



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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August 1, 2012

The Chairman/Managing Director/ Chief Executive Officer

All Scheduled Commercial Banks

(excluding Regional Rural Banks)

Dear Sir / Madam

Micro and Small Enterprises Sector – The imperative of Financial Literacy and consultancy support

It is observed from the Fourth Census on MSMEs, that the extent of financial exclusion in the MSME sector is very high (92 per cent). It is, therefore, imperative for banks that the excluded units are brought within the fold of the formal banking sector.

2. Studies have revealed that lack of financial literacy, operational skills, including accounting and finance, business planning etc. represent formidable challenge for MSE borrowers underscoring the need for facilitation by banks in these critical financial areas. Moreover, MSE enterprises are further handicapped in this regard by absence of scale and size.

3. To effectively and decisively address these handicaps, bank branches need to have a more proactive role in the affairs of their MSE clients by providing them with financial literacy and consultancy support. For this, banks could either separately set up special cells at their branches, or vertically integrate this function in the Financial Literacy Centres (FLCs) set up by them, as per their comparative advantage. The bank staff should also be trained through customised training programs to meet the specific needs of the sector.

4. Please acknowledge receipt and forward an Action Taken report by August 24, 2012.

Yours faithfully

(C D Srinivasan)

Chief General Manager