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RBI releases guidelines on restructuring of advances to MSMEs

Micro, Small and Medium Enterprises (MSMEs) form an important component of the Indian economy and contribute significantly to the country's GDP, exports, industrial output, employment generation, etc. Considering the importance of MSMEs in the Indian economy, it is considered necessary at this juncture to take certain measures for creating an enabling environment for the sector.

The issue of restructuring of MSME accounts was discussed in the meeting of the Central Board of RBI on November 19, 2018. The matter was also discussed during RBI's recent interactions with the banks and other stakeholders.

The above issue has been examined in RBI and a view has been taken to facilitate meaningful restructuring of MSME accounts that have become stressed. [RBI has decided to permit a one-time restructuring of existing loans to MSMEs that are in default but 'standard' as on January 1, 2019, without an asset classification downgrade.](#) To be eligible for the scheme, the aggregate exposure, including non-fund based facilities of banks and NBFCs, to a borrower should not exceed ₹250 million as on January 1, 2019. The restructuring has to be implemented by March 31, 2020. A provision of 5% in addition to the provisions already held, shall be made in respect of accounts restructured under this scheme. Each bank/NBFC should formulate a policy for this scheme with Board approval which shall, *inter alia*, include framework for viability assessment of the stressed accounts and regular monitoring of the restructured accounts.

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