



Ref: Kerala SLBC/PRS/62/2020/AJS

Date : 09th April 2020

To

All member Banks
SLBC Kerala

Dear Sir,

Sub : 8th Advisory regarding DFS instruction on extending additional Credit to MSME units

As the Indian economy reels from the impact of COVID-19 PANDEMIC, Reserve Bank of India in its COVID-19 Regulatory Package RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated 27th March, 2020 advised:

1. "All commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies) ("lending institutions") are permitted to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 and May 31, 2020 in respect of all term loans (including agricultural term loans, retail and crop loans)."
2. "In respect of working capital facilities sanctioned in the form of Cash Credit/Over Draft to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may recalculate the drawing power by reducing the margins and/or by reassessing the working capital cycle."

Besides, Department of Financial Services, Ministry of Finance has advised us as follows.

"Banks were to provide additional credit to the MSMEs with relaxation in norms for calculating Drawing Power. In addition banks were to also provide special credit packages to enable MSMEs to tide over the crisis. As majority of the MSMEs pay the salary and wages between 1st and 8th of every month, early action in this regard is required. It has been reported by Industry Associations that some branches of banks are not entertaining credit requests on the plea that recent IBA guidelines calls upon them to provide services pertaining to cash deposit and withdrawal, remittances and Govt. business only."

Banks are advised to take necessary action on the above and avoid inconvenience to the borrowers.

Yours faithfully,

N AJIT KRISHNAN
Convenor, SLBC Kerala &
General Manager, Canara Bank