

# RBI sets up MSME committee

**ENS ECONOMIC BUREAU**

MUMBAI, DECEMBER 5

THE RESERVE Bank of India (RBI) has decided to set up an expert committee to identify causes and propose long-term solutions for the economic and financial sustainability of the micro, small and medium enterprises (MSME) sector. The composition of the committee and its terms of reference will be finalised by the end of December 2018 and the report will be submitted by the end of June 2019, the RBI said on Wednesday.

A bailout package for small units was a bone of contention between the RBI and government nominees and independent directors on the Central Board.

In its Central Board meeting on November 19, the RBI agreed to work out a loan restructuring scheme for SMEs for a loan exposure of up to Rs 25 crore in line with the advice of the board. The RBI board advised that the central bank should consider a scheme for restructuring of stressed standard assets of MSME borrowers with aggregate credit facilities of up to Rs 25 crore, subject to such conditions as are necessary for ensuring financial stability.

The RBI was earlier unwilling to consider any loan recast scheme for small units as the banking sector is already reeling under the impact of a huge pile of bad loans. However, independent directors were pushing for a package for small units.

“MSMEs contribute significantly to employment, entrepreneurship and growth in the economy. They remain, by their predominantly informal nature, vulnerable to structural and cyclical shocks, at times with persistent effects,” the RBI said.