



**Code of SIDBI's Commitment**

to

**Micro, Small and Medium Enterprises**

This is a Code, reflecting the SIDBI's positive commitment to its Micro, Small and Medium Enterprise [MSME] customers to provide easy, speedy and transparent access to banking services in their day-to-day operations and in times of financial difficulty. This Code is not only a Charter of Rights of the MSME customers but also enshrines their responsibilities vis-a-vis their bank.

Small Industries Development Bank of India

[www.sidbi.in](http://www.sidbi.in)

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## INTRODUCTION

This is a Code, which sets minimum standards of banking practices to be followed by SIDBI while dealing with **Micro, Small and Medium Enterprises (MSMEs)** as defined in the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. It provides protection to you and explains how SIDBI is expected to deal with you for your day - to- day operations and in times of financial difficulty.

The Code does not replace or supersede regulatory or supervisory instructions issued by the Reserve Bank of India (RBI) and we will comply with such instructions /directions issued by the RBI from time to time. The provisions of the Code may set higher standards than what is indicated in the regulatory or supervisory instructions and such higher standards will prevail, as the Code represents best practices agreed by us as our commitment to you.

In the Code, '**you**' denotes the MSME customer in India and '**we**', Small Industries Development Bank of India (SIDBI) that you deal with.

### 1.1 Objectives of the Code

The objectives of the Code are

- a) To give a positive thrust to the MSME sector by providing easy access to efficient and appropriate banking **services**.
- b) To promote good and fair banking practices by setting minimum standards in dealings with you.
- c) To increase transparency so that you can have a better understanding of what you can reasonably expect of the services.
- d) To improve our understanding of your business through effective communication.
- e) To encourage market forces, through competition, to achieve higher operating standards.
- f) To promote a fair and cordial relationship between you and us and also ensure timely and quick response to your banking needs.
- g) To foster confidence in the banking system.

The standards of the Code are covered by the key commitments in Section 2,

## 1.2 Application of the Code

As defined in the MSMED Act, 2006, MSMEs cover Micro, Small and Medium Enterprises engaged in the manufacturing or production or processing or preservation of goods and those engaged in providing or rendering of services.

Unless it says otherwise, this Code shall apply to all the products and services listed below, under current regulatory instructions, whether they are provided by branches, subsidiaries, joint ventures or agents, across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other mode. However, all products discussed here may or may not be offered by us.

- a) Fixed deposits
- b) Loans and advances
- c) Refinance facilities
- d) Issue of **Letter of Credit** (both inland and foreign)
- e) Pre and post shipment credit
- f) Financial assistance to Micro Finance Institutions

## 2. KEY COMMITMENTS

### 2.1 Our key commitments to you:

#### 2.1.1 To act fairly and reasonably in all our dealings with you by

- a) Providing speedy and efficient credit and service delivery.
- b) Meeting the commitments and standards in this Code, for the products and services we offer, and in the procedures and practices we follow.
- c) Making sure our products and services meet relevant laws and regulations in letter and spirit.
- d) Ensuring that our dealings with you rest on ethical principles of integrity and transparency.
- e) Operating secure and reliable banking and payment and settlement systems, wherever applicable.
- f) Considering cases of financial difficulty sympathetically.

#### 2.1.2 To help you understand how our Financial Products and Services work by

- a) Giving you information about our financial products and services in Hindi, English and the concerned regional language.
- b) Ensuring that our advertising and promotional literature is clear and not misleading.
- c) Ensuring that you are given clear and full information about our products and services, the terms and conditions and the interest rates/service charges, which apply to them.

- d) Ensuring that there is no mis-selling of our/ third party products.
- e) Giving you information on the facilities provided to you and how you can avail of these and whom you can contact for addressing your queries and how.

### 2.1.3 To help you use your Account or Service by

- a) Providing you regular appropriate updates of your account.
- b) Keeping you informed about changes in the interest rates, charges or terms and conditions.
- c) Creating an “Enquiry”/ “May I help You” counter at the branch and keeping a Complaint Book/Register there.
- d) Keeping Complaints/Suggestion Box at a prominent place.
- e) Providing complaint form at the branch and on the home page of SIDBI website to facilitate complaint submission by the customers.
- f) Keeping a Notice Board at the Branch to display, among others, the followings

#### A. Customer Service Information

- (i) Fixed Deposit – Tenures and Rates
- (ii) Bank’s MCLR (Marginal Cost of Funds Based Lending Rate) & its effective date

#### B. Loans to MSMEs

We provide financial assistance in terms of (i) Refinance to Banks/ FIs for onward lending to MSMEs and directly to MSMEs. The customers are requested to visit our website [www.sidbi.in](http://www.sidbi.in), [www.sidbistartupmitra.in](http://www.sidbistartupmitra.in), [www.standupmitra.in](http://www.standupmitra.in) and [www.udyamimitra.in](http://www.udyamimitra.in) for details or contact enquiry desk of the Branch.

#### C. GRIEVANCE REDRESSAL:

- (i) If you have any grievances/complaints, please approach Nodal Officer at Branch ([Customer Services / Complaints - Nodal Officers of SIDBI](#))
- (ii) If your complaint is unresolved at the branch level, you may approach our Regional Manager at ([Customer Services / Complaints - Nodal Officers of SIDBI](#)).
- (iii) If you are not satisfied with our grievance redressal, you may approach the Chief Grievance Officer ([Chief Grievance Officer](#)).

- The language requirements (i.e., bilingual in Hindi speaking states and trilingual in other states) would be taken into account.
  - The notice board shall specifically indicate wherever recent changes have been done. For instance, if there is a recent change in the loan products offered by the Bank, the information on the loan products would be displayed as 'We offer .... loans/products (changed on .....)'.
  - The notice board may also indicate a list of items on which detailed information is available in booklet form.
  - Also display details such as 'Name of the bank/branch, working days and Working hours.'
- g) Displaying on our website the followings
- (i) Products and Services (<http://www.sidbi.in/> )
  - (ii) Fixed Deposit Rates ([Interest Rates](#))
  - (iii) Lending rates structure along with total fees and charges ([www.sidbi.in/](http://www.sidbi.in/))
  - (iv) Details of branches/ Regional Offices, address/ phone nos. ([www.sidbi.in/en/contact-us/](http://www.sidbi.in/en/contact-us/))
  - (v) Citizen's Charter ([Citizen's Charter](#) )
  - (vi) Fair Practices Code ([Fair Practices Code](#))
  - (vii) Code of Bank's Commitment to MSME Enterprises ([Code of Commitment](#))
  - (viii) Customers' Grievance Redressal Policy ([Customer Grievance Redressal Policy](#))
  - (ix) Customers' Compensation Policy ([Customer Compensation Policy](#))
  - (x) Policy on Bank Fixed Deposits ([Policy on Bank Fixed Deposits](#))

#### **2.1.4 To deal quickly and sympathetically when things go wrong by**

- a) Correcting mistakes promptly and cancelling any bank charges that we may have applied due to our mistake and pay compensation for any financial loss you may have incurred due to our mistake in terms of our Compensation Policy.
- b) Acknowledging receipt of your complaint and handling your complaints promptly as per our Customers' Grievance Redressal Policy.
- c) Telling you how to take your complaint forward if you are still not satisfied.
- d) Providing suitable alternative avenues to alleviate problems arising out of technological failures of the bank.

#### **2.1.5 To treat all your personal and business information as private and confidential**

We will treat all your personal and business information as private and confidential subject to matters mentioned in paragraph No. 4 of the Code.

### 2.1.6 To publicise the Code

We Will

- a) Provide existing customer with a copy of the Code, free of cost, on request over the counter or by electronic communication or by mail.
- b) Provide new customer with a copy of the Code, free of cost when you avail of financial assistance or open a Fixed Deposit Account with us.
- c) Make available this Code for perusal at every branch and on our website.
- d) Ensure that our staff is trained to provide relevant information about the Code and to effectively put the Code into practice.
- e) Take other steps to increase awareness of the customers about the Code and its provisions.

### 2.1.7 To adopt and practice a Non Discrimination Policy

We will not discriminate on the basis of age, caste, race, gender, marital status, place, religion or disability, if any, of the promoter/proprietor/partner/s of the enterprise.

## 3. INFORMATION

You can get information on interest rates, fees and charges from our staff at branches / Regional offices / Head Office/ Website.

### 3.1 General

We will

- a) Give you information on all schemes offered by us specifically for MSMEs.
- b) Give you information to explain the key features of our loan and products viz, working capital term loan (W.C.T.L.), working capital under the arrangement with IDBI Bank or any other bank, term loans, guarantees, off balance sheet items, including applicable interest rate, methodology of calculation of interest and fees and charges.
- c) Endeavour to customize the product and service that you choose, to suit your needs.
- d) Tell you if we offer products and services in more than one way (For e.g. through internet, over the telephone, in branches and so on) and tell you how to find out more about them.
- e) Tell you what information we need from you to prove your identity and address, for us to comply with legal, regulatory, "Know Your Customer" (KYC) norms and internal policy requirements.

### **3.2 Interest Rates**

We will give you information on:

- a. The interest rates which apply to your deposit and loan accounts.
- b. In case of loans at fixed rate of interest, details of interest reset clause, if any, in the loan agreement and the effective date thereof.
- c. In case of loans at floating rate of interest, the reference rate to which your floating rate will be linked and the premium or discount applied to the reference rate for determining the actual rate of interest on your loan.
- d. Whether you have the option for converting your loan from fixed rate to floating rate and vice versa and, if so, the charges therefor.
- e. Periodicity at which we pay interest on your deposits or charge interest on your loan accounts.
- f. How we apply interest to your deposit and loan accounts and how we calculate interest thereon.

#### **3.2.1 Changes in interest rates**

We will inform you of changes in interest rates on our loan products and changes in the reference rate to which the floating rate of interest is linked within a fortnight of the decision by any one of the following means:

- i. Letter
- ii. e-mail
- iii. SMS

We will also display this information on our website and on the Notice Boards available at our branches.

### **3.3 Tariff Schedule**

#### **3.3.1 Fees & Charges**

- a) We will make known to you all charges applicable to the products and services chosen by you.
- b) We will ensure that our fees and service charges for various services are approved by the Bank's Board or any competent authority duly authorized by the Board to take decisions in this regard and that they would be reasonable and non-discriminatory for similar class of customers.
- c) We will make available a copy of our Tariff Schedule at every branch for your perusal.
- d) We will display on our website and in our branches a list of services which are rendered free of charge.
- e) We will also provide you information about the penalties leviable in case of non- observance/violation of any of the terms and conditions governing the product/services chosen by you.



- f) We will not levy any charge on account of the bank/ branch upgrading its technology.

### **3.3.2 Changes in Fee & Charges**

If we increase any fee or charge or introduce a new fee or charge, it will be notified through statements of accounts/ e-mail / SMS alerts / notice board at branches. This information will also be made available on our website.

### **3.4 Terms and Conditions**

- a) When you become a customer or avail of a product/ service for the first time, we will advise you the relevant terms and conditions for the service you have asked us to provide.
- b) All terms and conditions will be fair and will set out respective rights, liabilities and obligations clearly and as far as possible in plain and simple language.

#### **3.4.1 Changes to Terms and Conditions**

- a) When you become a customer, you can get information of changes to terms and conditions through any of the following channels
  - i. Letter
  - ii. Account statements
  - iii. Email / SMS

If the change is applicable to customers in general, such information will also be made available on the Notice Boards in our branches and our website.

- b) Normally, changes will be made with prospective effect with a notice of one month.
- c) If we have made any change without notice, we will notify the change within 30 days. If such change is to your disadvantage, you may within 60 days of the notice, close your account or switch to any other eligible account without having to pay any revised charges or interest.

## **4. PRIVACY AND CONFIDENTIALITY**

- a) We will treat all your personal and business information as private and confidential [even when you are no longer a customer], and shall be guided by the following principles and policies. We will not reveal information or data relating to your accounts, whether provided by you or otherwise, to anyone, including other companies/entities in our group, other than in the following exceptional cases.

- b) If we have to disclose the information as required by law or if required by the banking regulator.
  - i) If there is a duty towards the public to reveal the information.
  - ii) If our interests and/or any prudent risk mitigating strategy require us to give the information (for example, to prevent fraud). However, we will not use this as a reason for giving information about you or your accounts [including your name and address] to anyone else, including other companies in our group.
  - iii) If you authorise us to reveal the information.
- c) We will not use your personal and business information for marketing purposes by anyone including ourselves unless you specifically authorize us to do so.

#### **4.1 Credit Information Companies / Information Utilities**

- a) When you apply for a credit facility, we will explain to you the role of Credit Information Companies (CIC) / Information Utilities (IU) as also the checks we may make with them and the effect that the information they provide can have on our decision to grant credit facility to you.
- b) When you avail a credit facility from us, we will report the loan details to CIC/s and IU/s.
- c) Updated information about credit availed from us will be reported by us to the CIC/s and IU/s at periodical intervals.
- d) Information reported to CIC/s and IU/s will also include personal debts you owe us even when
  - i) You have fallen behind in your payments
  - ii) The amount owed is in dispute
- e) If your loan account has been in default and thereafter regularised, we will take steps to update this information with the CIC/s and IU/s in the next report.
- f) We shall keep the CIC/s and IU/s updated of your account details especially when your account becomes 'standard' after a period of being 'sub-standard' and / or immediately after account is regularized / closed to our satisfaction
- g) We shall keep the CIC/s and IU/s updated of your account details when your account becomes 'standard' after a period of being 'sub-standard' and / or immediately after the account is regularized / closed to our satisfaction.
- h) When you apply for credit facility from us, we will on request, and on payment of prescribed fee, furnish you a copy of the credit information obtained by us from the CIC.
- i) We will explain to you the repercussions of adverse credit information record with CIC/s and IU/s and their impact on your ability to get credit in future from us or other banks, when you make a settlement under 'One Time Settlement' with us and close your account/s with us.

## 5. LENDING

- a) Our loan policy dealing will be reflective of the objectives and spirit of the national policy and the regulatory prescription. We will endeavour to provide facilities through a single window mechanism.
- b) We shall place the policies relating to lending to Micro, Small and Medium Enterprise and Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises (MSMEs) on our website and also make them available to you at the branch for perusal. On request, we will make available a copy at a nominal charge.
- c) We will inform you, if applicable, about salient features including benefits available and charges payable and terms of Credit Guarantee Scheme of CREDIT GUARANTEE FUND TRUST FOR MICRO AND SMALL ENTERPRISES which is extended by eligible banks and is popularly known as CGTMSE guarantee scheme for MSEs and which is available at present to new as well as existing Micro and Small Enterprises including Service Enterprises with a maximum credit cap of ₹200 lakh (Rupees Two hundred lakh) per borrower, excluding educational institutions, training institutes and Self-Help Groups (SHGs) as per the said Scheme.
- d) Where a loan is eligible to be covered under any other credit guarantee scheme or any subsidy scheme in force, we will explain to you the features of such scheme and any requirement you need to fulfill.
- e) We will endeavour to conduct programmes to enhance knowledge on financial management of the prospective borrowers.
- f) We shall endeavour to organize meetings of MSME borrowers at periodic intervals as a regular channel for exchange of ideas and suggestions.
- g) We shall endeavor to educate customers / prospective customers about new products that Bank may introduce.

### 5.1 Application

We will:

- a) Make available, free of cost, simple standardized, easy to understand, application form(s) for loans / other products.
- b) Provide you with a checklist of documents to be submitted (compliant with legal and regulatory requirements) along with the loan application form to enable you to submit the application complete in all respects. If required, we will guide you in filling up your loan application form.
- c) At the time of making available application form, also provide you information about the interest rates applicable along with the annualized rates of interest, and the fees/charges, if any, payable for processing, pre-payment options and charges, if any, and any other matter such as availability of CGTMSE guarantee which affects your interest, so that a meaningful comparison with those of other banks can be made and informed decision can be taken by you.

- d) Acknowledge the receipt of your loan application, whether submitted manually or online and indicating therein the time frame within which the application will be disposed of.
- e) Normally collect all particulars required for processing the application for credit facility at the time of application. In case we need any additional information, we will contact you within seven working days from receipt of application.
- f) At the time of renewal of an existing loan facility, which has been satisfactorily conducted, we will endeavour to obtain from you only those additional information which are already not in our possession.
- g) Discuss with you the Most Important Terms and Conditions (MITC) governing the loan/ credit facility you have sought to avail.
- h) Endeavour to enable you to know the status of your application.

## 5.2 Credit Assessment

- a) We will:
- b) Verify the details mentioned by you in your application by contacting you through our staff / agencies appointed by us for this purpose at your business address/residence.
  - i) Before lending you any money, or increasing your overdraft or borrowing limit/s, we shall carry out proper assessment of your loan application, undertaking detailed due diligence and appraisal.
  - ii) Satisfy ourselves about the reasonableness of the projections made by you.
  - iii) While assessing your credit requirement, take into account the seasonality or cyclicity of your business and wherever required, fix separate peak and non-peak credit limits.
  - iv) Undertake due diligence of machinery supplier.
  - v) We may require the following information to enable us to make a fair assessment:
    - i. Purpose of borrowing.
    - ii. Your business plan.
    - iii. Your business cash flow, profitability and existing financial commitments supplemented, if necessary, by account statements.
    - iv. Your personal financial commitments.
    - v. How you have handled your finances in the past.
    - vi. Information we get from Credit Information Companies.
    - vii. Ratings assigned by reputed credit rating agencies, if any.
    - viii. Information from others, such as other lenders /creditors.
    - ix. Market reports.

Wherever plant and machinery or immovable property is offered as security, valuation report and legal scrutiny report on the same will be required from Engineer/ Advocate empanelled by us.

Whether the customer is agreeable to cover the loan under CGTMSE guarantee wherever applicable.

Any other relevant information.

c) We will:

- i. Not accept collateral security for credit limits upto ₹10 lakh or up to limits specified by Reserve Bank of India, from time to time.
- ii. Seek your consent to cover the credit facilities sanctioned to you within credit cap of ₹200 lakh (Rupees two hundred lakh) under Credit Guarantee Scheme of CREDIT GUARANTEE TRUST FOR MICRO AND SMALL ENTERPRISES for facilities within a maximum limit of ₹.200 lakh (Rupees two hundred lakh) if the facility approved by us is an eligible facility and has been covered under the CGTMSE scheme and for which you have agreed to.
- iii. Provide you (Borrower unit) an aggregate working capital limits under arrangements with various banks computed as per Projected Turnover Method (Nayak Committee) for cases requiring aggregate fund based WC limits up to ₹5 crore and the Second Method of Lending (Traditional Method) for cases above ₹5 crore, wherever we have such arrangements.
- iv. Consider your request for suitable enhancement in the working capital limits under IDBI Bank / other arrangements in cases where the output exceeds the projections or where the initial assessment of working capital is found inadequate and you have provided necessary evidence therefor.

**d. Guarantees**

If you want us to accept a guarantee or other security from someone else for your liabilities, we will ask you for your permission to give confidential information about your finances to them or to their legal adviser. We will also

- i. Encourage them to take independent legal advice to make sure that they understand their commitment and the possible consequences of their decision (where appropriate, the documents we ask them to sign will contain this recommendation as a clear and obvious notice).
- ii. Tell them that by giving the guarantee or other security they may become liable for the credit facilities availed of by your firm / as well as you.
- iii. Give a copy of the terms and conditions of the loan sanctioned/loan agreement to the guarantor(s) of the credit facility availed by you.
- iv. Send a copy of the annual statement of account of your term loans/demand loans to the guarantor(s) of the loan.
- v. Acknowledgement of Debt & Securities (AoDS) to be obtained from guarantors also.

### 5.3 Sanction / Rejection

We will:

- a) While offering you an overdraft, or an increase in your existing overdraft limit, tell you if your overdraft is repayable on demand or otherwise.
- b) Put down in writing terms and conditions and other caveats governing credit facilities agreed to and duly certify the same and give you a copy thereof.
- c) Supply, at our cost, authenticated copies of all the loan documents executed by you with a copy each of all enclosures quoted in the loan document and the list thereof.
- d) Convey in writing the reasons for not acceding to your request for a loan or credit facility.
- e) Follow a rating system, the parameters of which will be broadly shared with you.
- f) No prepayment charges / interest in respect of customers where the aggregate outstanding financial assistance across various lending institutions / banks is upto ₹50 lakh.
- g) Prepayment charges would be levied in all loans (including working capital limits) except where exempted under 5.3(f) above.
- h) In respect of all loans under Direct Finance Assistance, interest on prepayment of loans shall be charged as a percentage of Outstanding amount (plus applicable GST) wherever applicable. In respect of Working Capital limit, prepayment charges shall be based on the Average Outstanding in the Working Capital account during the last 90 days.
- i) Provide you an amortisation schedule (schedule of repayment of principal and interest for the duration of the loan).
- j) Ensure disbursement of loan sanctioned within two working days from the date of compliance with all terms and conditions governing such sanction.
- k) Ensure periodic review and renewal of facility as per terms and conditions in the sanction letter given to you.

### 5.4

#### a) Central Registry

When you avail of a loan facility involving immovable property, as primary or collateral security, we will advise you about the functioning of the Central Registry and the fact of the availability of their records for search by any lender or any other person desirous of dealing with the property.

#### b) Central Fraud Registry

When you avail of a loan facility, we will advise you about the functioning of Central Fraud Registry (CFR) which contains information pertaining to frauds involving an amount of ₹ 1 lakh and above reported by Commercial banks and

select Financial institutions. Records are available for search for pre-sanction due diligence of new/existing customers by any lender through the CFR data before granting/renewing any facility.

### 5.5 Post Disbursement

We will

- a) Refrain from interference into your business affairs except as may be required in terms of sanction of loan, loan agreement or when new/adverse information comes to our knowledge
- b) Endeavour to be constructive in our monitoring process and sympathetically deal with genuine difficulties that you may face in your dealings with us.
- c) Require you to inform us of any subsequent credit facility you avail of from any other lending institution.
- d) Obtain following information from you on an ongoing basis
  - i) Stock and other statements at periodical intervals.
  - ii) A comparison of the forecasts in your business plan with the actual results.
  - iii) Annual accounts such as Balance Sheet and Profit and Loss Account and other supporting documents.
  - iv) Age-wise break up of your creditors and debtors and the amounts involved.
  - v) Net worth statement, Balance Confirmation Certificate (BCC) and Acknowledgement of Debt & Securities.
- e) Allow drawals against your limits as per usual safeguards.
- f) If your business circumstances change, talk to you about any new information we will need from you.
- g) Convey our consent or otherwise within 21 working days of receipt of a request for transfer of the borrowal account, either from you or from the bank / financial institution that proposes to take over the account.
- h) (i) At the formal request of the party concerned, SIDBI would release the securities, at its office, within 15(fifteen) working days after it receives repayment or realisation of loan, or other dues agreed to or contracted, subject to any lien or legitimate right or any other charges of any lender/ authority or claim that may exist against borrower / the securities and the party concerned furnishing latest address and identity proofs.  
(ii) If such right of set off or otherwise is to be exercised, SIDBI shall intimate about it to the party concerned with full particulars about remaining claims, lien or other rights and the provisions under which SIDBI is entitled to retain the securities or documents of title of the mortgaged property till the relevant claim is settled / paid or right satisfied/ waived.
- i) Grant you increase in the drawing power, subject to sanctioned limit and compliance of stipulated condition(s), within next working day of

creation of security. Effect pledges/ deliveries on the same day of receiving your request.

- j) In addition to providing periodical statements for operating accounts, provide you with an annual statement of account of your term loans / demand loans.
- k) Provide you with the loan statement, more often, if required, at a cost which will be indicated in the Tariff Schedule.
- l) Monitor the progress made by you through any or more of the following modes
  - i. Scrutinising periodic statements of stocks you hold
  - ii. Watching the transactions in your account with us.
  - iii. Visits by either our staff or authorised representative to your premises for verification of the stocks and/or assets financed.
  - iv. Obtain wherever necessary market reports on how your business is going on.
- m) If your account is continuously irregular and shows signs of becoming a Non Performing Asset (NPA), endeavour to send you timely alerts on not only transaction related but also on other related critical parameters through letter / mail or SMS including the status of your account.
- n) Give you notice, sufficiently in advance, if we decide to recall/ accelerate payment or performance under the agreement or seek additional securities.
- o) SIDBI shall conduct exit survey/obtain feedback and carry out discussion regarding experience of the customer with SIDBI.

### 5.6 Non-Fund Based Facilities

We may offer non - fund based facilities for purchase of capital equipment or raw materials/ consumables etc. through issuance, advising, confirmation, negotiation, discounting etc. of Letters of Credit (LCs) or by issue of guarantees. The guarantees would be issued on behalf of Micro and Small Enterprises only. Facilities such as Letter of Credit, Guarantees, Collections are governed, besides national laws, by relevant Rules and applicable Publications of International Chamber of Commerce (ICC) published from time to time.

### 5.7 Insurance

- a. We will inform you if we, as agents of any insurance company, offer any type of insurance.
- b. We will ensure that we have your written consent to avail of these insurance products.
- c. In case of securities lodged with us for loans availed by you, we will not insist on your obtaining insurance cover from any particular provider.



## 5.8 Financial Difficulties -

How we can help

**5.8.1** We will consider cases of financial difficulty sympathetically and positively. You will usually identify problems first and should let us know as soon as possible. If we become aware of problems, we will let you know in writing. If speedy action is warranted, we may contact you by phone, fax or e-mail.

**5.8.2** This list gives a few examples of what may concern us, particularly when you do not inform us —

- a) If there is a delay in commencement of commercial production and there is cost overrun etc.
- b) If there is inordinate delay in submission of periodic information like stock statement, renewal data, audited financial statements etc.
- c) If there is high incidence of cheque returns in your accounts.
- d) If you exceed your agreed sanctioned limits frequently.
- e) If there are large increases or decreases in your business turnover without proper clarification from you.
- f) If there is a stoppage/ suspension of work for an unreasonably long time.
- g) If you are incurring loss.
- h) If you suddenly lose a business partner or co-promoter or a key customer or employee.
- i) If there is a change in the primary activity or if you sell a large part of your business.
- j) If you use credit facility/ies for purposes other than those agreed with us or divert the funds for purposes other than intended business.
- k) If you do not service interest at prescribed intervals.
- l) If you fail to adhere to the agreed loan repayment schedule.
- m) If the bills drawn by you on your customers return unpaid frequently.
- n) If you do not honour bills drawn on you by your suppliers frequently.
- o) If guarantees issued by us on your behalf are frequently invoked.
- p) If your book debts/debtors /stocks size is increasing not in consonance with turnover in your account.
- q) If all sales are not routed through your account.
- r) If you do not comply with conditions set out in the loan agreement.
- s) If you do not furnish agreed information on time.
- t) If another creditor brings a winding-up petition or other legal action against your business.
- u) If there is any adverse information received from other lenders/ creditors/ any other sources.

**5.8.3** We will do all we can to help you overcome your difficulties. With your active cooperation, we will develop a plan for dealing with your financial difficulties and we will tell you, in writing, what we have agreed to.

**5.8.4** We will endeavour to provide you credit counseling services, so that we can be of help to you in dealing with your financial problems.

**5.8.5 a.** If you are in difficulties, we will work with your advisers, if you ask us to. It is important that you act in good faith, keep us informed about developments, keep to your agreement with us and are prepared to make necessary changes early enough.

**b.** We may ask you for more financial information /commitments to help us work together to understand your problems.

**5.9 Framework for revival and Rehabilitation of Micro Small and Medium Enterprises (MSMEs)**

**5.9.1** We will examine your proposal for revival/rehabilitation of your unit under the extant RBI framework for revival and Rehabilitation of Micro Small and Medium Enterprises (MSMEs) and consider a Corrective Action Plan (CAP) if your unit is identified as Special mention account 2 (SMA-2). Or

You may also voluntarily initiate the process under the framework if you apprehend failure of your business or likely inability to pay debts or there is erosion in the net worth due to accumulated losses to the extent of 50% of net worth during the previous accounting year by making an application to our Branch office.

**5.9.2 For examining your request or action by us under RBI framework for revival and Rehabilitation of Micro Small and Medium Enterprises (MSMEs) we will**

a) Examine your proposal under the above RBI framework and advise you about our view.

b) If your unit is found to be viable/potentially viable, initiate timely corrective action for its revival.

c) In case your unit is potentially viable and is under consortium /multiple banking arrangement, and if we have maximum share of outstanding, work out the restructuring package.

d) Work out a rehabilitation package which will also include your contribution in accordance with RBI stipulations and implement the same within 6 months from the date when the unit is declared potentially viable / viable. Further, for viability assessment, the prescribed time limit given by RBI is 3 months.

e) In case your unit is declared unviable, you will be given an opportunity to present your case before our next higher authorities.

**5.9.3** If we do not think that the rehabilitation plan will succeed, we will explain the reasons why and help you and your advisers consider other options.

5.9.4 If we cannot reach an agreement, we will make it clear why we feel unable to continue to support you and tell you when we will withdraw our financial support.

**5.10 One Time Settlement**

- a) In case the Bank comes out with a One Time Settlement (OTS) Scheme, wide publicity will be given by placing it on the Bank's website and through other possible means of dissemination.
- b) In case we offer you an OTS for repayment of dues, we will explain to you the details of the offer.
- c) We will spell out, in writing, the terms and conditions of the OTS offered to you.
- d) We shall allow reasonable time to you to submit the application and make payment of the dues, so that you may avail of the benefits of the scheme.
- e) If the OTS proposal is agreed to, we will explain to you the implications of such settlement on your credit history maintained by the Credit Information Companies (CICs).

**5.11 Securitisation of loans / dues**

- a. In case we securitise (sell) your loans/ dues to another entity, we will advise you the name and contact details of such entity along with the amount of your loan/ dues transferred to them. In the normal course, loans/ dues, which are not standard are considered for sale to an Asset Reconstruction Company (ARC) through assignments.
- b. In such a case, you will be liable to pay the entire amount due to the entity to which the loan / dues have been transferred.
- c. The entity to which the loan / dues have been transferred will continue to report your credit information to the CICs.
- d. We will endeavor to assist you in case you have a grievance against the entity to which your loan/ dues have been transferred by us.

**6. COLLECTION OF DUES AND POLICY ON SECURITY REPOSSESSION**

**6.1 Collection of Dues**

- a) Whenever we give loans, we will explain to you the repayment process by way of amount, tenure and periodicity of repayment. However, if you do not adhere to repayment schedule, a defined process in accordance with the laws of the land will be followed for recovery of dues which will be given to you at the time of sanction of loan.
- b) All relevant laws, regulations, guidelines and conditions of approval, licensing or registration will be taken into account when appointing Recovery Agents.

- c) We will ensure that our Recovery Agents are properly trained to handle their responsibilities with care and sensitivity. We will also ensure that they do not exceed their brief.
- d) The process will involve reminding you by sending you notice or by making personal visits and/ or repossession of security, if any.
- e) In case of default, we may refer the case to the recovery agent / representative. We will inform you that recovery proceedings have been initiated.
- f) On initiating recovery proceedings, we will also tell you that in case you have a complaint to make in this regard, you may contact our helpline number **1800226753**.
- g) We will investigate your complaints about unfair practices by our recovery agents / representative, if any. In the event of receipt of any complaint from you that the bank's representative/recovery agent has engaged in any improper conduct or acted in violation of the Code, we will investigate the matter and communicate the findings to you within 30 working days from the date of receipt of complaint and wherever justified, compensate you for the losses, if any.

## 6.2 Policy on Collection of Dues and Security Repossession

- a) Our collection policy is built on courtesy, fair treatment and persuasion. We believe in fostering customer confidence and long-term relationship. As part of our policy
  - i. We will provide you with all the information regarding your dues and will endeavor to give sufficient notice for payment of dues.
  - ii. We will write to you when we initiate recovery proceedings against you and will inform you the name of the recovery agency/ agent, to whom your case has been passed on, as also their address and telephone numbers.
  - iii. We will post details of the recovery agents firms/companies engaged by us on our website.
  - iv. We will also make available, on request, details of the recovery agency firms/companies at our branches.
  - v. Our staff or any person authorized to represent us in collection of dues or/and security repossession will identify himself/ herself and display the authority letter issued by us and upon request display to you his/ her identity card issued by us or under our authority.
  - vi. We will have a system of checks before passing on a default case to collection agencies so that you are not harassed on account of lapses on our part.
  
- b) All the members of the staff or any person authorised to represent our bank for collection or/and security repossession who would be subjected to due diligence, will follow the guidelines set out below:

- i. You would be contacted ordinarily at the place of business/occupation and if unavailable at the place of your business/occupation at the place of your residence or in the absence of any specified place at the place of your authorised representative's choice.
- ii. Their identity and authority to represent would be made known to you.
- iii. Your privacy and dignity would be respected.
- iv. Interaction with you would be in a civilised manner.
- v. Normally our representatives will contact you between 09:00 hrs and 19:00 hrs, unless the special circumstances of your business or occupation require otherwise.
- vi. Your requests to avoid calls at a particular time or at a particular place would be honored as far as possible.
- vii. Time and number of calls and contents of conversation would be documented.
- viii. All assistance would be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- ix. During visits to your place for dues collection, decency and decorum would be maintained. Our officials/ agents will not resort to intimidation or harassment of any kind, either verbal or physical against any person, including acts intended to humiliate you or intrude into the privacy of family members, referees and friends, making threatening and anonymous calls or making false or misleading representations.  
However, it is your responsibility to keep updating your contact details. In case the Bank is still unable to contact you, the Bank will access information available from public sources and approach your friends/ relatives to trace you.
- x. Inappropriate occasions such as bereavement in the family or other calamitous occasions would be avoided for making calls/visits to collect dues.

We will follow a Policy on Collection of Dues and Security Repossession, as given in the Code of SIDBI's Commitment to MSMEs, in consonance with the law / under SIDBI Act as well as under SARFAESI Act. A copy of the MSME code will be made available on request.

**7. Review of the Code:**

**This Code will be reviewed periodically, as and when felt necessary, in addition to changes necessitated on account of changes made by RBI.**

**8. Custodian of the Code:**

**Direct Credit Vertical or such vertical as identified shall be the Custodian of the Policy.**

**Glossary****Bank Guarantee**

Bank guarantee is a promise by a bank on behalf of its customer to a third party to pay an amount specified in the guarantee deed in case the customer fails to perform the obligation as stipulated in the deed.

**Bills**

Bills are financial negotiable instruments such as Bills of Exchange or Promissory Notes. Bill of Exchange is issued by a seller to his buyer directing him to make payment for the goods supplied/ services rendered. Bill in the form of a promissory note is issued by a buyer to his seller undertaking to make payment for the goods received/ services rendered.

**Bill Discounting**

In case of discounting of a bill, a bank buys the bill (i.e. Bill of Exchange or Promissory Note) before it is due and credits the value of the bill after discount charges to the customer's account. The transaction is practically an advance against the security of the bill and the discount represents the interest on the advance from the date of purchase of the bill until it is due for payment. Only usance bills are discounted.

**Cash Credit/Overdraft**

Cash credit/overdraft is a form of credit facility in which a borrower is sanctioned a pre-arranged limit with the freedom to borrow as much money as he requires. In case of flow of credit to the account, he can withdraw afresh subject to the limit sanctioned. As such, the limit works as a revolving line of credit. Bank charges interest on the outstanding balances.

**Cash losses**

Cash losses mean net losses minus depreciation.

**Collateral Security/ Security**

Collaterals are assets pledged/hypothecated/ mortgaged by a borrower as a security for a credit facility. In the event of the borrower defaulting on the loan, the lender bank can claim these assets in lieu of the sum owed.

**Compensation Policy**

Compensation Policy refers to the policy followed by a bank for compensating its customers for the financial losses incurred by them (the customers) due to the acts of omission or commission on the part of the bank.

**Credit facilities/ Bank Loan**

Credit facilities from the bank may be in the form of a term loan or in the form of overdraft or cash credit that is extended by a bank to its customer for a specified period and he is charged interest on the outstanding balances.

**Credit Information Companies (CICs)**

Credit Information Companies are companies formed and registered under the Companies Act, 1956 and which have been granted a Certificate of Registration by the Reserve Bank of India. These companies are empowered to collect data on credit from credit institutions who are its members and disseminate the same after analysis, to its members and specified users.

**Customer**

An MSME or its authorised representative who has an account with a bank or who avails of other products/ services from a bank.

**Deceased account**

A Deceased account is a deposit account in which case either the single account holder has deceased or in case of joint accounts one or more of joint account holders has/have deceased.

**Equity**

Equity means a part of capital of a corporate entity that is represented by the shares of the company whether in physical or dematerialised form. 32

**Government bond**

Government bond means a security, created and issued by the Central or State Government for raising a public loan.

**Guarantee**

A promise given by a person.

**Information Utility**

Information Utility is a professional organisation which is registered under Section 210 of the Insolvency and Bankruptcy Code, 2016 whose function is to gather, assemble, accumulate, validate and disseminate financial information from companies and creditors to facilitate insolvency, liquidation and bankruptcy.

**Letter of Credit** A letter of credit is a document issued by a bank, which usually provides an irrevocable undertaking for payment to a beneficiary against submission of documents as stated in the Letter of Credit.

**Mail**

Mail is a letter in a physical or electronic form.

**Micro, Small and Medium Enterprises**

Micro and Small Enterprises are those enterprises engaged in manufacturing or rendering services.

The composite criteria for classification of enterprise based on Investment in Plant & Machinery/equipment and Annual Turnover are as under:

Micro	Small	Medium
Investment in Plant and Machinery or Equipment: Not more than ₹1 crore and Annual Turnover; not more than ₹5 crore	Investment in Plant and Machinery or Equipment: Not more than ₹10 crore and Annual Turnover; not more than ₹50 crore	Investment in Plant and Machinery or Equipment: Not more than ₹50 crore and Annual Turnover; not more than ₹250 crore

**Net worth**

Net worth means sum of Capital and free reserves minus accumulated losses.

**Nomination Facility**

The nomination facility enables the bank to: make payment to the nominee of a deceased depositor, of the amount standing to the credit of the depositor, return to the nominee, the articles left by a deceased person in the bank's safe custody, release to the nominee of the hirer, the contents of a safety locker, in the event of death of the hirer.

**Non-Fund based facility**

Non-fund based facilities are such facilities extended by banks which do not involve outgo of funds from the bank when the customer avails the facilities but may at a later date crystallise into financial liability if the customer fails to honour the commitment made by availing these facilities. Non-fund based facilities are generally extended in the form of Bank Guarantees, Acceptances and Letters of Credit.

**Non Performing Asset**

A Non Performing Asset (NPA) is a loan or an advance where

- i. Interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
- ii. the account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC).
- iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased or discounted.

**Accounts where there is erosion in the value of security/frauds committed by borrowers**

In respect of accounts where there are potential threats for recovery on account of erosion in the value of security or non-availability of security and existence of other factors such as frauds committed by borrowers it will not be prudent that such accounts should go through various stages of asset classification. In cases of such serious credit impairment, the asset should be straightaway classified as doubtful or loss asset as appropriate:

- a. Erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent of the value assessed by the bank or accepted by RBI at the time of last inspection, as the case may be. Such NPAs may be straightaway classified under doubtful category.



- b. If the realisable value of the security, as assessed by the bank/ approved valuers/ RBI is less than 10 per cent of the outstanding in the borrowal accounts, the existence of security should be ignored and the asset should be straightaway classified as loss asset.

**Overdue**

Any amount due to the bank under any credit facility is 'overdue' if it is not provided on the due date by the bank.

**PAN**

The Permanent Account Number (PAN) is an all India unique Number having ten alphanumeric characters allotted by the Income Tax Department, Government of India. It is issued in the form of a laminated card. It is permanent and will not change with change of address of the assessee or change of Assessing Officer.

**Payment and Settlement System**

Payment and Settlement System means financial system creating the means for transferring money between suppliers and user of funds usually by exchanging debits or credits among financial institutions.

**Real Time Gross Settlement (RTGS)**

The acronym RTGS stands for Real Time Gross Settlement. RTGS System offers the fastest means of transfer of funds through banking channel. Settlement of transactions under RTGS takes place on one to one basis, which is termed as 'Gross' settlement and in 'real time' i.e. without any waiting period.

**Reasonable**

Governed by or being in accordance with reason and sound thinking; being within the bounds of common sense; not excessive or extreme.

**Repossession**

Repossession is the process by which a creditor with a loan secured on house or goods (e.g. car) takes possession of the security, if the debtor does not repay as per the terms of the loan agreement.

**Rehabilitation Package**

Rehabilitation package is the package drawn for the rehabilitation of a sick unit. The package has to be drawn in accordance with the RBI stipulations and it usually consists of

- i. Working Capital with relaxation in the rate of interest in terms of regulatory guidelines
- ii. Funded Interest Term Loan
- iii. Working Capital Term Loan
- iv. Term Loan
- v. Contingency Loan Assistance

### **Security**

Represents assets used as support for a loan or other liability. In the event of the borrower defaulting on the loan, the lender bank can claim these assets in lieu of the sum owed.

Primary security is the asset created out of the credit facility extended to the borrower and / or which is directly associated with the business / project of the borrower for which the credit facility has been extended.

Collateral security is any other security offered for the said credit facility. For example, hypothecation of jewellery, mortgage of house etc.

### **Services**

- i. In respect of small and micro service enterprises, services refer to small road and water transport operators, small business, professional and self-employed persons, and all other service enterprises.
- ii. Services rendered by the banks include various facilities like remittance (issue of DDs, MTs, TTs etc), receipt and payment of cash, exchange of notes and foreign exchange etc. provided by the banks to the customers.

### **Sick Unit**

Sick unit refers to a unit whose account has remained substandard for more than six months or there has been erosion in net worth due to accumulated cash losses to the extent of 50% of the net worth during the previous accounting year and the unit has been in commercial production for at least two years.

### **Substandard**

A substandard asset would be one, which has remained NPA for a period less than or equal to 12 months.

### **Tariff Schedule**

The charges levied by a bank on the products and services offered by it to its customers.