

MSMEs demand a time period for loan sanctions and relaxed norms

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Officials of micro, small and medium enterprises (MSMEs) who met Reserve Bank of India (RBI) Governor Shaktikanta Das on Monday demanded a time period for loan sanctions, limited collateral by banks, and a green light for buyer's credit.

MSMEs continue to complain of a chronic lack in working

capital that has hampered work flows and led to layoffs. "The turnaround time for requests for sanction/enhancement of limits for working capital or term loans should be on a fixed basis — based on the product and the amount of loans up to a specified amount," said Shreekant Somany, chairman of the Confederation of Indian Industry (CII) National MSME Council.

"For sanctions/enhancement of limits for working capital/term loans, the time limit for sanction may be fixed at 15 days from the date of application and for disbursement, the time limit may be fixed as 15 days from the date of sanction," he added. Also, collateral sought by banks should be limited to 133 per cent of the exposure rather than the current norm of unlimited collateral, Somany said.

The CII has also suggested that personal guarantees be taken only in the case of collateral shortfall and not where sufficient collateral is available from the firm's resources. It has said such guarantees should not be taken from external directors, who have no role to play in day-to-day operations.

For bank guarantees, MSMEs said the requirement to return such guarantees to close claim period needs to be removed, while charges for bank guarantees for over two years should be debited on an annual basis. Further, annual bank guarantee charges for longer period validity should be lower for subsequent years. Banning of Letters of Undertaking (LoUs) for buyer's credit is having a liquidity impact on industry, Das was told. The CII recommends that LoUs must be permitted in cases where the company is to incur capital expenditure.

“While issuing circular for MSMEs, we have pointed out that banks have been asked to look at the viability of individual MSMEs before restructuring,” Das told the media later in the day. “So banks have been asked to place the matter before the board and come out with guidelines to examine the viability of individual proposals and also monitoring of performance of such restructured assets and units,” Das added.

Last week, the RBI had allowed lenders to recast loans of stressed MSMEs, provided the total fund and non-fund based exposure to such a borrower does not exceed Rs 25 crore. Such a debt restructuring, the central bank said, would not lead to a downgrade in asset classification.

It also recently allowed merchant exporters — most of whom are small players — to avail pre- and post-shipment credit at lower rates through the Interest Equalisation Scheme.

The bodies have also demanded that central ministries clear all dues of MSMEs within a stipulated date, saying a mechanism can be devised for immediate release of all such dues. All claims should be called/invited by the Ministry of MSME with a one-month public notice, the CII said.