



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
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April 15, 2014

All Scheduled Commercial Banks  
(excluding RRBs)

Dear Sir / Madam

**Differential Rate of Interest for Micro and Small Enterprises (MSEs)**

A reference is invited to [part 'B' of the First Bi-monthly Monetary Policy Statement, 2014-15 announced on April 1, 2014](#) wherein certain measures have been proposed to be adopted by banks in order to give a fillip to the flow of credit to micro and small enterprises (MSEs) borrowers.

2. In this regard we advise that while pricing their loans to MSE borrowers, banks should take into account the incentives available to them in the form of the credit guarantee cover of the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and the zero risk weight for capital adequacy purpose for the portion of the loan guaranteed by the CGTMSE and provide differential interest rate for such MSE borrowers, than the other borrowers. However, banks should note that such differential rate of interest is not below the Base Rate of the bank.

3. Further, banks are advised to undertake a review of their loan policy governing extension of credit facilities to the MSE sector, with a view to using Board approved credit scoring models in their evaluation of the loan proposals of MSE borrowers.

Yours faithfully

(Prakash Chandra Sahoo)  
Chief General Manager

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