

## **FICCI-Confederation of MSME applauds the new Framework by RBI for Revival and Rehabilitation of MSMEs**

**NEW DELHI, 25 March 2016:** Micro, Small and Medium Enterprises (MSMEs), including Khadi and Village/ Rural Enterprises, play a significant role in the economic growth of the country owing to their contribution to production, exports and employment. The MSME sector has slowly come into the limelight, thanks to increased focus from the government, government institutions, corporate bodies and banks. Furthermore, policy based changes; investments into the sector; globalisation and India's robust economic growth have opened up several latent business opportunities for this sector. During the past decade this sector has recorded a higher growth rate in comparison to the overall industrial average.

With opportunities, there are challenges as well that MSMEs face. Easy and adequate availability of credit is important for the sustainable growth of the MSME sector. However, mainstream banks and other financial institutions have typically viewed MSMEs as high-risk investments. Coping with delayed payment is another issue which hampers finances of MSMEs. The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 which tries and addresses some of these issues. The act also stipulates debt-restructuring mechanism for units in MSME sector.

The MSME restructuring/rehabilitation policy aims at a timely and transparent mechanism for restructuring the debts of viable/potentially viable Micro, Small and Medium (MSME) entities facing problems and to maintain the economic value of assets. In particular, the framework aims at preserving viable MSMEs that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring/rehabilitation programme. However, due to limited resources and lower amount of loan it was not feasible for banks to do viability study and hence the decision was left with the bank Manager and for loan amount of Rs 1 crore and above committee approach option rested with the bank. However effective restructuring was not happening, it was being felt by the MSME sector that banks are more concerned in restructuring the large corporates due to their larger stake/loan amount.

Ministry of Micro, Small and Medium Enterprises, Government of India, vide their Gazette Notification dated May 29, 2015 had notified a 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises. RBI recently announced the new framework for Revival and Rehabilitation applicable to MSMEs having loan limits up to Rs.25 crore, including accounts under consortium or multiple banking arrangement (MBA). The framework as proposed by Ministry of MSME and in line with RBI guidelines will operationalize by all the banks not later than June 30, 2016.

"FICCI-Confederation of MSME welcomes the announcement/notification by RBI as the formation of Special Mention Account and mandatory formation of a committee at each district for Stressed Micro, Small and Medium Enterprises by the banks would enable faster resolution of stress in an MSME account at the right time, thereby reducing NPAs in MSMEs" - says **Mr Sanjay Bhatia, President, FICCI-CMSME and Managing Director, Hindustan Tins Works Ltd.**

