

In terms of RBI Master Circular dated 1st July'2014 on MSME loans, instructions have been issued to all Scheduled Commercial Banks in India on sanction of Collateral Free Loans, as under :-

- Banks are mandated not to accept collateral security in the case of loans upto Rs.10 lakh extended to units in the MSE sector.
- Banks are also advised to extend collateral-free loans upto Rs. 10 lakh to all units financed under the Prime Minister Employment Generation Programme of KVIC.Banks may, on the basis of good track record and financial position of the MSE units, increase the limit of dispensation of collateral requirement for loans up to Rs.25 lakh (with the approval of the appropriate authority).
- Banks are advised to strongly encourage their branch level functionaries to avail of the Credit Guarantee Scheme cover, including making performance in this regard a criterion in the evaluation of their field staff.
- A composite loan limit of Rs.1 crore can be sanctioned by banks to enable the MSE entrepreneurs to avail of their working capital and term loan requirement through Single Window.

➤ **All the circulars in this regards by RBI are given in the next link: [RBI Master circular on lending to MSME sector to all scheduled commercial Banks excluding Regional & Rural Banks with the intention to help "Loan Seekers"](#).**