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अनुदेश परिपत्र सं.364-2016

10 फरवरी, 2016

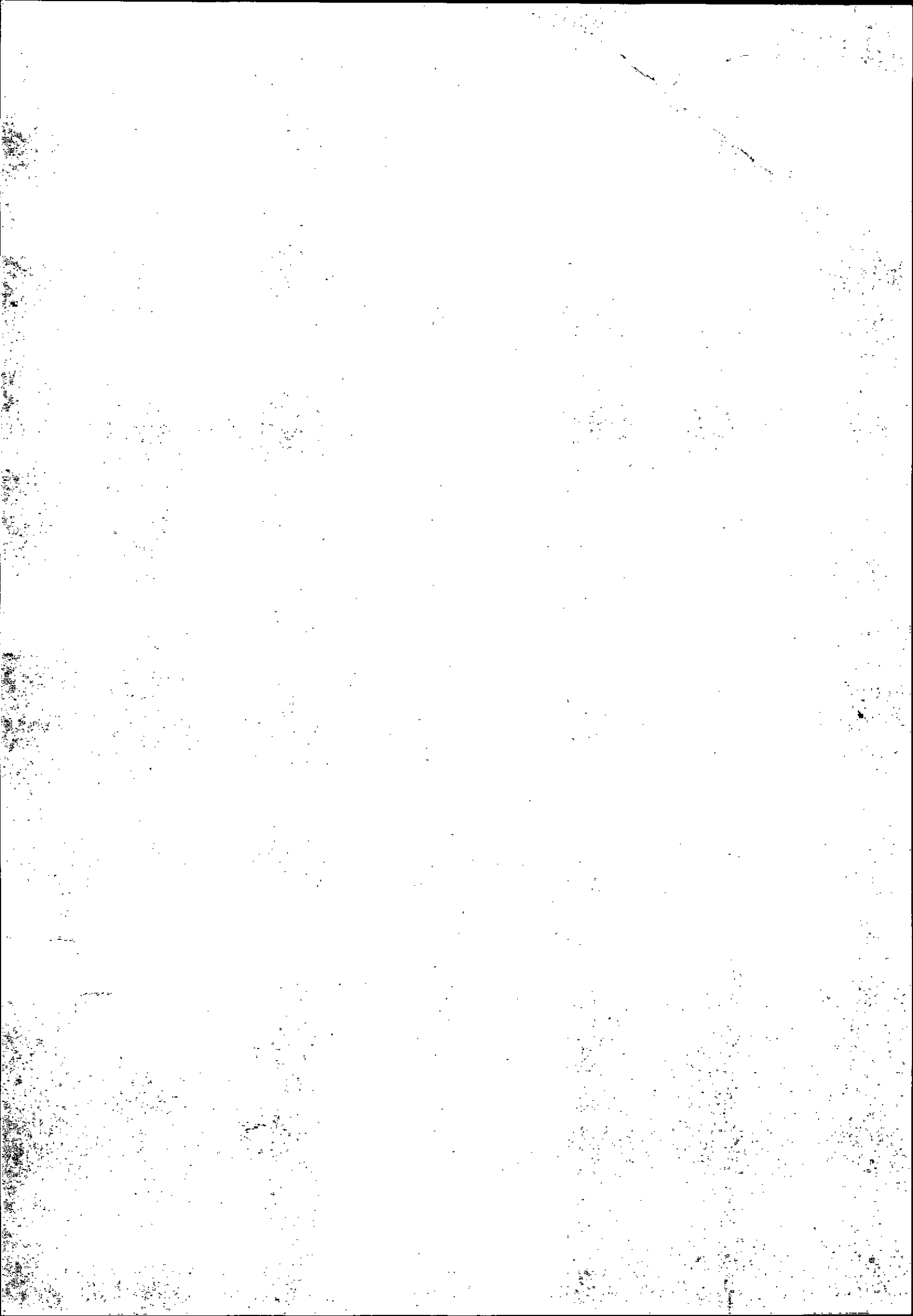
प्रति : सभी शाखाएं/ कार्यालय

ऋण संविभाग का प्रबंधन -
सूक्ष्म, लघु एवं मध्यम उद्यम नीति 2015-16

1. बैंक की सूक्ष्म एवं लघु उद्यम नीति पहली बार वर्ष 2009 में बनाई गई थी. तदुपरांत, इस नीति की समय-समय पर वार्षिक आधार पर समीक्षा की गई. वर्ष 2014-15 के लिए सूक्ष्म एवं लघु उद्यम नीति का अनुमोदन दिनांक 31 मई, 2014 को आयोजित बोर्ड की बैठक में किया गया था.
2. सूक्ष्म, लघु एवं मध्यम उद्यम (एमएसएमई) क्षेत्र को वित्त पर भारतीय रिजर्व बैंक द्वारा दिनांक 01 जुलाई, 2015 को जारी मास्टर परिपत्र के अनुपालन में, सूक्ष्म एवं लघु उद्यम नीति 2014-15 की गहन समीक्षा की गई.
3. इसके बाद, सूक्ष्म एवं लघु उद्यम नीति के नाम को बदलकर सूक्ष्म, लघु एवं मध्यम उद्यम नीति किया गया.
4. सूक्ष्म, लघु एवं मध्यम उद्यम नीति 2015-16 का अनुमोदन दिनांक 10.02.2016 को आयोजित बोर्ड की बैठक में किया गया और इसे अनुलग्नक-ए के रूप में संलग्न किया गया है.
5. शाखाओं/कार्यालयों से निवेदन है कि उपर्युक्त बातों को ध्यानपूर्वक नोट करें तथा अनुपालन सुनिश्चित करें.

वी.वी.शेणॉय
(वी.वी.शेणॉय)
महा प्रबंधक
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संलग्न: यथोक्त



Credit Policy & MSME Department: Central Office

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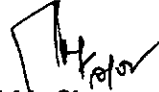
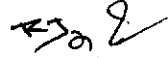
Instruction Circular No: 364 - 2016

10th February 2016

To All Branches/Offices

Management of Credit Portfolio -
MSME Policy 2015-16

1. The maiden MSE Policy of the Bank was framed in the year 2009. Thereafter, the policy was reviewed from time to time on annual basis. The MSE Policy for the year 2014-15 was approved by the Board in its meeting held on 31st May 2014.
2. MSE Policy 2014-15 has been thoroughly reviewed on the lines of RBI Master Circular on Lending to Micro, Small & Medium Enterprises (MSME) Sector issued on 1st July 2015.
3. Further, the nomenclature of MSE policy is modified to MSME Policy.
4. The MSME Policy 2015-16 has been approved by the Board in its meeting held on 10.02.2016 and it is enclosed as Annexure A.
5. Branches/Offices are requested to take a careful note of the above and ensure compliance.


(V.V. Shenoy)
GENERAL MANAGER




MSME POLICY 2015-16**1. Introduction:**

1.1 Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are supplementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

1.2 The Micro & Small Enterprise (MSE) is a major component of MSMEs in India. It comprises of the erstwhile Small Scale Industries and other small enterprises from service sector. The MSEs are instruments of inclusive growth which touch upon the lives of the most vulnerable and most marginalized individuals. Thus it is imperative to have a policy which aims at improving the credit flow particularly to MSE segment. This sector produces about 8000 products and offers the largest employment after agriculture. The sector therefore offers an opportunity to the country to harness local competitive advantages for achieving global dominance.

1.3 Though the MSME sector's performance is commendable, it faces a number of constraints. The major constraints faced by the MSME sector can be summarized as under:

- MSMEs in general and Micro Enterprises in particular have inadequate access to finance due to lack of financial information and non-formal business practices.
- MSMEs in general, find it difficult to get timely credit.
- Many a time, Banks insist for collateral which MSMEs lack.
- MSMEs face fragmented markets in respect of their inputs as well as products and are vulnerable to market fluctuations.
- MSMEs lack easy access to inter-state and international markets.
- The access of MSMEs to technology and product innovations is also limited. There is lack of awareness of Global Best Practices.
- MSMEs face considerable delays in the settlement of dues/payment of bills by the Large Corporate/Large Scale buyers.

2. MSME Policy: -

2.1 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.

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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 Medium Enterprises being an integral part of MSME Act and priority sector lending guidelines of RBI is also discussed in the policy, wherever applicable. Hence, nomenclature of the existing 'MSE policy' stands modified to 'MSME policy'.

Bank has also issued operating guidelines on lending to MSMEs in sync with policy guidelines.

2.2 Objectives:-

2.2.1 The MSME Policy is based on the following principles:

- The Policy aims at enlarging the MSME client base through aggressive credit marketing.
- The Policy addresses the credit needs of the existing MSME clients for speedier and prompt credit decision.
- The Policy describes the Bank's approach towards credit appraisal skills and strategies on the one hand and flexibility and innovation on the other hand.
- The Policy document attempts to ensure that the socio-economic obligations of the Bank are fully met.
- The Policy endeavors to ensure continuous growth of loan assets while keeping those assets performing and standard.
- The Policy aims at a comprehensive Management Information System based on a reliable data base and endeavors to mitigate and reduce risk associated with the lending by fine tuning systems and controls.
- The Policy document ensures 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. CP&MSME Department 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 CP & MSME Department without deviating from the spirit behind the guidelines.
- One of the basic objective of issuing this Policy is to create awareness among the Branch level functionaries regarding needs of the sector and guidelines issued thereof.

2.3 Scope

2.3.1 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.

2.3.2 Since other credit related areas have been dealt in detail by the Loan Policy, these aspects are not covered in the MSME Policy to avoid duplication. Hence, the MSME Policy should be read along with the Loan Policy.

2.3.3 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, etc.

2.3.4 Any exception or deviation from the policies shall be referred to CP & MSME Dept., C.O. who shall in turn put up such matters to the Credit Approval committee (CAC-II and above) at Central Office for approval.

2.4 Ownership

2.4.1 CP & MSME Dept. 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.

2.4.2 CP & MSME Vertical -Role and Objectives

Bank has adopted a policy package for stepping up credit to MSEs which was approved by the Board in its meeting held on 30th September 2005 and MSE Cell was established at Credit Department, Central Office. Subsequently it was decided to establish an exclusive MSME department to have a focused attention to the MSME business. Accordingly, at the beginning of the Financial Year 2008-09, MSME vertical was established at Central Office headed by General Manager which has been renamed as Central Credit & MSME (now renamed as Credit Policy and MSME Department) with focused attention on MSME. Following are the Roles and Objectives of the vertical:-

2.4.2.1 To keep a track of Government Guidelines/RBI Guidelines, market requirements and accordingly to formulate Bank's Policy on MSME in line with laid down guidelines and to modify the policy from time to time.

2.4.2.2 To design lending schemes for segment specific/cluster-specific MSMEs from time to time to drive business growth.

2.4.2.3 To put in place marketing strategies and marketing teams at Regional Offices/ Branches for aggressive marketing to tap the market potentials for lending to MSMEs.

2.4.2.4 To identify broad inputs for the training courses to be conducted for skill development of the field functionaries for quality appraisal and marketing of credit proposals.

2.4.2.5 Identification of MSME clusters with a view to market Bank's products/schemes, in consultation with SIDBI / Govt. of India, wherever applicable.

2.4.2.6 To fix business growth targets for MSME lending for respective Regional Offices in consultation with ROs/FGMOs and periodical review of actual achievement vis-à-vis targets.

2.4.2.7 Identification of credit thrust branches having the maximum MSME finance/ potential for MSME business and monitor these branches directly to have a focused and maximum MSME business growth.

- 2.4.2.8 To extend support to the field functionaries for achieving business targets under MSME by giving marketing strategies and visit of executives from Central Office to the Controlling Offices for liaisoning with other Financial Institutions, Industry and Trade Associations.
- 2.4.2.9 CP&MSME Vertical to also oversee the growth of MSME business of the Bank as a whole apart from the credit thrust business banking branches.
- 2.4.2.10 Apart from this, CP & MSME Vertical will be responsible for the following financial and non-financials KRAs:
- i. **Financial KRAs**
 - Growth in MSME Credit
 - Yield on MSME Credit Portfolio
 - Growth in non-interest income from MSME advances
 - Growth in number of MSME accounts
 - Delinquency rates
 - ii. **Non Financial KRAs**
 - Establishment of SARALs where business opportunities exist - A complete Business Model having adequate Manpower with assured Turn Around Time for quick disposal of MSME proposals.
 - Ongoing identification and review of "Business Banking Branches"
 - Holding of monthly MSME camps at various potential Centers/Clusters.
 - Launch of Cluster Specific Schemes.
 - Aggressive MSME Publicity Campaign and Brand Building Initiatives.
 - Building of MSME cadre, a silo of specialized officers who will have expertise in Credit Appraisal/Processing of MSE proposals, Marketing and Monitoring.
 - Comprehensiveness, accuracy and timeliness of policy documents/ database.
 - Returns to RBI and Ministries
 - Business planning & periodic reviews.
 - Timely rectification of credit related grievances.
 - Timely empanelment of Valuer/Stock auditor/LIE/TEV Consultants
 - Proper monitoring of reversal of expired Bank Guarantee

- Effective management of following Cells at Central Office
 - CERSAI Cell
 - CGTMSE Cell
 - CRILC Cell
 - E-confirmation Cell
 - TUFs Cell
 - Willful Defaulters/Non-Cooperative Borrowers/RBI Caution Advice Cell
- Credit related correspondence with MFI/RBI/IBA
- MSME Credit related RTIs

2.4.3 Credit Portfolio Monitoring, Restructuring and Recovery

A Credit Monitoring and Restructuring Department as well as Credit Recovery and Legal Service Department covering all verticals have been set up at Central Office. The guidelines issued by the respective department will be equally applicable to MSMEs unless otherwise specified by them. The details of roles & responsibilities and functioning of these departments are brought out through separate policy guidelines by respective verticals.

2.5 Compliance

2.5.1 All the functional divisions are expected to comply with the policy guidelines laid down in this Policy document. In case of any doubt about the applicability of any aspect of the policy contents, clarification/approval shall be sought from CP & MSME Department, Central Office.

2.6 Management Information System (Submission of Weekly Flash data and Monthly MSME Statement)

2.6.1 To reduce the burden of submission of the statements at Branch/ RO level, suitable MIS package is to be utilized and updated thereof from time to time. Proper feeding of data/ particulars relating to the accounts in the Finacle is the prerequisite for the generation of correct report/ return through MIS. Hence, Branches/ROs should ensure that the data/particulars like classification etc relating to the accounts are properly fed / updated in the Finacle for stabilization of the MIS.

2.7 Modification and Review

2.7.1 The policy shall be valid upto 30-September-2016 from the date of issue and it should be renewed by the end of September every year. The continuity of the policy may be extended automatically for a further period of 3 months with the specific approval of CMD.

2.7.2 The Policy shall also be modified to give effect, in case of any changes in the existing guidelines/directives/instructions based on the directives/advice of Reserve Bank of India/Govt. of India/other regulatory authorities, issued from time to time, subject to reporting and approval of the Board of Directors.

2.7.3 The Policy will be reviewed / revised from time to time, at least once in a year to adapt to the changing economy/environmental demands and to incorporate/ implement any changes in the credit strategy of the Bank related to the MSME customers.

3 MICRO, SMALL & MEDIUM ENTERPRISES DEVELOPMENT (MSMED) ACT (Along With Reserve Bank of India Guidelines & internal guidelines thereof)

3.1 Govt. of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 on June 16, 2006 which was notified on October 2, 2006. With the enactment of MSMED Act, 2006, Services Sector is included in the definition of MSME apart from extending the scope to Medium Enterprises. The MSMED Act, 2006 has modified the definition of Micro, Small & Medium Enterprises engaged in manufacturing or production and providing or rendering services. Reserve Bank of India has notified the aforesaid changes which along with the definition of MSME, as per the Act have been adopted by the Bank for the purpose of credit.

3.1.1 Following significant changes have been introduced through MSMED Act, 2006.

- The word "Industry" has been replaced by "Enterprises".
- The word "Tiny" has been replaced by "Micro".
- The Services sector has been brought under the purview of MSMED Act, 2006.

3.1.2 Definition of Micro, Small & Medium Enterprises

Segment	Enterprises engaged in the manufacture or production, processing or preservation of goods	Enterprises engaged in providing or rendering of services
Micro Enterprise	Is an enterprise where original investment in plant & machinery does not exceed Rs. 25 Lacs.	Is an enterprise where original investment in equipment does not exceed Rs.10 Lacs.
Small Enterprise	Is an enterprise where original investment in plant & machinery is more than Rs.25 lacs but does not exceed Rs. 5 Crores.	Is an enterprise where original investment in equipment is more than Rs.10 lacs but does not exceed Rs.2 Crores.
Medium Enterprise	Is an enterprise where original investment in plant & machinery is more than Rs. 5 crores but does not exceed Rs.10 crores.	Is an enterprise where original investment in equipment is more than Rs 2 crores but does not exceed Rs. 5 crores.

3.1.2.1 In case of manufacturing enterprises, investment in plant & machinery is the original cost excluding land & building and the items specified by the Ministry of Small Scale Industries vide its notification No.S.O.1722 (E) dated October 5, 2006 enclosed as Annexure I.

3.1.2.2 In case of service enterprises, investment in equipment is the original cost excluding land & building and furniture, fittings & other items not directly related to the service rendered or as may be notified under MSMED Act, 2006.

3.1.3 Certain activities have also been included under Micro & Small (Service) Enterprises, provided such enterprises satisfy the definition of MSEs (Service) in respect of investment in equipment (i.e., not exceeding Rs.10 lacs for Micro Enterprises and Rs.2 crores for Small Enterprises). Updated list of activities included in the Micro & Small Service enterprises by Ministry of MSME is given below:

- Small Road & Water Transport Operators
- Small Business
- Professional & self-employed persons
- All other Service Enterprises.
- Publishing
- Sanitation service (hiring of septic tank cleaner)
- Clinical/pathological laboratory and scanning, MRI test.
- Hospitals
- Agri-clinic and agri-business
- Restaurant with bar
- Hotels
- Motel industry
- Consultancy services including management services
- Renting of agricultural machinery (harvesting)
- Composite broker services in risk and insurance management
- Third Party Administration (TPA) services for Medical Insurance Claims of Policy Holders.
- Seed Grading Services
- Training-cum-Incubator Centres
- Educational Institutions
- Training Institutes
- Practice of Law i.e. legal services
- Trading in Medical Instruments (brand new)
- Placement and Management Consultancy Services
- Advertising Agency and Training Centers
- Development of software and providing software services
- Canteens
- Medical Transcription Service
- Production of T.V serial and other T.V programmes
- Ripening of raw fruits under controlled conditions, [subject to norms prescribed by Food Safety and Standards Authority of India, (Ministry of Health and Family Welfare, Government of India)]
- Service Rating Agency (rating and grading services across sectors based on set methodology and standards)
- Retreading of Tyre
- Infrastructure and Real Estate activity
- Power (Electrical) Distribution Service
- Warehouse, Godown and Cold Storage Services

Specific activities which can be considered as manufacturing:

- Printing
- "Printing & Publishing" as integrated unit.
- Medical Equipment and Ayurvedic Products

- Composite unit of Bacon Processing and Piggery Farm (Piggery Farm without Bacon Processing shall not be classified either as manufacturing or service enterprise because this is a farming activity)
- Tobacco Processing
- Beedi/Cigarette manufacturing and other tobacco products
- Extraction of Agave Spirit from Agave Juice (imported medicinal plant) extraction of Agave
- Manufacture of Bio-fertilizer
- Separation of iron scraps from slag pots.
- Generation of electricity through windmill.
- Seed Processing (for genetic enhancement) (Involving collection of germplasm, cleaning, gravity separation, chemical treatment etc.)
- Composite unit of Poultry with Chicken (Meat) Processing [Poultry farm without chicken (meat) processing shall not be classified either as manufacturing or service enterprise because this is a farming activity]
- Power Generation by conventional as well as by non-conventional processes
- Cotton ginning

(As per latest RBI guidelines on Priority Sector Lending, Bank loan to Food & Agro processing units will form part of agriculture).

4 MSME- PRIORITY SECTOR LENDING (Reserve Bank of India Guidelines & Internal Guidelines thereof)

4.1 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.

4.2 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 following norms:

4.2.1 Manufacturing Enterprises:

The Micro, Small and Medium Enterprises engaged in the manufacture or production of goods to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951 and as notified by the Government from time to time. The manufacturing enterprises are defined in terms of original investment in Plant & Machinery. (It is clarified that all eligible manufacturing enterprises under MSME irrespective of credit facilities will be classified under priority sector.)

4.2.2 Service Enterprises:

Bank loans up to Rs. 5 crore per unit to Micro and Small Enterprises and Rs.10 crore to Medium Enterprises engaged in providing or rendering of services and defined in terms of original investment in equipment under MSMED Act, 2006. (It is therefore, clarified that all such service units under MSME enjoying credit facilities above Rs.5 crs & Rs.10 crs will be part of MSE & Medium Enterprises, respectively but shall not qualify for priority sector classification.)

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4.2.3 Khadi & village Industries Sector (KVI)

All loans to units in the KVI sector will be eligible for classification under the sub-target of 7 percent / 7.5 percent prescribed for Micro Enterprises under priority sector.

4.2.4 Other finance to MSMEs:

4.2.4.1 Loans to entities involved in assisting the decentralized sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries.

4.2.4.2 Loans to co-operatives of producers in the decentralized sector viz. artisans, village and cottage industries.

4.2.4.3 Loans sanctioned to MFIs for on-lending to MSME sector as per the conditions specified by RBI.

4.2.4.4 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).

4.2.5 Outstanding deposits with SIDBI and MUDRA Ltd. on account of priority sector shortfall.

4.3 To ensure that MSMEs do not remain small and medium units merely to remain eligible for priority sector status, the MSME units will continue to enjoy the priority sector lending status up to three years after they grow out of the MSME category concerned.

4.4 Considering that the MSMED Act, 2006 does not provide for any sub-categorization within the definition of micro enterprises and that the sub-target for lending to micro enterprises has been fixed by RBI, the current sub-categorization within the definition of micro enterprises as per existing guidelines is dispensed with by RBI.

4.5 MSMED Act, 2006 does not provide for clubbing of investments of different enterprises set up by same person /company for the purpose of classification of industrial undertakings as Micro & Small Enterprises.

4.6 Investments in Securitized 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.

4.7 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.



- 4.8 A system should be put in place at all levels for maintaining a register/ electronic record, wherein the date of receipt, sanction/rejection/disbursement with reasons thereof, etc., should be recorded. The register/electronic record should be made available to all inspecting agencies.
- 4.9 An acknowledgement is to be provided for loan applications received under priority sector MSME loans and decision should be communicated in writing to the applicants within prescribed time limit.
- 4.10 **Targets / sub-targets for lending to Micro, Small and Medium Enterprises (MSME) Sector**
- 4.10.1 Advances to Micro, Small and Medium Enterprises (MSME) sector is reckoned for computing achievement under the overall Priority Sector target as per point No.4.1.
- 4.10.2 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 in a phased manner i.e. 7 per cent by March 2016 and 7.5 per cent by March 2017.
- 4.10.3 Loans above Rs.5 crore per borrower / unit to Micro and Small Enterprises and Rs.10 crore to Medium Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006, will not be reckoned in computing achievement under the overall Priority Sector targets as above. However, loans above Rs.5 crore per borrower / unit to Micro and Small Enterprises would be taken into account while assessing the performance of the banks with regard to achievement of targets prescribed by the Prime Minister's Task Force on MSMEs for lending to MSE sector.
- 4.10.4 In terms of the recommendations of the Prime Minister's Task Force on MSMEs, Bank has to achieve:
- 20 per cent year-on-year growth in credit to micro and small enterprises,
 - 10 per cent annual growth in the number of micro enterprise accounts and
 - 60% of total lending to MSE sector as on preceding March 31st should be to Micro enterprises.

Hence, all endeavors to comply with the directives should be made in letter and spirit.

5. COMMON GUIDELINES / INSTRUCTIONS FOR LENDING TO MSME SECTOR (Reserve Bank of India Guidelines & internal guidelines thereof)

5.1 Issue of Acknowledgement of Loan Applications to MSME borrowers

- Acknowledgement of all loan applications, submitted manually or online, by MSME borrowers is mandatory.
- It should be ensured that a running serial number is recorded on the application form as well as on the acknowledgement receipt.

- Bank will encourage Central Registration of loan applications and technology will be used for online submission of loan applications as also for online tracking of loan applications.
- The above guidelines should be read along with Priority Sector guidelines of RBI enumerated under Point No.4.8.

5.2 Collateral

5.2.1 Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE) was established in August, 2000 and promoted by Government of India and SIDBI with an objective of providing the guarantee cover to the collateral free loans extended to Micro & Small Enterprises under its scheme known as Credit Guarantee Scheme.

5.2.2 Credit Guarantee Scheme is a tool for:

- Widening of credit portfolio
- Better management of risk
- Faster recovery of dues
- Enhancement of profitability

5.2.3 No collateral should be accepted in case of loans upto Rs.10 lacs extended to units in the MSE sectors (whether eligible under CGTMSE or not). Also, Collateral-free loans up to Rs. 10 lakh should be extended to all units financed under the Prime Minister Employment Generation Programme (PMEGP) administered by KVIC. Further, Branches/Offices should cover all loans upto Rs. 25 lacs extended to Micro & Small Enterprises and are eligible for coverage under guarantee scheme of CGTMSE without any exception. If at all there is any exception, the same should be only with the prior permission of their Regional Head.

5.2.4 Branches/Offices can provide collateral free credit limits upto Rs.100 lacs under Credit Guarantee Scheme for MSEs subject to availability of CGTMSE cover, satisfaction of borrower's track record and good & sound financial position.

5.2.5 In order to extend the collateral free loans to number of MSE accounts and cover the same under the Credit Guarantee Scheme, targets are assigned to the Regions for covering accounts under the Credit Guarantee Scheme. The Regions are supposed to distribute these targets among the branches in their jurisdiction. Similarly, Branch level functionaries are to be encouraged to avail the Credit Guarantee Scheme cover by Controlling Offices and the performance of the field functionaries regarding coverage of accounts under CGTMSE scheme is to be considered as one of the parameters for evaluating the performance of the field functionaries.

5.2.6 The existing features of the Credit Guarantee Scheme and modifications thereof are to be communicated by CP&MSME Department from time to time.

5.3 Composite loan

- A composite loan upto Rs.1.00crore 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.

5.4 Specialized MSME branches

- As per Reserve Bank of India guidelines atleast one specialised branch is to be opened in each district and categorization of general banking branches having 60% or more of advances to MSME sector as specialized MSME branches for providing better service to this sector as a whole is permitted.
- Specialized MSME branches is to be ensured 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.
- The existing specialized SSI Branches are also identified as MSME Business Banking Branches by the Bank. Though their core competence will be utilized for extending finance and other services to MSME sector, they will have operational flexibility to extend finance/render other services to other sectors/borrowers also.
- Accordingly, Bank have credit focused branches known as Business Banking Branches (BBBs) with special focus on extending finance and other services to MSME Sector and have the operational flexibility to extend finance/render other services to other sectors/ borrowers. Regional Head to ensure that BBBs are provided with credit officers specially recruited for improving MSME finance / or specially trained credit officers in order to provide prompt service to the MSME clients.

5.5 Delayed Payment

5.5.1 Under the Amendment Act, 1998 of Interest on Delayed Payment to Small Scale 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 and Ancillary Industrial Undertakings, have been strengthened as under:

- i. The buyer has to make payment to the supplier on or before the date agreed upon between him and the supplier in writing or, in case of no agreement, before the appointed day. The period agreed upon between the supplier and the buyer shall not exceed forty five days from the date of acceptance or the day of deemed acceptance.
- ii. In case the buyer fails to make payment of the amount to the supplier, he shall be liable to pay compound interest with monthly rests to the supplier on the amount from the appointed day or, on the date agreed on, at three times of the Bank Rate notified by Reserve Bank.
- 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.

5.5.2 Branches/Offices to explore fixing of sub-limit within the overall working capital limits sanctioned to the large borrowers specifically for meeting the payment obligation in respect of purchases from MSMEs.

5.6 Rehabilitation of Sick Micro and Small Enterprises

5.6.1 Guidelines for rehabilitation of sick units in the MSE sector have been issued by Reserve Bank of India. The objective of the guidelines is to hasten the process of identification of a unit as sick, early detection of incipient sickness, and to lay down a procedure to be adopted before declaring a unit as unviable. As per the guidelines, a Micro or Small Enterprise (as defined in the MSMED Act 2006) may be said to have become Sick, if (a) any of the borrowal account of the enterprise remains NPA for three months or more OR (b) there is erosion in the net worth due to accumulated losses to the extent of 50% of its net worth during the previous accounting year. The guidelines also provide the procedures to be adopted before declaring any unit as unviable. The decision on viability of the unit should be taken at the earliest but not later than 3 months of becoming sick under any circumstances and the rehabilitation package should be fully implemented within six months from the date the unit is declared as 'potentially viable' / 'viable'.

5.6.2 In consonance with the above, rehabilitation of Sick MSEs is to be governed by separate guidelines issued by the Bank, which is to be updated from time to time as per latest RBI guidelines.

5.6.3 Relief and concession for rehabilitation of viable /potentially viable units is conveyed through the 'Policy on Debt Restructuring Mechanism for SMEs'.

5.6.4 MSE Rehabilitation Cells at Regional Offices for sick Micro and Small Enterprises to monitor / identify sick units / incipient sickness, conduct viability study, follow-up action etc. for timely rehabilitation of viable /potentially viable sick MSE units.

5.7 The imperative of Financial Literacy and consultancy support to Micro and Small Enterprises Sector

5.7.1 Keeping in view the high extent of financial exclusion in the MSME sector, it is imperative that the excluded units are brought within the fold of the formal banking sector.

5.7.2 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 in these critical financial areas.

5.7.3 Moreover, MSE enterprises are further handicapped in this regard by absence of scale and size.

5.7.4 To effectively and decisively address these handicaps, a special cell at branches, or vertical integration of this function in the Financial Literacy Centres (FLCs) is to be set up as per the comparative advantage.

5.7.5 The bank staff is to be trained through customised training programs to meet the specific needs of the sector.

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

5.8.1 The existing systems for monitoring credit growth to the sector is to be strengthened by system-driven comprehensive performance management information system (MIS) at every supervisory level (Branch, Region, Zone, Central office), which is to be critically evaluated on a regular basis.

5.8.2 System of e-tracking of MSE loan applications and monitoring the loan application disposal process, giving branch-wise, region-wise, zone-wise and State-wise positions is to be put in place. The position in this regard is to be displayed in Bank's websites.

5.8.3 Timely rehabilitation of sick MSE units as discussed under Point 5.6 is to be monitored. The progress in rehabilitation of sick MSE units is to be made available on the Bank's website.

5.9 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 and same is adopted by the bank through "Union General Credit Card Scheme".

5.10 State Level Inter Institutional Committee (SLIIC)

5.10.1 In order to deal with the problems of co-ordination for rehabilitation of sick micro and small units, State Level Inter-Institutional Committees are set up in the States.

5.10.2 However, the matter of continuation or otherwise, of the SLIIC Forum has been left to the individual States / Union Territory. The meetings of these Committees are convened by Regional Offices of RBI and presided over by the Secretary, Industry of the concerned State Government.

5.10.3 It provides a useful forum for adequate interfacing between the State Government Officials and State Level Institutions on the one side and the term lending institutions and banks on the other.

5.10.4 It closely monitors timely sanction of working capital to units which have been provided term loans by SFCs, implementation of special schemes such as Margin Money Scheme of State Government and reviews general problems faced by industries and sickness in MSE sector based on the data furnished by banks.

5.10.5 Among others, the representatives of the local state level MSE associations are invited to the meetings of SLIIC which are held quarterly. A sub-committee of SLIIC looks into the problems of individual sick MSE unit and submits its recommendations to the forum of SLIIC for consideration.

5.11 Empowered Committee on MSMEs

5.11.1 Empowered Committees on MSMEs have been constituted under the Chairmanship of the Regional Directors of RBI with the representatives of SLBC Convenor, senior level officers from two banks having predominant share in MSME financing in the state, representative of SIDBI Regional Office, the Director of Industries of the

State Government, one or two senior level representatives from the MSME Associations in the state, and a senior level officer from SFC/SIDC as members.

5.11.2 The Committee will meet periodically and review the progress in MSME financing as also rehabilitation of sick Micro, Small and Medium units.

5.11.3 It will also coordinate with other Banks/Financial Institutions and the State Government in removing bottlenecks, if any, to ensure smooth flow of credit to the sector.

5.11.4 The committees may decide the need to have similar committees at cluster/district levels.

5.12 Debt Restructuring Mechanism for MSMEs

5.12.1 Bank has put in place a separate Policy on Debt Restructuring Mechanism for SMEs, which is to be reviewed from time to time in consonance with latest RBI guidelines.

5.13 Cluster Approach

5.13.1 The credit requirement in the clusters identified by the Ministry of Micro, Small and Medium Enterprises, Government of India, where our Bank is a SLBC Convenor is to be incorporated in Annual Credit Plan.

5.13.2 A full-service approach to cater to the diverse needs of MSE sector may be achieved through extending banking services to recognized MSE clusters by adopting a 4-C approach namely, Customer focus, Cost control, Cross sell and Contain risk.

A cluster based approach to lending may be more beneficial:

- In dealing with well-defined and recognized groups
- Availability of appropriate information for risk assessment and
- Monitoring by the lending institutions.

Clusters may be identified based on factors such as trade record, competitiveness and growth prospects and/or other cluster specific data.

5.13.3 Institutional arrangements for delivering credit to the MSME sector, where our Bank is a SLBC Convenor is to be reviewed, especially in 388 clusters identified by United Nations Industrial Development Organisation (UNIDO) spread over 21 states in various parts of the country.

5.13.4 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.

5.13.5 In terms of recommendation of Prime Minister's Task Force more MSE focused Branches at different MSE clusters are to be opened, which could also act as Counselling Centres for MSEs. Further, at least one MSE cluster may be adopted in a district where our bank is a lead bank as per comparative advantage.

5.13.6 The initiatives taken by the Bank in development of MSE clusters is discussed in Point No.6.5 of the policy.

5.14 Scheme of Small Enterprises Financial Centres (SEFCs)

5.14.1 A scheme for strategic alliance between branches of banks and SIDBI located in clusters, named as "Small Enterprises Financial Centres" has been formulated in consultation with the then Ministry of SSI and Banking Division, Ministry of Finance, Government of India, SIDBI, IBA and select banks.

5.14.2 SIDBI is the premier term lending institution established for extending the financial assistance to MSEs. It has developed expertise and gained vast experience in project financing.

5.14.3 The Bank has entered into an MOU with SIDBI for aggressive marketing and co-financing of MSEs. The salient features of the MOU are as under:

- Joint identification of viable projects
- Co-financing of the projects
- In cases where term loan is considered by SIDBI, working capital facilities would be sanctioned by the Bank and vice-versa.

5.14.4 The details of the scheme are communicated through separate guidelines.

5.15 Credit Linked Capital Subsidy Scheme (CLSS)

5.15.1 Government of India, Ministry of Micro, Small and Medium Enterprises has introduced Credit Linked Capital Subsidy Scheme (CLSS) for Technology Upgradation of Micro and Small Enterprises subject to the following terms and conditions:

- i. Ceiling on the loan under the scheme is Rs.1 crore.
- ii. The rate of subsidy is 15% for all units of micro and small enterprises up to loan ceiling at Sr. No. (i) above.
- iii. 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.
- iv. SIDBI and NABARD will continue to be implementing agencies of the scheme.

5.15.2 Bank is implementing the scheme with Lucknow Main Branch as a nodal branch. The details of the scheme are circulated through separate guidelines from time to time.

5.16 Banking Codes and Standards Board of India (BCSBI)

5.16.1 The Banking Codes and Standards Board of India (BCSBI) has formulated a Code of Bank's Commitment to Micro and Small Enterprises (MSE code). This Code sets minimum standards of banking practices for banks to follow when they are dealing with Micro and Small Enterprises (MSEs). 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.

- 5.16.2 This code has been adopted by the Bank in its Board Meeting dated 30th August 2008. The Code of Bank's Commitment to Micro and Small Enterprises has been hoisted on the Bank's website for the knowledge of customers and the staff. Bank has issued operational guidelines for the field functionaries for compliance of the MSE code. All the field functionaries and concerned are required to implement/follow the same in letter and spirit.
- 5.16.3 However, the Code does not replace or supersede regulatory or supervisory instructions issued by the Reserve Bank of India (RBI) and Bank will comply with such instructions /directions issued by the RBI from time to time. Similarly, the Code does not replace or supersede guidelines issued by the Bank from time to time. Unless it says otherwise, all parts of the Code apply to all the products and services, provided by branches across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other mode.
- 5.16.4 As and when any modification in the Code is made by the BCSBI, the same can be adopted by the Bank with the permission of Chairman & Managing Director unless otherwise falling with the delegation of any specified Committee.
- 5.16.5 Objectives of the BCSBI Code: The Code has been developed to:
- Give a positive thrust to the MSE sector by providing easy access to efficient banking services.
 - Promote good and fair banking practices by setting minimum standards in dealing with MSE.
 - Increase transparency so that a better understanding of what can be reasonably expected of the services.
 - Improve understanding of business through effective communication.
 - Encourage market forces, through competition, to achieve higher operating standards.
 - Promote a fair and cordial relationship between MSE and banks and also ensure timely and quick response to banking needs.
 - Foster confidence in the banking system.
- 5.16.6 Acknowledgement to be given to MSE customers in line with BCSBI code is enclosed as Annexure-VI.
- 5.16.7 MSE code copies should be circulated amongst all the branches for distribution to the MSE customers free of charge.
- 5.16.8 The complete text of the Code is available at the bank's website. (http://www.unionbankofindia.co.in/code_bank_msme.aspx)
- 5.17 Brief details of the reports of various committees on flow of credit to MSE sector as per Master Circular of Reserve Bank of India is enclosed for information as Annexure-II.

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6. BANK'S INITIATIVES FOR STEPPING UP CREDIT TO MSMEs:

Bank has taken various initiatives for the growth of credit to MSMEs which are as under:

6.1 Separate Organizational set up at Central Office

Credit Policy & MSME vertical headed by General Manager has been established at Corporate Office to focus attention on growth of MSME sector through selected Business Banking Branches and branches having MSME business.

6.2 Business Banking Branches:

At present, 700 Business Banking Branches (Credit thrust branches) have been identified for focused growth in MSME credit. These branches are directly monitored by the Corporate Office apart from their controlling Offices for the growth of business. Modification in the number of business banking branches can be undertaken by CP&MSME Vertical after obtaining permission from the Chairman & Managing Director.

6.3 Establishment of Centralized Processing Centers- SARALS**6.3.1 The SARALS i.e. Central Processing Centers were established with the following objectives:**

- a. To accelerate the credit flows to MSMEs through focused sales and marketing.
- b. To enhance Customer service through improved TAT.
- c. Better credit appraisal and developing expertise required for examining and processing SME proposals.
- d. To reduce NPAs through efficient monitoring system.

In order to achieve the above-mentioned goals, the roles and responsibilities of the SARALS are reviewed & redefined by Credit Department from time to time, as and when required.

6.3.2 SARALS are functioning at 20 centers and their number may be increased depending upon potential of centers. The endeavor is to have SARALS at all ROs over a period.**6.3.3 The delegated loaning powers at SARAL is governed by policy on delegation of loaning powers.****6.3.4 As per extant guidelines, the Chairman & Managing Director is the competent authority to modify the operational guidelines for effective functioning of SARALS (Including the sectors with types of proposals to be handled at SARALS) except delegated loaning powers. Such modifications are to be placed to the Board for information. (Latest operational guidelines on SARALS are enclosed as Annexure-III.)****6.4 Developing Credit Officers Cadre****6.4.1 Skill development of the credit officers is advantageous in terms of quick disposal of loan proposal and prompt credit delivery.**

- 6.4.2 Bank to continuously develop a cadre of skilled credit officers in order to meet the challenges at the branch level as well as better credit marketing and appraisal of the proposals. Staff College, Bangalore has designed the training programmes for imparting credit skills as well as updating the skills of the existing credit officers. Credit Officers are identified and are given intensive in-house, on the job and external training, etc. These credit officers to be deployed at the Business Banking Branches/ MSME Branches / SARALs involving the job of credit marketing and processing of the proposals.
- 6.4.3 Further, experienced MSME credit officers to be recruited by the Bank in a regular way to further strengthen the cadre of credit officers.
- 6.4.4 In addition to above, Bank to nominate credit officers to the external credit programmes/workshops such as workshop on Credit Guarantee Scheme of CGTMSE, credit appraisal courses conducted by NIBM and other reputed institutes.
- 6.4.5 Incentive scheme is available for the officers who are successfully completing the certificate examination on SME financing conducted by Indian Institute of Banking & Finance.
- 6.4.6 Transfer/ postings of Technical Officers to be done only with the concurrence of GM, CP & MSME by Department of Personnel, Central Office.
- 6.5 Clusters**
- 6.5.1 Bank to take initiatives for financing the units in clusters across the country through its branches and design different cluster specific schemes to boost credit growth taking into account the market environment, customers' requirements etc.
- 6.5.2 Cluster Specific Schemes are designed to attract more bankable units/enterprises into Bank's fold by offering certain concessions in interest rates, margin, collateral securities etc. so as to be competitive in the market.
- 6.5.3 The Bank has already put in place various cluster specific schemes as detailed in Annexure IV at various centers to address the business specific requirement of homogeneous borrowers.
- 6.5.4 The bank shall continue to review performance of each cluster on an ongoing basis. Accordingly, existing cluster specific products to be suitably modified from time to time to make them more attractive and competitive taking into account, customers' requirement and feedback from the field functionaries. New clusters shall also be identified so as to deepen the credit delivery system and harness the untapped potential of this sector
- 6.5.5 The delegation for approval/renewal of Cluster specific schemes is per the policy on delegation of loaning powers. (At present, the policy is circulated vide Instruction Circular no.222-2015 dated 15.09.2015.)
- 6.6 MSE Care Centers**
- 6.6.1 Bank has designated all its Regional Offices as MSE care centers. Their Details such as name & address of the office, contact person, phone numbers etc. have been made available on the Bank's Web site. ↙

6.6.2 Further, the list of Business Banking Branches is made available on Bank's website under "MSME Contact Points".

6.7 Pradhan Mantri MUDRA Yojna (PMMY)

6.7.1 Micro Units Development and Refinance Agency Bank (MUDRA Bank) 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 Bank is to "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.

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

- a. **Shishu:** Loan amount upto Rs.50,000/-
- b. **Kishore:** Loan amount exceeding Rs.50000/- and upto Rs.5.00Lacs
- c. **Tarun:** Loan amount exceeding Rs.5.00Lacs upto Rs.10.00Lacs

6.7.3 All the credit facilities extended to Micro Enterprises with overall credit limit upto Rs.10.00 lacs extended on or after 08-04-2015 are to be reported under PMMY. A separate MUDRA loan application is formulated by IBA, which is adopted by the Bank.

6.7.4 MUDRA Ltd. has also conceived a product called "MUDRA Card". The co-branded card will be issued by the Bank which will help the eligible borrower to access credit on a flexible manner to meet working capital needs.

6.7.5 The operating guidelines under Prime Minister MUDRA Yojana including instructions of the Ministry will be communicated by CP&MSME Department from time to time.

6.8 Management & Skill Development Institute

6.8.1 Bank, in partnership with SIDBI, has set up a Management & Skill Development Institute at Jangipur, Dist. Murshidabad, West Bengal on 31-01-2010.

6.8.2 This Institute is aimed at providing training to the rural unemployed youth to enable them to take up suitable economic activities.

6.8.3 The successful participants of the training course are also being provided with financial assistance through the Bank's branches as per norms.

6.8.4 Regional Office, Durgapur is identified as a nodal office on behalf of the bank for matters related to the Institute.

6.9 Simplified Common Loan Application Form for MSEs

6.9.1 Indian Banks' Association (IBA) with the assistance of Bankers' Working Group on MSME has designed a Simplified Common Loan Application Form for MSEs to be used by the Bank.

- 6.9.2 Bank has adopted the same and circulated among all the branches for use. (Copy enclosed as Annexure-V).
- 6.9.3 A copy of the same is also available on Bank's website.
- 6.9.4 All branches to use invariably simplified common loan application forms for MSEs. However, MSEs may also utilize the loan application form as per SARAL guidelines, wherever applicable as per their convenience.
- 6.10 Online Application Facility for MSE Applicants**
- 6.10.1 Bank has introduced the online application module for MSE entrepreneurs. Now the MSE applicants have facility to apply online for a loan and can track online the status of his application at any point of time.
- 6.10.2 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 reference number will be generated by the system through which applicant can track the status of his application. Online acknowledgement will also be generated.
- 6.10.3 Initially this facility has been enabled for MSE loans applications having credit requirement up to Rs.10.00 Lacs only.
- 6.11 Assessment of Credit Limits:**
- 6.11.1 The applicable lending methods and other related matters for assessment of credit limits have been discussed in detail in the Bank's Loan Policy. Hence, they are not being reiterated and can be referred from Loan Policy.
- 6.11.2 In line with Nayak Committee Report, working capital limits to MSE units is to be computed on the basis of minimum 20% of their estimated turnover up to credit limit of Rs.5 crores. The turnover method shall be applied for sanction of fund based working capital limits to the non MSE borrowers requiring working capital facilities upto Rs.100 Lacs from the banking system. Otherwise, the applicable lending methods such as Flexible Bank Finance, Cash Budget Method etc are to be followed. Detailed guidelines are given in Loan Policy.
- 6.11.3 Term Loan can be considered to the MSME borrowers as per the existing guidelines of the Bank.
- 6.11.4 Off-Balance Sheet facilities like Letters of Credit, Bank Guarantee etc. can also be considered to the MSME borrowers as per the existing guidelines of the bank.
- 6.11.5 The scheme for the textiles and jute industries under TUFFS (Restructured Technology Upgradation Fund Scheme of Ministry of Textiles, Govt. of India) was in operation with effect from 28.04.2011 to 31.03.2012. The Government has approved extension of TUFFS scheme for the 12th Plan period under the name - Revised Restructured - TUFFS (RR-TUFFS). The salient features of the scheme are circulated by the Bank from time to time.

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6.12 Risk Rating and Pricing

The applicable guidelines on risk rating and pricing is enumerated in Loan Policy and Credit Risk Management Policy of the Bank. Hence, they are not being reiterated and can be referred from the subject policies.

6.13 Rejection/Curtailment of MSE proposal

There should not be any delay in sanctioning and disbursal of credit. The time schedule for disposal of application should be adhered to. In case of rejection/curtailment of credit limit of the MSE /Priority Sector loan proposal a reference to next higher authority should be made.

6.14 MSME Products:

The credit requirements of MSMEs vary according to place, cluster, activity etc. In this age of fast changing technology and competition, MSMEs require hassle free credit facilities for updation of technologies, acquisition of machineries, tide over the liquidity crunch etc. Bank has, therefore, designed various MSME products looking into the requirements of the borrowers as detailed below:

1.	Union High Pride	9.	Union Progress
2.	Union Procure	10.	Union Nari Shakti
3.	Union Supply	11.	Union Liqui
4.	Term Loan for PCOs and Cyber Cafes	12.	Union Trade
5.	SME plus		
6.	Financing for purchase of Generator Sets		
7.	Union Transport		
8.	Union Support		

All new credit products are introduced and changes in MSME Credit product/s are made after it is vetted by Credit Risk Management Cell at RMD and risk concerns with recommendation on risk mitigation mechanism are placed before Credit Risk Management Committee for approval.

Business process changes, if any, in any MSME credit products administration are introduced after vetting by Operational Risk Management Cell at RMD and recommendation are to be placed before Operational Risk Management Committee for approval.

6.15 MOU with External Credit Rating Agencies -

The external credit rating enables the MSMEs to compete with the market players on global level. Similarly, it also helps banks to evaluate MSME's credit proposals in a better way. However, MSMEs in general are not very keen to get their units/accounts rated from the external credit rating agencies. In order to motivate the MSMEs, National Small Industries Corporation (NSIC) is providing subsidy towards the payment of fees of the external credit rating agencies.

With a view to motivate MSE customers, Bank provides incentive by way of concession in interest rate in case the unit is rated by an approved rating agency.

Rating	Concession
Highest Rating	0.50% pa
2 nd Highest Rating	0.25% pa

Bank has approved and executed MOUs with SME rating Agency SMERA, CRISIL, CARE, ICRA and ONICRA for external credit rating of the SMEs.

6.16 Channel Financing initiatives

Under channel financing Scheme, finance is extended to select suppliers and wholesale dealers of Bank's identified large corporate borrowers. Under the Channel Finance Scheme, Bank has two Schemes:

6.16.1 **Union Procure** - Financing Pre-Production i.e. financing against receivables of vendors for goods supplied to reputed corporate.

6.16.2 **Union Supply** - Financing Post-Production i.e. Dealer Financing- Supplies made by corporate to its authorized dealers.

The delegation for entering into a Memorandum of Understanding/Tie-up with a reputed corporate for Channel finance will be same as enumerated in the Policy on Delegation of Loaning Powers. In case a special channel finance scheme for the vendors/dealers of any corporate is to be introduced, the same delegation as vested for cluster specific schemes is to be exercised.

**MINISTRY OF SMALL SCALE INDUSTRIES
NOTIFICATION****New Delhi, the 5th October, 2006**

S.O. 1722(E) - In exercise of the powers conferred by sub-section (1) of 2006) herein referred to as the said Act, the Central Government specifies the following items, the cost of which shall be excluded while calculating the investment in plant and machinery in the case of the enterprises mentioned in Section 7(1)(a) of the said Act, namely:

- i. Equipment such as tools, jigs, dyes, moulds and spare parts for maintenance and the cost of consumables stores;
- ii. Installation of plant and machinery;
- iii. Research and development equipment and pollution controlled equipment
- iv. Power generation set and extra transformer installed by the enterprise as per 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, bus bars, electrical control panels (not mounded on individual machines), 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;
- vii. Gas producers plants;
- viii. Transportation charges (excluding sales-tax or value added tax and excise duty) for indigenous machinery from the place of the manufacture to the site of the enterprise;
- ix. Charges paid for technical know-how for erection of plant and machinery;
- x. Such storage tanks which store raw material and finished produces and are not linked with the manufacturing process; and
- xi. Firefighting equipment.

2. While calculating the investment in plant and machinery refer to paragraph 1, the original price thereof, irrespective of whether the plant and machinery are new or second handed, shall be taken into account provided that in the case of imported machinery, the following shall be included in calculating the value, namely;

- 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.

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(F.No.4(1)/2006-MSME- Policy)
JAWHAR SIRCAR, Addl. Secy

Committees on flow of Credit to MSE sector (As per RBI master circular on lending to Micro Small & Medium Enterprises)

1. **Report of the High Level Committee on Credit to SSI (now MSE) (Kapur Committee)**
 - 1.1 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.
 - 1.2 The Committee made 126 recommendations covering wide range of areas pertaining to financing of SSI sector.
 - 1.3 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 specialised SSI branches;
 - v. Enhancement in the limit for composite loans to Rs. 5 lakh. (since enhanced to Rs.1 crore);
 - vi. Strengthening the recovery mechanism;
 - vii. Banks to pay more attention to the backward states;
 - viii. Special programmes for training branch managers for appraising small projects;
 - ix. Banks to make customers grievance machinery more transparent and simplify the procedures for handling complaints and monitoring thereof.
 - 1.4 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.
2. **Report of the Committee to Examine the Adequacy of Institutional Credit to SSI Sector (now MSE) and Related Aspects (Nayak Committee)**
 - 2.1 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 small scale 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 upto Rs.2 crore [since raised to Rs.5 crore];
 - iii. Prepare annual credit budget on the 'bottom-up' basis to ensure that the legitimate requirements of SSI (now MSE) sector are met in full;
 - iv. Extend 'Single Window Scheme' of SIDBI to all districts to meet the financial requirements (both working capital and term loan) of SSIs(now MSE);

- v. Ensure that there should not be any delay in sanctioning and disbursal of credit. In case of rejection/curtailment of credit limit of the loan proposal, a reference to higher authorities should be made;
- vi. Not to insist on compulsory deposit as a 'quid pro-quo' for sanctioning the credit;
- vii. Open specialised SSI (now MSE) bank branches or convert those branches which have a fairly large number of SSI (now MSE) borrowal accounts, into specialised SSI (now MSE) branches;
- viii. Identify sick SSI (now MSE) units and take urgent action to put them on nursing programmes;
- ix. Standardise loan application forms for SSI (now MSE) borrowers; and
- x. Impart training to staff working at specialised branches to bring about attitudinal change in them.

2.2 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.

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

3.1 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 commended 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 publicising 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 North East 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, and
- v. Revision of tenure as also interest rate structure of deposits kept by foreign banks with SIDBI for their shortfall in priority sector lending.

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

4.1 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.

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

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

5.1 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).

5.2 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.

5.3 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.

6. Working Group to Review the Credit Guarantee Scheme for Micro and Small Enterprises

6.1 A Working Group was constituted by the Reserve Bank of India under the Chairmanship of Shri V.K. Sharma, Executive Director, to review the working of the Credit Guarantee Scheme (CGS) of CGTMSE and suggest measures to enhance its usage and facilitate increased flow of collateral free loans to MSEs.

6.2 The recommendations of the Working Group included, inter alia, mandatory doubling of the limit for collateral free loans to micro and small enterprises (MSEs) sector from Rs.5 lakh to Rs.10 lakh and enjoining upon the Chief Executive Officers of banks to strongly encourage the branch level functionaries to avail of the CGS cover and making performance in this regard a criterion in the evaluation of their field staff, etc.

6.3 RBI has advised not to accept collateral security in the case of loans upto Rs 10 lakh extended to units in the MSE sector and strongly encourage branch level functionaries to avail of the CGS cover, including making performance in this regard a criterion in the evaluation of their field staff.



रिजर्व



REVISED STRUCTURE OF SARALs UNDER PROJECT UTKARSH - BROAD TERMS

S. No	Particulars	Details
1	Name of the CPC	SARAL
2	Structure of CPC	a) Central Processing Cell (SARAL) to work independently completely delinked from Credit Department of RO as a credit processing center for the Region. However, SARAL will remain an integral part of RO for administrative purpose and reporting to the respective Regional Head. (In case Regional Head is also AGM, the next higher authority for reporting by SARAL will be FGM.) b) It shall be headed by Assistant General Manager
3	Scope of CPC	a) All proposals (New/ enhancement/review/renewal) including restructuring/ modifications/ad-hoc thereof beyond Branch Manager Delegation in the Region. b) However, following proposals in isolation will be outside the scope of SARAL: <ul style="list-style-type: none"> • Retail • Direct Agriculture • Staff • SOD-FDR • All proposals of above Rs.100.00crs. (To be handled by RO) (Processing of proposals emanating from IFBs and Mid-Corporate Branches will be as per Loan Policy of the Bank.)
4	Basic Functions of Branch	a) Generation of Leads/Canvassing of proposals by branch. b) Compliance of KYC guidelines. c) Collection/Compilation of documents as per checklist. d) Branch to mandatorily provide acknowledgement to the customers on receipt of loan application & list of documents as per checklist. e) Pre-sanction inspection as per Banks guidelines. f) Compilation of credit report/s as per Bank's guidelines by branch. g) Due diligence other than financial diligence is to be done by the branch. h) Branch to continue to initiate legal, valuation and other third party reports as per Bank's guidelines.

S. No	Particulars	Details
	Basic Functions of Branch	i) Forwarding the proposals falling within the scope of SARAL as per Point No.3. j) Documentation, creation of mortgages/charges, compliance of sanction terms, CPA, disbursement & other credit administration functions for all sanctions shall be done at Branch level. k) Collecting stock statements, updation of Drawing power and insurance reminders shall be done at branch. l) Quarterly security inspection shall be done at branch. m) All post - disbursement monitoring of proposals shall be done at branch as per procedure laid by the extant Credit Monitoring Policy. n) In case of proposals within the scope of Branch/RO: <ul style="list-style-type: none"> • Exercise of delegation of Branch head as per Bank's guidelines on delegated loaning power. (Proposals upto the delegated authority of Branch Head not to be routed through SARAL.) • The extant guidelines on Credit Evaluation Grid for sanction (Rs.1.00crore & above) within branch delegation to be complied. • All proposals beyond Branch head delegation outside the scope of SARAL as defined in point No3 above will be routed through Credit Department at Regional Office • Processing shall be done at branch level and sanction & modification thereof shall be accorded by branch head or higher offices i.e. RLCC and above as per delegation vested with such delegatee.
5	Basic Functions of independent CPC/SARAL	a) Processing and sanction of all proposals as per scope of SARAL defined under Point No.3. b) If the proposal falls beyond SARAL delegation, the proposal shall be processed by SARAL and thereafter submitted to the respective delegated authority (RLCC/ZLCC/CO) for sanction. c) If the proposal falls within the delegation of ZLCC, the same shall be forwarded directly to FGMO for decision with a copy to Regional Office for recommendation. d) If the proposal falls within the delegation of CO, the same shall be forwarded directly to CO for decision with a copy to FGMO & RO for recommendation.

S. No	Particulars	Details
	Basic Functions of independent CPC/SARAL	<p>e) In such cases, RO/FGMO is required to submit their recommendations with qualitative comments without re-processing the proposal within 7 days of receipt from SARAL to the respective sanctioning authority. If the recommendation/qualitative comments are not received within 7 days, it will be deemed that they concur with recommendation of SARAL and non-submission of recommendation by them will not absolve them of their responsibility of forwarding their recommendation to FGMO/CO, as the case may be.</p> <p>f) Collection of documents:</p> <ul style="list-style-type: none"> • Ensure collection of additional documents, if any. • Timeline may be mentioned by the branch for missing documents (Other than "Not applicable") as per the prescribed checklist. • SARAL to commence the processing/appraisal with the available documents in case timeline is upto 7 working days. Otherwise also, Work Cell Manager may permit commencement of processing with the documents made available by the branch to ensure timely disposal of proposal. • Duly filled checklist authenticated by Work Cell Manager & coordinator shall be kept in record. <p>g) Queries: SARAL should raise queries directly to the customer with a copy to the branch. Similarly, queries to be raised directly to the SARAL by the Higher Authority. Further, Work Cell Manager has to vet the queries raised on the proposal at SARAL.</p> <p>h) Financial Diligence: Financial diligence (Analysis of financial/non-financial/ contingent liability aspects as per balance sheet/CMA) is to be ensured by SARAL.</p> <p>i) Defaulter List: CIBIL report/Defaulter lists /CRILC /ECGC SAL List/Caution Advice /CERSAI verification will be an integral part of processing at SARAL along with branch level due diligence.</p> <p>j) Sanction Advice: Sanction letter is to be prepared by SARAL and issued to the customer. A copy of sanction letter also to be sent to the branch. Soft copy of set of documents to be executed by the customer shall be provided to the branch by SARAL. However, branch will be responsible for completing the process of documentation (Including vetting of documents) as per norms as well as receiving acknowledgement from the customer.</p> <p>k) In SARAL, Coordinator will be posted as a facilitator for the Branches.</p>

S. No	Particulars	Details
6	Delegation	As per Policy on Delegation of loaning powers of the Bank.
7	Marketing aspects	Initially, SARAL shall primarily act as a processing center and once the same is stabilized, it will progress towards becoming the center for acquisition as well in future.
8	Other aspects	<p>a) LAS: Movement of the proposal though LAS.</p> <p>b) Technical Officer: The Technical Officer (TOs) should be posted for conducting technical inspection as per norms.</p> <p>c) Acknowledgement: Computer generated acknowledgement and reference number to be provided to customers by branch after receipt of minimum documents required from the applicant.</p> <p>d) Rejection: The rejection of proposal/s submitted at SARAL shall be done in consultation with the Regional Head upto RLCCs level delegation and FGM for delegation of ZLCC & above.</p> <p>e) Term sheet is to be prepared at SARAL even if the lead is generated by branch. (Otherwise falling within the scope of SARAL)</p> <p>f) Performance Management: Weekly review to be done by Regional Head (In case of DGM Headed Regions) and fortnightly review to be done by Field General Manager till the functioning of SARAL is stabilized.</p> <p>g) Morning huddles: Morning huddles to be institutionalized wherein performance of the previous day, action plan for the day for work cell managers/processing officer/coordinator/technical officer, debottlenecking issues through requisite escalation etc to be discussed.</p>

The ownership of the sanctioned/disbursed accounts will continue to be with the Branches and SARAL will work as an extended arm of Regional Office and facilitator for the branches in improving quality of advance as well as TAT. It is expected that with the proposed modifications, the Branches will concentrate more on business development and effective monitoring of advances.

Approved Cluster Specific Schemes

Sr No	Zone	Region	Name of the Cluster Scheme
1	Ahmedabad	Rajkot	Financing Ceramic Vitrified Tiles in Rajkot
2	Bangalore	Belgaum	Fin. to Arahatiyas/Commission agent agst. T/Deed.
3	Bangalore	Belgaum	Financing Merchant Traders in Bijapur
4	Bangalore	Belgaum	Textile weaving, embroidery & preparatory units
5	Bangalore	Nellore	Bayrite Pulverizing Units in Kaddapa
6	Bhopal	Indore	Scheme of Fin. Construction of Godown in Jaora
7	Chennai	Ernakulam	Plywood Cluster Units
8	Chennai	Ernakulam	Akshaya Centres in Kerala State
9	Chennai	Kozhikode	Financing Footwear Manufacturer in Kozhikode
10	Delhi	Delhi	Foot wear Units in Udyog Nagar, DSIDC, Delhi
11	Delhi	Delhi	Financing Timber Traders in Delhi
12	Delhi	Delhi	Finance to Paper Traders in Delhi
13	Delhi	Jaipur	Finance to Traders agst WHR
14	Delhi	Jaipur	Mining Activity & marble Units
15	Delhi	Karnal	Fin. agst. paddy in open ware house managed by CMA
16	Delhi	Karnal	Foot wear Units in Bahadurgarh Haryana
17	Delhi	Karnal	Textiles Units in Panipat
18	Delhi	Karnal	Auto Ancillary & fasteners units in Rohtak
19	Delhi	Ludhiana	Hosiery Units
20	Delhi	Ludhiana	Fin. Auto Parts/Cycle Industry
21	Delhi	Udaipur	Steel Rolling Mills Jodhpur
22	Delhi	Udaipur	Textile units in Bhilwara
23	Kolkata	Ranchi	Supply Bill Discounting at Jamshedpur
24	Kolkata	Ranchi	Fin. Handloom weavers in Jharkhand
25	Kolkata	Ranchi	Auto Ancillary Units in Jamshedpur
26	Lucknow	Kanpur	Hosiery Knitwear Units
27	Pune	Kolhapur	Fin. to Sugar Mills agst Pledge of Sugar with CMA
28	Pune	Kolhapur	Scheme for Financing Powerlooms
29	Varanasi	Allahabad	Carpet Artisans in Bhadohi
30	Varanasi	Varanasi	Handloom Weavers in Varanasi

यूनियन बैंक
ऑफ इंडिया

 **Union Bank**
of India

APPLICATION FORM FOR MSEs

To be submitted along with documents as per the checklist

(For Office Use)

1 NAME OF THE ENTERPRISE

2 REGD. OFFICE ADDRESS:

3 ADDRESS OF FACTORY/ SHOP:

4 WHETHER BELONGS TO SC/ST/ OBC/MINORITY COMMUNITY:

Telephone Nos. (Office)	
Mobile No	

Email Address:	
PAN Card No:	

5 CONSTITUTION: Proprietary/ Partnership firm/ Pvt. Ltd/ Ltd. Company/Co-op Society

6 DATE OF ESTABLISHMENT:

7. NAME OF THE PROPRIETOR/ PARTNERS/ DIRECTORS OF COMPANY AND THEIR ADDRESSES:

Name	Age	Academic Qualifications	Residential Address	Telephone No. (Residence)	Experience in the line of activity

8. ACTIVITY Existing:
 Proposed (#):
 # If a different activity other than existing activity is proposed

9. NAME OF ASSOCIATE CONCERNS AND NATURE OF ASSOCIATES

Name of Associate Concern	Addresses of Associate Concern	Presently Banking with	Nature of Association	Extent of interest as a Prop./ Partner/ Director or just investor in Associate Concern

10. Relationship of Proprietor/ Partner/ Director with the officials of the Bank/ Director of the Bank:

10(a) CREDIT FACILITIES (EXISTING):

(Rs. in lacs)

Type of Facilities	Limit (in lacs)	Outstanding as on.....	Presently banking with	Security Lodged	Rate of Interest	Repayment terms
Current Account						
Cash Credit						
Term Loan						
LC/ BG						
If Banking with this Bank, customer No. to be given here						

10 (b) It is certified that our unit has not availed any loan from any other Bank/ Financial Institution in the past and I am not indebted to any other Bank/ Financial Institution other than those mentioned in 10 (a) above.

11. CREDIT FACILITIES (PROPOSED):

Type of Facilities	Amount (in lacs)	Purpose for which required	Security	
			Primary Security (Details with approx. Value to be mentioned)	Whether Collateral Security offered (Please mention yes or no) (If yes, then provide details in column 12)
Cash Credit				
Term Loan				
LC/ BG				

In case of term loan requirements, the details of machinery may be given as under:

Type of Machine	Purpose for which required	Whether imported or indigeno us	Name of supplier	Total cost of machine (in case of imported machine, the breakup of basic cost, freight, insurance and customs duty may be given)	Contribution being made by the promoters	Loan required

12 Details of Collateral Security offered, if any, including 3rd party guarantee*
 (*As per RBI guidelines banks are not to take collateral security for loans upto Rs.10 lakhs to MSE Units)

13 PAST PERFORMANCE/ FUTURE ESTIMATES (Actual performance for previous years, estimates for current year and projections for next year to be provided for working capital facilities. However for term loan facilities projections to be provided till the proposed year of repayment of loan):

(Rs. in lacs)	Past Year-II (Actual)	Past Year-I (Actual)	Present Year (Estimate)	Next Year (Projection)
Net Sales				
Net Profit				
Capital (Net worth in case of companies)				

14 Status regarding Statutory Obligations:

Statutory Obligation	Whether Complied with (write Yes/ No). If Not Applicable then write N.A.	Remarks (Any details in connection with the relevant obligation to be given)
1. Registration under Shops and Establishment Act		
2. Registration under MSE (Provisional/ Final)		
3. Drug License		
4. Latest Sales tax return filed		
5. Latest Income tax returns filed		
6. Any other statutory dues remaining outstanding		

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 450

15

SPACE FOR PHOTO	SPACE FOR PHOTO	SPACE FOR PHOTO
SIGNATURES OF PROPRIETOR/ PARTNER/ DIRECTOR WHOSE PHOTO IS AFFIXED ABOVE Only one photo of proprietor/ each partner/ each working Director is required to be affixed. Each photo will be certified/ attested by the Branch Team with name and signatures on the photograph with Branch stamp. The concerned staff will put his name below the signatures.		

16 Date:

Place:

I/ We certify that all information furnished by me/ us is true; that I/ We have no borrowing arrangements for the unit except as indicated in the application; that there is no overdue/ statutory dues against me/us/promoters except as indicated in the application; that no legal action has been/ is being taken against me/us/promoters; that I/We shall furnish all other information that may be required by you in connection with my/ our application that this may also be exchanged by you with any agency you may deemed fit and you, your representatives, representatives of the Reserve Bank of India or any other agency as authorised by you, may, at any time, inspect/verify my/our assets, books of accounts etc in our factory/ business premises as given above.

Handwritten initials/signature

Handwritten mark

Documents attached:

I/We have attached the copies of the following supporting documents (put a ✓ wherever applicable)

- Proof of identity- Voter's ID card/ Passport/ driving licence/ PAN card/ signature identification from present bankers of proprietor, partner or Director (if a company)
- Proof of residence - Recent telephone bills, electricity bill, property tax receipt/ passport/ voter's ID card of proprietor, partner or Director (if a company)
- Proof of business property
- Proof of Minority
- MSE registration if applicable
- Last three years' Balance Sheets of the units along with income tax/ sales tax returns etc (applicable for all cases from Rs. 2 lacs and above). However, for cases below fund based limit of Rs. 25 lacs if audited balance sheets are not available, then unaudited balance sheets are also acceptable as per extant instructions of the bank. For cases of Rs. 25 lacs and above, the audited balance sheets are necessary.
- Projected balance sheets for the next two years in case of working capital limits and for the period of the loan in case of term loan (for all cases of Rs. 2 lacs and above)
- Passport size photograph/s of the applicant/s
- Application form
- Credit information
- Any other document (Please specify)

Date:

Place:

Applicant's Signature





**CHECKLIST (TO BE GIVEN TO THE NEW CUSTOMERS BY BRANCH) OF DATA TO BE KEPT
READY BY THE CUSTOMER**

1. Proof of identity- Voter's ID card/ Passport/ driving licence/ PAN card/ signature identification from present bankers of proprietor, partner or Director (if a company)
2. Proof of residence - Recent telephone bills, electricity bill, property tax receipt/ passport/ voter's ID card of proprietor, partner or Director (if a company)
3. Proof of business property
4. Proof of Minority
5. * Last three years balance sheets of the units along with income tax/ sales tax returns etc. (Applicable for all cases from Rs. 2 lacs and above). However, for cases below fund based limit of Rs. 25 lacs if audited balance sheets are not available, then unaudited balance sheets are also acceptable as per extant instructions of the bank. For cases of Rs. 25 lacs and above, the audited balance sheets are necessary.
6. *Memorandum and articles of association of the Company/ Partnership Deed of partners etc
7. * Assets and liabilities statement of promoters and guarantors along with latest income tax returns.
8. * Rent Agreement (if business on rent) and clearance from pollution control board if applicable.
9. *MSE registration if applicable
10. *Projected balance sheets for the next two years in case of working capital limits and for the period of the loan in case of term loan (for all cases of Rs. 2 lacs and above).
11. *In case of takeover of advances, sanction letters of facilities being availed from existing bankers/ Financial Institutions along with detailed terms and conditions.
12. *Profile of the unit (includes name of promoters, other directors in the company, the activity being undertaken, addresses of all offices and plants, shareholding pattern etc. (Applicable for cases with exposure above Rs. 25 lacs).
13. *Last three years balance sheets of the Associate/ Group Companies (if any) (Applicable for cases with exposure above Rs. 25 lacs).
14. *Project Report (for the proposed project if term funding is required) containing details of the machinery to be acquired, from whom to be acquired, price, names of suppliers, financial details like capacity of machines, capacity utilization assumed, production, sales, projected profit and loss and balance sheets for the next 7 to 8 years till the proposed loan is to be paid, the details of labour, staff to be hired, basis of assumption of such financial details etc. (Applicable for cases with exposure above Rs. 25 lacs).
15. *Review of account containing monthwise sales (quantity and value both), production (quantity and value), indigenous raw material (quantity and value), value of stocks in progress, finished goods (quantity and value), debtors, creditors, bank's outstandings for working capital limits, term loan limits, bills discounted. (Applicable for cases with exposure above Rs. 25 lacs).
16. *Photocopies of lease deeds/ title deeds of all properties being offered as primary and collateral securities.
17. *Position of accounts from the existing bankers and confirmation about the asset being Standard with them (in case of takeover).

UNION BANK OF INDIA
_____ Branch

Applicant Inward No. _____

ACKNOWLEDGEMENT

Received from Mr./Ms. _____ application dated _____ for
Rs. _____ under Financing to Micro & Small Enterprises (MSEs).

The application will be disposed off on or before _____* provided your
application is complete in all respects and is accompanied by the documents as per
'check list' provided.

Additional details/ requirements to be submitted:

- 1)
- 2)
- 3)

Date:

Signature of Branch Manager
with seal

Place:

* Branches to refer the code of bank's commitment to Micro and small Enterprises.

