

Extend Moratorium Period To 5 Years: CIMSME

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In a letter to RBI Governor Shaktikanta Das, Chamber of Indian Micro Small & Medium Enterprises (CIMSME) has sought extension of loan repayment to 5 years instead of 3 years.

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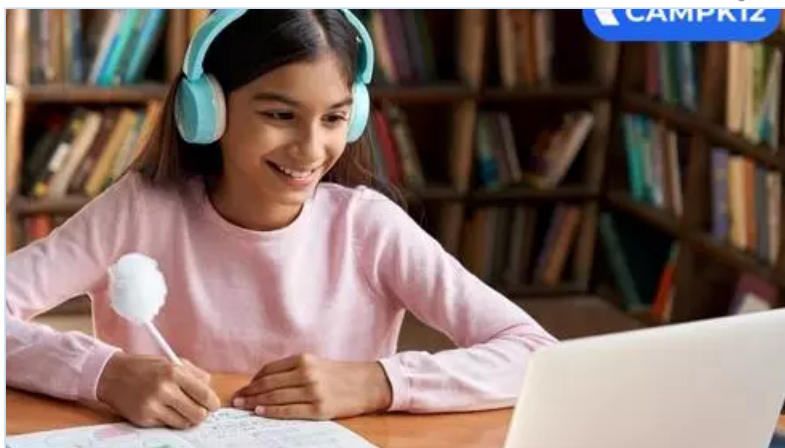


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CIMSME also expressed its gratitude for allowing the restructuring of stressed loans to MSMEs. The letter applauds the 'Resolution Framework 2.0' and termed it as big support to the MSMEs and to its lenders as well. In addition, the letter made some suggestions to add more value to it.

Recommending the extension, CIMSME letter reads, "The repayment period should be five years in place of three years after the moratorium period."

The extended repayment should be allowed to all MSMEs who have avail ECLGS 1.0 and not to be restricted to borrowers which are eligible for restructuring as per latest RBI guidelines, it added.

Moreover, it also Requested not to downgrade any rating/score based on restructuring, which is due to covid-19. Moreover, there should no requirement of external credit rating for the next two years for sanction/enhancement of any loan

Suggesting changes in Asset Classification, CIMSME letter reads, Stressed MSMEs who were under standard asset classification as on 31/03/2020 might have decided not to avail of the restructuring facility in terms of earlier notification. However, many of them might have downgraded to substandard asset as on 31/03/2021 and are thus not eligible for restructuring under the new provisions 5/06, 2021. Therefore, it demanded the cutoff date for standard asset classification at this time should be in March 2020.

Some other recommendations are as follows:

- There need to be a cap on interest rates and penal rate of interest for any default, in absence of which our members are facing hardship, particularly with private sector banks.
- There should be a cap in the interest rate, such as that rate after restructuring may not be more than the rate of interest being charged from such MSMEs before restructuring.
- Cooperative Banks should also be covered to be MLI in all schemes.