



**fincare**  
Small Finance Bank

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**MSME Policy - Extract of Bank's Board  
approved policy**

## 1. Objective and Preamble:

Micro, Small and Medium Enterprises have been accepted as the engine of economic growth and for promoting equitable distribution of credit to overall industrial economy of the country. In recent years, the sector has immensely registered higher growth rate compared to other industrial sectors. The major advantage in this sector is its employment potential at a low capital cost. The Govt. of India has also been making concerted effort for the promotion and the development of MSME sector which ended the sector to grow at a higher pace. To facilitate the development of this sector, the Govt. of India has enacted the MSME ACT, 2006 effective from 2<sup>nd</sup> October 2006. The Policy initiative methodology by the Government has been inclusion of credit to MSME sector under priority sector lending. The Govt. of India has notified new criteria for classifying the enterprises as Micro, Small and Medium Enterprises and it came into effect from July 01, 2020.

### MSME Definition

The definition of MSMEs (also mentioned in the loan policy section No.21) as per Government of India (GoI), Gazette Notification S.O. 2119 (E) dated June 26, 2020 read with circular RBI/ 2020-2021/ 10 FIDD. MSME & NFS.BC.No .3/ 06.02.31 / 2020-21 read with FIDD.MSME & NFS. BC. No.4 /06.02.31/2020-21 dated July 2, 2020, August 21, 2020 respectively on 'Credit flow to Micro, Small and Medium Enterprises Sector' and updated from time to time. Further, such MSMEs should be engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service or services.

In terms of definition, the following advances would presently be covered under MSME:

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

- i) a **micro enterprise**, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
- ii) a **small enterprise**, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; and
- iii) a **medium enterprise**, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees

## 2. OTS POLICY for MSME

Bank to facilitate One Time Settlement for recovery of non-performing loans / facilities extended to Micro and Small Enterprises as per the Guidelines prescribed by RBI from time to time. For one time settlement, various factors pertaining to non-performing loans such as reason for non-payment, past track record, Current financial strength etc. to be taken into consideration. All such compromise settlements will be done

in a fair and transparent manner and in full compliance with RBI guidelines on the matter with the approval of credit committee. Non-performing loans will be defined as per the prevailing guidelines of RBI and board approved NPA and write off Policy.

Bank will follow the below broad guidelines for settlement of accounts:

- The compromise will be a negotiated settlement wherein recovery of its dues to the maximum extent possible with a minimum sacrifice will be aimed at
- All the credit facilities availed by the borrower to be settled simultaneously with the settlement
- In case of a suit filed account the terms and conditions of settlement to be finalized and consent decree from court will be obtained