processes, and controls governing the financing, onboarding, support, and monitoring of startups by the Company. The policy ensures responsible allocation of capital, transparent customer acquisition, structured business strategy support, and strict compliance with applicable laws, including the requirement that **all reporting shall be based on startups registered with the Department for Promotion of Industry and Internal Trade (DPIIT)**.

8.2. Scope

This policy applies to:

- All employees, management teams, committees, and departments involved in startup financing, onboarding, evaluation, customer acquisition, marketing, and reporting.
 - All financing and lending activities offered to startups.
 - All startups onboarded by the Company for financing, advisory, or partner programs.
 - All reporting and compliance activities connected with financed or supported startups.
-

8.3. Definitions

- **Startup:** An entity recognized as a startup and registered under **DPIIT** as per current laws.
- **Financing:** Any debt related financial support.
- **Onboarding:** The process of evaluating, approving, and integrating startups into the Company's programs.
- **Lending:** Any form of debt-based financial assistance extended to startups.
- **Customer Acquisition:** Activities undertaken to attract startups as clients, borrowers, or partners.
- **Marketing Strategies:** Promotional actions to engage, educate, and acquire startups.

8.4. Policy Objectives

1. Support and finance startups with viable business models and growth potential.
2. Establish clear procedures for evaluating and onboarding startups.
3. Manage credit and investment risks effectively.
4. Ensure fair, ethical, and transparent customer acquisition.
5. Promote local and national entrepreneurial ecosystems.
6. Ensure all reporting references only **DPIIT-registered** startups.
7. Align startup financing with broader business, marketing, and growth strategies.

8.5. Eligibility Criteria for Startups

A startup is eligible for onboarding or financing if it:

1. Is officially **registered with DPIIT** (mandatory for reporting).
2. Is less than 10 years from incorporation.

3. Meets defined revenue or turnover limits (as per guideline).
4. Has a clear and scalable business model.
5. Complies with applicable legal, financial, and operational standards.
6. Successfully completes due diligence (financial, legal, operational, and promoter background).

8.6. Customer Acquisition Policy

8.6.1 Acquisition Channels

Marketing Channels

- Digital marketing (SEO, email campaigns, social media promotions).
- Partnerships with incubators, accelerators, industry associations.
- Participation in startup events, conferences, hackathons.
- Collaboration with government startup platforms.
- Branch-level outreach programs and networking sessions.

8.6.2 Ethical Acquisition

- No misleading claims or misrepresentation of financing terms.
- Transparent disclosure of eligibility requirements and costs.
- Data collection must follow data protection regulations.

8.6.3 Transparency in Communication

All marketing communication must clearly state:

- Financing terms
- Eligibility criteria
- Loan/ equity offering details
- Associated risks (if applicable)
- Processing timelines

8.7. Marketing Policy for Startup Financing

8.7.1 Marketing Strategy Guidelines

Marketing must:

- Target DPIIT-registered startups as the primary audience.
- Focus on value propositions: ease of financing, mentorship, strategic support.
- Communicate unique business support offerings (legal, financial, market access).
- Use data-driven campaigns to maximize reach and conversion.

8.7.2 Branding and Messaging

- Reflect a professional, transparent, and pro-innovation identity.
- Avoid exaggeration of benefits or guaranteed returns.
- Follow brand guidelines approved by the Marketing Head.

8.7.3 Collaboration with Third-Party Platforms

- Partnerships with incubators, accelerators, and startup networks allowed.
- All partners must adhere to this policy's ethical marketing requirements.

8.8. Business Strategy Support and Onboarding

8.8.1 Onboarding Process

1. Application submission
2. Verification of DPIIT registration
3. Preliminary screening
4. Business model evaluation
5. Risk and financial assessment
6. Due diligence

7. Approval
8. Onboarding and agreement signing

8.8.2 Business Strategy Support

Onboarded startups may receive support including:

- Go-to-market advisory
- Market research assistance
- Business model refinement
- Product development and pricing guidance
- Compliance and legal structuring assistance
- Mentorship and networking access

8.8.3 Monitoring

Ongoing monitoring includes:

- Quarterly performance reports
- Cash burn analysis
- Operational and market updates
- Compliance with financing agreements

8.9. Financing and Lending Framework

8.9.1 Types of Financing

- Debt Financing / Lending
- Revenue-Based Financing

8.9.2 Lending to Startups

8.9.2.1 Loan Eligibility

- DPIIT registration (mandatory)
- Positive promoter background verification
- Clear revenue model or growth roadmap
- Ability to demonstrate cash flow or collateral alternatives (if applicable)

8.9.2.2 Loan Types

- Working capital loans
- Equipment financing
- Invoice financing

8.9.2.3 Credit Appraisal

Includes:

- Business viability review
- Revenue assessment
- Financial projections
- Founder capability and track record
- Industry risks
- Collateral (when applicable)

8.9.2.4 Risk Grading

Startups shall be graded (Low/Moderate/High risk) based on ICON rating.

8.10. Start up Notification from Government of India

Subsequent to the approval of the Policy by the Board, the Department for Promotion of Industry and Internal Trade (DPIIT), under the Ministry of Commerce and Industry, issued Notification No. CG-DL-E-05022026-269843 dated 04.02.2026, in supersession of Gazette Notification No. G.S.R. 127(E) dated 19 February 2019.

Definitions

1. In this notification, —

a. 'Startup' means an entity which—

i. is incorporated or registered in India as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) or a Multi-State Cooperative Society registered with the Central Registrar of Cooperative Societies (under the Multi-State Cooperative Societies Act, 2002) or a Cooperative Society registered under any State or Union Territory Cooperative Societies Act with the respective Registrar of Cooperative Societies in India;

ii. is within a period of ten years from the date of its incorporation or registration;

iii. has a turnover for any of the financial years since incorporation or registration not exceeding two hundred crore rupees; and

iv. is working towards innovation, development or improvement of products or processes or services, or is a scalable business model with a high potential of employment generation or wealth creation.

Provided that, in the case of an entity recognised as a 'Deep Tech Startup' under this notification:

(a) the period specified in clause (ii) shall be up to twenty years from the date of its incorporation or registration; and

(b) the turnover limit specified in clause (iii) shall be three hundred crore rupees for any of the financial years since incorporation or registration.

Provided further that, an entity formed by splitting up or reconstruction of an existing business shall not be considered a Startup.

Explanation-

For the purposes of this notification, an entity shall cease to be a Startup on completion of ten years from the date of its incorporation or registration, or if its turnover for any previous year exceeds two hundred crore rupees.

Provided that, in the case of an entity recognised as a Deep Tech Startup under this notification, such entity shall cease to be a Deep Tech Startup on completion of twenty years from the date of its incorporation or registration, or if its turnover for any previous year exceeds three hundred crore rupees.

b. "Act" means the Income-tax Act, 1961[1];

c. "Board" means the Inter-Ministerial Board of Certification comprising of the following members:

i. Joint Secretary, Department for Promotion of Industry and Internal Trade, Convener

ii. Representative of Department of Biotechnology, Member

iii. Representative of Department of Science & Technology, Member

The strength and composition of the Board may be amended, with the approval of Secretary, DPIIT.

d. "Central Registrar" shall have the meaning as assigned to it in clause (d) of Section 3 of The Multi- State Cooperative Societies Act, 2002;

e. "cooperative society" shall be registered under any State/Union Territory Cooperatives Acts with the respective Registrar of Cooperative Societies in India;

f. "limited liability partnership" shall have the meaning as assigned to it in clause (n) of sub- section(1)of Section 2 of the Limited Liability Partnership Act, 2008;

g. "multi-state cooperative society" shall be registered with the Central Registrar of Cooperative Societies under the Multi-State Cooperative Societies Act, 2002;

h. "partnership firm" shall have the meaning as assigned to it in Section 4 of the Partnership Act, 1932;

i. "private limited company" shall have the meaning as assigned to it under the Companies Act, 2013;

j. "State/Union Territory Cooperatives Acts" shall refer to any Acts relating to cooperative societies enacted from time to time by a State or Union Territory;

k. "turnover" shall have the meaning as assigned to it in clause (91) Section 2 of the Companies Act,2013;

l. All references to "Forms" in this notification shall be construed as references to the forms set out in Appendix-I hereto;

m. "DPIIT" means Department for Promotion of Industry and Internal Trade.

n. A 'Deep Tech Startup' means a 'Startup' that has the following attributes, in addition to the criteria detailed in para (1)(a):

i. It is working on producing a solution based on new knowledge/advancements within a scientific or engineering discipline or multiple disciplines, which is yet to be developed or is in the process of being developed;

ii. It has a high percentage of expenditure on research and development (R&D) activities as a percentage of revenue/funding;

iii. It owns or is in the process of creating significant novel intellectual property (IP) and taking steps to commercialize the same; and

iv. It is facing extended development timelines, long gestation periods, high capital and infrastructure requirements, and carrying large technical or scientific uncertainty.

Provided that, for the purposes of this notification, a 'Deep Tech Startup' shall be deemed to be a 'Startup', and references to a 'Startup' shall include a 'Deep Tech Startup', unless otherwise stated.

Provided further that, the determination of whether an entity satisfies the attributes of a 'Deep Tech Startup' shall be made in accordance with such framework, parameters, and guidelines as may be issued by the Department, and based on the

documents and information furnished by the applicant in the manner specified by the Department.

Recognition

2. The process of recognition of an eligible entity as Startup shall be as under: —

An entity shall make the application specified on the portal set-up by DPIIT. The application shall be accompanied by—

a. a copy of Certificate of Incorporation or Registration, as the case may be, and
b. a write-up about the nature of business highlighting how it is working towards innovation, development or improvement of products or processes or services, or its scalability in terms of employment generation or wealth creation.

c. in the case of entities applying to be recognised as 'Deep Tech Startup', the entity must provide documents and information as may be specified in the online application portal which demonstrate that the entity meets the attributes specified under point (n) under the 'Explanation' section of this notification.

ii. The DPIIT may, after calling for such documents or information and making such enquiries, as it may deem fit, —

a. recognises the eligible entity as 'Startup', including as a 'Deep Tech Startup' as applicable; or

b. rejects the application by providing reasons.

Certification for the purposes of section 80-IAC of the Act[2]

3. A Startup, including a Deep Tech Startup being a private limited company or limited liability partnership, which fulfils the conditions specified in sub-clause (i) and sub-clause (ii) of the Explanation to section 80-IAC of the Act, may, for obtaining a certificate for the purposes of section 80-IAC of the Act, make an application in Form-1 along with documents specified therein to the Board and the Board may, after calling for such documents or information and making such enquiries, as it may deem fit, —

i. grant the certificate referred to in sub-clause (c) of clause (ii) of the Explanation to section 80-IAC of the Act; or

ii. reject the application by providing reasons.

A Startup shall make the application specified on the portal set-up by DPIIT.

Conditions

4. Startup, including a Deep Tech Startup, shall deploy its funds primarily towards its core business activities, innovation, research, scaling, or operational requirements, and shall not engage in activities or investments of the nature specified below, except in the ordinary course of its business.

5. Startup, including a Deep Tech Startup, shall not, during the period of recognition, invest in any of the following assets or activities, other than where such investment is integral to its core business operations—

i. building or land appurtenant thereto, being a residential house, other than that used by the Startup for its own business purposes or held as stock-in-trade;

ii. land or building, or both, not being a residential house, other than that occupied by the Startup for its business or held as stock-in-trade in the ordinary course of business.

iii. loans and advances, except where the lending of money is a substantial part of the Startup's business, or such advances are made in the ordinary course of business;

- iv. capital contributions to other entities, except where such contribution is directly related to the Startup's business or strategic objectives.
- investment in shares and securities, except where such investments are incidental to treasury operations or form part of the Startup's core business;
- vi. motor vehicles, aircraft, yachts or other modes of transport of high value, except where such assets are used for operational, leasing, hiring or stock-in-trade purposes;
- vii. jewellery or other luxury assets, except where held as stock-in-trade in the ordinary course of business;
- viii. any other asset or activity of a speculative or non-productive nature, as may be notified by the Central Government.

Revocation

6. (1) In case it is found that any certificate referred to para 3 has been obtained on the basis of false information, the Board reserves the right to revoke such certificate or approval.

(2) Where the certificate or approval has been revoked under sub-para (1), such certificate or approval shall be deemed never to have been issued or granted by the Board.

Relaxations and Modifications

7. The Central Government may, in special circumstances, relax or modify the applicability of one or more conditions of this definition for classes of startups or individual cases, as it may deem fit.

Effect

8. This notification shall come into effect on the date of its publication in the Official Gazette.

CHAPTER 9

POLICY GUIDELINES FOR PRODUCTS & SERVICES DESIGNED FOR GIG WORKERS

9.1. Purpose

This policy establishes a structured framework for designing, marketing, onboarding, and delivering banking products and services specifically tailored to **Gig Workers**, including self-employed professionals, independent workers, freelancers, contractual workers, platform-based gig workers, and individuals earning outside a traditional employer–employee structure. The policy ensures financial inclusion, risk-aware lending, simplified onboarding, and access to banking solutions suited to the income profile of gig workers.

9.2. Scope

This policy applies to:

- All bank branches, digital channels, and business units offering gig-worker-specific financial products.
- All departments involved in product development, marketing, credit appraisal, and customer support for gig workers.
- All gig workers identified through external databases (e.g., **e-Shram Portal**) and internal methods (e.g., **self-declaration**, subject to risk appetite).

9.3. Definition of Gig Worker

A **Gig Worker**, for the purpose of this policy, is an individual who:

- Earns income through **platform-based models** (e.g., ride-hailing, food delivery, freelance digital platforms).
- Operates as a **self-employed professional** or **independent contractor** (e.g., designers, consultants, tutors).
- Performs **non-traditional, flexible, or task-based work** without a permanent employer–employee relationship.
- May or may not be registered on government platforms (e.g., e-Shram).

9.4. Identification of Gig Workers

Gig workers may be identified through:

9.4.1 e-Shram Portal Verification

- Users registered on the e-Shram portal may be accepted as verified gig workers.

9.4.2 Platform-Based Validation

- Workers providing services via gig platforms (e.g., cab aggregators, food delivery apps, freelance marketplaces) may provide:
 - Work history screenshots
 - Payment statements
 - Platform-issued ID

9.4.3 Self-Declaration

- The Bank may accept **self-declaration affidavits** or customer declarations where allowed, aligned with the Bank's **risk appetite**.

- Declarations must include nature of work, platform(s), average monthly earnings, and duration of engagement.

9.4.4 Income Validation

- Bank statements
- Digital payment receipts
- UPI history
- Form 26AS (if applicable)
- GST receipts (for registered professionals)

9.5. Potential Banking Products & Services (with Timelines)

9.5.1 Short-Term (0–3 Months) – Foundational Offerings

A. Basic Banking

- Dedicated Gig Worker Savings Account
- No/low minimum balance accounts
- Digital onboarding and e-KYC
- Zero/low-cost cash deposit and withdrawal limits

B. Payment Solutions

- UPI-linked accounts
- QR code issuance for freelancers
- Prepaid cards and expense wallets

C. Insurance Tie-Ups

- Low-cost health, accident, and disability insurance
- Daily income protection cover

9.5.2 Medium-Term (3–9 Months) – Credit-Linked Offerings

A. Small Ticket Loans

- Nano-credit (<₹50,000)
- Short-term personal loans
- Credit backed by transaction history

B. Asset Loans

- Two-wheeler loans for delivery workers
- Mobile phone/laptop financing for freelancers
- Equipment micro-loans

C. Overdraft Facilities

- UPI-linked micro-overdraft
- Emergency credit line based on income consistency

9.5.3 Long-Term (9–18 Months) – Advanced Offerings

A. Credit Building Products

- Secured and unsecured credit cards
- Credit builder loans
- Fixed deposit–linked loans

B. Investment Solutions

- SIP and recurring deposits

C. Business Products

- Merchant accounts for independent contractors
- GST-linked cash-flow financing (for professionals)
- Term loans for scaling operations

9.6. Eligibility Criteria for Gig Workers

9.6.1 General Eligibility

- Age: 18–60 years
- Resident individual
- Stable gig work engagement (minimum 3 months preferred)
- Valid KYC documentation

9.6.2 Work-Activity Eligibility

The applicant must engage in one of the following:

- Platform-based gig services (e.g., cab, delivery, freelancer sites)
- Self-employed professional services (e.g., tutors, designers, consultants)
- Independent contract work
- Home-based or digital freelancing activities

9.6.3 Income Eligibility

- Minimum monthly earnings: Bank to determine based on risk appetite
- Verified through bank statements, app-based payouts, digital receipts

9.6.4 Eligibility Verification Methods

- e-Shram registration (preferred where available)
- Platform payout reports
- Self-declaration (per risk appetite)
- Third-party verification (where permitted)

9.7. Product Benefits & Bundled Offerings

9.7.1 Bundled Accounts

- Savings account + Insurance bundle

9.7.2 Insurance Bundles

- Accidental cover (mandatory for high-risk gig segments)

9.7.3 Credit Bundles

- Two-wheeler loan + personal accident cover

9.7.4 Free or Subsidized Services

- Free NEFT/RTGS/UPI transactions
- Zero-balance digital accounts
- Business toolkit for freelancers (invoicing, payroll add-ons)

9.8. Customer Onboarding & KYC Policy

- e-KYC preferred for digital onboarding
- Alternative KYC allowed for workers without formal documents
- Biometric Aadhaar authentication allowed where legally permitted
- Occupation must be recorded in CBS systems

9.9. Credit Appraisal Framework for Gig Workers

9.9.1 Assessment Approach

Given variable income patterns, the Bank shall evaluate:

- Average monthly inflows
- Work continuity (platform tenure)
- Digital payment footprint
- Ratings/feedback on platforms (optional)
- Seasonality of income

9.10. Reporting Requirements

- Segregated reporting of gig worker accounts
- Periodic MIS for adoption of gig-specific products
- Identification of gig workers through e-Shram/UAN tracking (where provided).
