

Banking Codes & Standards Board of India

Frequently Asked Questions (FAQs)

1. In what way is the Code of Bank's Commitment to Micro and Small Enterprises different from the existing regulatory prescription of the Reserve Bank of India and the Government policy framework?

The objective of the Code is not to replace the existing regulatory framework but to complement it. Regulations by themselves cannot ensure availability of quality service to all. The Code seeks to achieve this through a positive and voluntary commitment of the bankers to provide easy access to transparent, speedy and efficient banking services. Banks are also committed to provide products and services suiting the needs of MSEs and to consider their financial difficulties sympathetically.

2. Why is the scope of the Code confined to only Micro and Small enterprises?

MSEs play a very significant role in maintaining a balanced and sustainable growth of the economy, through employment generation, development of entrepreneurial skills and contribution to export earnings. The Report of the Working Group on rehabilitation of sick SMEs has brought out that this vibrant segment of the Indian economy has been contributing over 39 per cent of the manufacturing sector output, 33 per cent of the national exports and providing employment to nearly 312 lakh people through about 128 lakh units, located in both the rural and urban areas across the country. The Third Census of small enterprises conducted by the Government of India in 2001-02 revealed that 95.5% of Micro & Small Enterprises have been outside the purview of the

jurisdiction of financial structure and that there is a critical need to provide banking services to fully exploit the potential of this sector.

3. What are some of the positive features of this Code?

Through this Code, banks are committed to make available to MSEs, free of cost:

- A copy of the Code of Bank's Commitment to MSEs which is their Charter of Rights.
- A check list of all legal and regulatory requirements along with a simple standardised, easy to understand application form for loan.

Banks are also committed to make available to MSEs information about:

- The interest rates applicable, and the fees/charges, if any, and any other matter which affects MSEs interest, so that a meaningful comparison with those of other banks can be made and informed decision can be taken by you.
- The specific time frames for dealing with MSEs loan application, disbursement, services etc.
- The availability of collateral-free loan.
- The parameters for credit assessment and post disbursement.
- MSEs obligations when you are in financial difficulty and how your bank can help you.
- Nursing sick MSEs and debt restructuring.
- The services which it has committed to give to MSEs.
- The internal procedures for dealing with MSEs complaints.
- The bank's policy for collection of dues, cheque collection, compensation, grievance redressal, etc.

4. If banks do not implement the Code, what is the recourse left for the customers?

Banks have adopted a Model Grievance Redressal policy framed by the IBA. Banks have a set of internal Grievance Redressal Procedures for

handling of complaints with given specific time frame consistent with External Grievance Redressal Mechanisms such as the Banking Ombudsman Scheme. The Code even provides that if customers are not satisfied with the bank's response, they should not be discouraged from escalating the complaints and should be helped to take up the matter with the Banking Ombudsman. Individual complaints are also dealt with by the Customer Service Department of the Reserve Bank of India and if the complaints involve systemic issues, the BCSBI pursues the matter with the banks for rectification of the systemic lapses.

5. What is the measure of compliance of banks with the 'Code of Bank's Commitment to Customers' ?

Banks have initiated several positive measures to comply with the provisions of this Code. All banks are now systematically distributing copies of the Code to all their customers. Since this Code is, in a sense, a Charter of Rights of the individual vis-a-vis his bank, this is an important action on the part of the bank to voluntarily empower the individual customer. Also, banks have adopted Model policies for Cheque Collection, Grievance Redressal, Security Repossession and Compensation and these are in public domain. Transparency with regard to charges, fees and interest rates is now apparent and all banks have a tariff schedule in public domain. These are some of the positive features. BCSBI is in continuous dialogue with banks towards achieving greater compliance of the Code in letter and spirit.