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Khadi and Village Industries Commission
3, Irla Road, Vile Parle (West), Mumbai-56

No: PMEGP/RBI/M-954/2010-11

Date: 26.7.2010

C I R C U L A R

Sub: Increase in limit of collateral free loans from Rs. 5.00 lakhs to Rs.10.00 lakh by RBI

Instances have come to the notice that PMEGP entrepreneurs are facing hardships on account of having to furnish collateral guarantee for availing loan from banks. Accordingly KVIC took up the matter with Reserve Bank of India and clarification was sought from RBI regarding whether collateral free loan upto Rs.5.00 lakhs are mandatory to be followed by Public Sector banks. RBI has clarified that loan upto Rs.5.00 lakhs are collateral free which is mandatory to be followed by public sector banks. The same has been circulated by KVIC to all CMDs of banks vide letter No:PMEGP/RBI/M-954/10-11 dated 24.9.2009.

2. Further, with the persuasion of KVIC and Ministry of MSME the Working Group constituted to review Credit Guarantee Scheme for MSME suggested to increase the present level of Rs.5.00 lakhs to Rs.10.00 lakhs for collateral free loan to MSME sector and make it mandatory for banks for implementation. Accordingly, RBI has issued the Circular No:RPCD.SME & NFS.BC No:79/06.02.31/2009-10 dated 6th May, 2010 which is enclosed for your kind perusal and to bring it to the notice of all Implementing Agencies like DIC, KVIB, Banks and for publicizing in Awareness Camps and Workshops for the benefit of potential beneficiaries of PMEGP.

This may be taken up on priority please.

Encl: As above

(J.S.Mishra)
Chief Executive Officer

To

1. All State /Divisional Directors of KVIC, Churchgate Mumbai
2. All CEOs of State/UT KVI Boards
3. All Zonal Dy.Chief Executive Officers
4. Director/Commissioner Industries State Government

Circulate to all DICS on 23/8/2010 by email



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

RBI/2009-10/449

RPCD.SME & NFS. BC.No. 79 /06.02.31/2009-10

May 6, 2010

The Chairnnan/ Managing Director
All Scheduled Commercial Banks
(Including Regional Rural Banks and Local Area Banks)

Dear Sir

Working Group to Review the Credit Guarantee Scheme for Micro and Small Enterprises (MSEs) – Collateral free loans to MSEs

As you are aware, a Working Group was constituted by the Reserve Bank of India to review the Credit Guarantee Scheme (CGS) of the Credit Guarantee Fund Trust for Micro and Small Enterprises (Chairman: Shri V.K. Sharma, Executive Director, RBI) and suggest measures to enhance its usage. The Report of the Working Group was released on March 6, 2010, which is available on our website (www.rbi.org.in). The Working Group has, inter alia, recommended that

"the limit for collateral free loans to the MSE sector be increased from the present level of Rs. 5 lakh to Rs.10 lakh and it be made mandatory for banks. Banks, in turn, can take cover for the collateral free credit facilities under CGS. In order to upscale the CGS, it is necessary to create widespread awareness about the key features and benefits of the Scheme. As the branch level functionaries have a predilection to lend against collaterals, the Group recommends that the Chief Executive Officers (CEOs) of banks assume complete and total ownership in the matter of strongly encouraging the branch level functionaries to avail of the CGS cover, including making performance in this regard a criterion in the evaluation of their field staff."

The above recommendations have been accepted by the Reserve Bank of India. Accordingly, in modification of our circular RPCD.SME & NFS.BC.No. 15/ 06.02.31 (P)/ 2009-10 dated August 24, 2009, banks are mandated not to accept collateral security in the case of loans upto Rs 10 lakh extended to units in the MSE sector.

2. Banks may also strongly encourage their branch level functionaries to avail of the CGS cover, including making performance in this regard a criterion in the evaluation of their field staff.
3. You are requested to issue suitable instructions to your branches/ controlling offices for meticulous and strict compliance in this regard.
4. Please acknowledge receipt.

Yours faithfully

(R.C. Sarangi)
Chief General Manager

ग्रामीण विकास योजना और ऋण विभाग, केन्द्रीय कार्यालय, 10 वीं मंजिल, केन्द्रीय कार्यालय भवन, शाहीद भगतसिंह मार्ग, पोस्ट बाक्स सं. 10014, मुंबई-400 001
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हिंदी आवेदन है, इस्कर प्रत्येक बैंक/इण्टर

for kind information please.
16/7

Circulate it.
in 3 days - Get my sign with box.

16/7
I. S. Mishra