

BUILDERS' ASSOCIATION OF INDIA

Suggestions for the Working Group of IBA & CIDC

1. The Government of India MSME Ministry announced loans to MSME without collateral security in order to push MSME and Start-ups, Banks refused to grant loans in absence of property mortgage (Collateral security) and banks have been bold and did the blatant violation of RBI and MSME guidelines.
2. There is a provision to cover BG risk under CGTMSE and a certain percent is payable by the customer. Banks are refusing this facility and seeking immovable property of at least equivalent value for the issue of BG's
3. Banks to refund the bank charges in full (instead of the current practice of 50%) for the unexpired period of the bank guarantee, in cases where the bank guarantee is returned to the bank by the contractor
4. The moratorium may be extended up to March end 2021 and interest waiver shall be allowed for the moratorium period.
5. SOD and Bank guarantee approvals and Renewals are delaying abnormally by banks.
6. Bank guarantee charges shall be reduced to 1% per annum uniformly for all types of bank guarantees (performance or financial) for all banks.
7. Solvency certificate or credit facility letter shall be issued by banks without any charge for the purpose of tenders within the branch level as per the customers credentials
8. BG charges should not be upfront for the entire period banks should collect the commission only on quarterly basis
9. Bank should sanction the loan facilities within 30 working days from the date of receipt of request from clients or date of receipt of work order.
10. Performance assessment of contractors for last 6 months of COVID period should be ignored by the banks.
11. Very little amount of loan is consumed and lot of money is balance without use. For effective utilization of the Central Government scheme, the overdue days should change to 60-90 days in lieu of 60 days, to accommodate the more number of contractors and to enable benefits from the loan amount.
12. Drawing power based on the Companies receivables should be avoided during this period.
13. Bank charges like Professing Fee, Document charges, RTGS/NEFT charges should be waived or reduced to a reasonable rate.
14. The decision making process in public sector banks is very poor in particular for large corporate accounts. Borrower is not getting timely support from the member banks in the consortium.

15. Though IBA stipulated standard BG formats, the clients are modifying the text for their comfort and banks are denying to issue as per client text as the lenders are getting vetted by their legal department. This is resulting in undue delay in furnishing BGs and the clients threatening to cancel the work order. Unfortunately, some of the Scheduled banks issuing BGs as per client text and the client is questioning for not issuing by the borrower's lender when other banks issued without any modification. So IBA has to act to implement the standard BG formats.

16. The consortium lenders are not extending their consent on various issues to the lead bank on time. The third party collaterals offered to the lenders as security are not being released even for substitution with the own / family properties of the directors. The property owners are denying for execution of documents, though the borrower submitted request for release of third party collaterals and pursuing with the lenders for the last 3 to 4 years.