



17th July, 2021 / 7474

Shri Shaktikanta Das
Governor
Reserve Bank of India
Mumbai-400 001

Sub: Request to exclude MSMEs from the new provisions regarding Opening of Current Accounts by Banks

Ref.: RBI's Circular no DOR.NO. BP. BC/7/21.04.048/2020-21

Respected Sir,

Greetings from Gujarat Chamber of Commerce & Industry.

We wish to draw your kind attention to the above circular by The Reserve Bank of India (RBI) dated 6th August, 2020 vide reference no. DOR. No. BP. BC/7/21.04.048/ 2020-21 (“Opening of Current Accounts by Banks - Need for Discipline”) where it has mandated that borrower who have availed the CC/OD facilities, shall not get other current accounts opened from any non-lending banks. We have reports that even some lending banks also do not allow opening of other Current Accounts. Also, it has mandated for closure of existing current accounts opened by CC/OD borrowers from any non-lending banks. Hence the bankers are forcing their existing customers, including the MSMEs to comply with these provisions even if that results in loss of business to the customer / logistic issues in this tough economic downtime.

Sir, the above provisions contained in the circular are causing immense hardships especially to the MSMEs, at a time when they are struggling hard to survive due to the COVID-19 pandemic. We have illustrated below hardships being faced by the MSME borrowers, due to the issuance of the said circular and which requires immediate attention.

1. No bank shall open the Current Account for borrowers who have availed credit facilities in the form of CC/OD from other banks (and even the same lending bank in some cases)

a. The circular restricts opening of current accounts from non-lender banks. In such scenarios, MSME businesses who have already operated their day-to-day transactions from other current accounts, will badly be affected.

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Hon. Treasurer

b. There are many such instances where MSMEs have availed the credit facilities from a particular bank and other loans/facilities such as Business Loans and Vehicular Loans from other institutions as they were offering better rates. If they will have to close the current accounts, existing repayments of said loans will be affected and shifting of ECS/ NACH payments from CC/OD accounts will itself be a tedious task and time consuming. Moreover, many banks & NBFCs are not accepting EMIs from CC/OD account. Here, in such cases opening current account becomes necessary.

c. Many of the banks do not have the Direct – Indirect Tax payment gateways on their internet banking platforms. Due to which many MSME borrowers look for accounts with other banks for timely statutory compliances. If their current accounts are closed, they will not be able to honor their tax payments on specified timelines.

d. Even OD granted against FDRs are treated at par with CC and even such Current Accounts are not allowed to be opened. This is a very harsh action.

e. Payment towards Custom duty is required to be made online through ICEGATE which has very few listed banks as below. In such case customers having CC/OD account with banks not listed on ICEGATE will be deprived of making Import Duty payment, which create issues for their business.

Listed Banks – PNB, Indian Bank, Canara Bank, Union Bank of India, Bank of Baroda, Indian Overseas Bank, UCO Bank, Bank of India, Central Bank of India, SBI and IDBI Bank.

2. Multiple Banking - Exposure with Subordinate Bank (Exposure upto 10% of total bank)

Another major problem is that where the MSME is into multiple banking and having working capital CC/OD accounts for more than a bank, bifurcation is done on the basis of exposure i.e upto 10% of total banking exposure and more than 10% of total banking exposure. Due to this restriction, the MSMEs aren't allowed to freely use the credit collection of subordinate banks and this creates a financial crunch.

In practical scenarios, it would be very difficult for MSMEs to operate their payment cycles where they will have to transfer the balance kept in the CC/OD account of the subordinate bank and from the main account, they will have to make the suppliers payment. Further the said clause restricts the MSME borrowers to use the balance of CC/OD as margin money for non-fund-based facilities. In such a scenario, they shall have to make necessary arrangements for extra funds for margin money despite the balance available in the CC/OD account of the subordinate bank. This restriction will even bring more hardship for the MSME borrowers who have

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to work with very limited funds and have only non-fund-based facilities from subordinate bank/ banks.

Sir, as far as we understand, the purpose of this circular is to monitor the business cash flows/ credit churning of CC/OD borrowers where they have more than one account. However not allowing MSMEs to operate the banking services from any other banks shall affect their business operations which is not advisable as the MSMEs are the very backbone of our economy and this decision will badly strike them during the present tough times where they are facing survival issues due to COVID-19 global pandemic. Thus, it will be very difficult for them to come out of the huge losses incurred due to implementation of this circular. This will further add to closure of the MSMEs thereby creating widespread unemployment and economic losses.

In view of the above-mentioned difficulties, we request you to exempt the MSMEs from the provisions of this circular and provide the much-needed relief and support to them in these challenging times.

We look forward to your favorable consideration of our request.

With regards,

Yours sincerely,

Natubhai Patel
President

Copy to:

1. **Shri Narayan Tatu, Hon'ble Minister, Ministry of Micro, Small and Medium Enterprises, Govt.of India, New Delhi**
2. **Shri Santosh Kumar Panigrahy,Regional Director,Reserve Bank of India, Ahmedabad.**

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