



SIDBI IFV No. 1/04042019/OUT/00733/2019-2020

April 4, 2019

The Chairman/Managing Director & CEOs
All Scheduled Commercial Banks
(including Regional Rural Banks)
All systemically important non-deposit taking NBFCs
[ND-SI-NBFCs]

Dear Sir/ Madam,

**Interest Subvention Scheme for Incremental Credit
to Micro, Small and Medium Enterprises [MSMEs], 2018**

As you are aware, Government of India, on November 2, 2018, has announced 'Interest Subvention Scheme for MSMEs 2018'. The Hon'ble Prime Minister while launching support and outreach initiatives for MSME sector on November 2, 2018, announced a 2% interest subvention on fresh or incremental loans, for all GST registered MSMEs having valid Udyog Aadhaar Number. Ministry of MSME (MoMSME), Gol has, since, decided that a new scheme viz. "Interest Subvention Scheme for Incremental credit to MSMEs 2018" will be implemented over 2018-19 and 2019-20. The Scheme aims at encouraging both manufacturing and service enterprises to increase productivity and provides incentives to MSMEs for onboarding on GST platform which helps in formalization of economy, while reducing the cost of credit.

2. Accordingly, the Reserve Bank of India vide its circulars dated February 21, 2019 and February 22, 2019 has issued the salient features and operational guidelines for all Scheduled Commercial Banks (including Regional Rural Banks) and all systemically important non-deposit taking NBFCs (hereinafter referred to as Eligible Institutions) (Copies of the circulars readily available on the website of RBI) respectively. Small Industries Development Bank of India (SIDBI) has been designated as the single national level nodal implementation agency for the scheme.

3. As per the scheme, Gol will provide interest subvention of 2% per annum to all the MSMEs, in Manufacturing and Service Sector, who have valid Udyog Aadhaar

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भारतीय लघु उद्योग विकास बैंक

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Number [UAN] and valid GSTN number. All eligible working capital or term loan assistance extended by the Eligible Institutions would be eligible for coverage, to the extent of ₹100 lakh only, during the period of the scheme viz. during the current FY from November 02, 2018 and next FY (2019-20). The interest relief will be calculated at two percentage points per annum (2% p.a.), on outstanding balance from time to time from the date of disbursal / drawal or the date of notification of this scheme, whichever is later, on the incremental or fresh amount of working capital sanctioned or incremental or new term loan disbursed by eligible institutions.

4. In case of a single MSME which has been extended both incremental working capital and term loan by an eligible institution, interest subvention would be made available only for maximum financial assistance of ₹100 lakh. Any amount beyond this limit shall be treated as per the concerned Bank's lending policy. MSMEs already availing interest subvention under any of the Schemes of the State/Central Govt. will not be eligible under the proposed Scheme. Further, MSME exporters availing interest subvention for pre-shipment or post-shipment credit under Dept. of Commerce will not be eligible under the scheme.

5. The Eligible Institutions are advised to identify their one single point nodal office/ officer who would submit a consolidated claim for their Bank/ Institution to the Chief General Manager, Institutional Finance Vertical, SIDBI, Mumbai on half yearly basis as at September 30 and March 31, each year, as per formats attached in the RBI circulars dated February 21 and 22, 2019 [Annexures I-III]. All the claims must be duly certified by the statutory auditors of the eligible institutions as true and correct. SIDBI will release the interest subvention amount to the concerned Eligible Institution subject to availability of funds from Gol. Further, SIDBI may indent any additional data, if so required, for submission to Gol.

6. The Eligible Institutions may kindly identify the nodal officer for the purpose. In case of any change in name and other details of nodal officer, the same will be informed immediately. SIDBI would deal with these nodal officers for all the operational matters under the scheme.



7. For the purpose of release of funds, each Eligible Institution will provide details of dedicated account such as name of the bank, branch, account no., RTGS Code, MICR code of the Bank etc. to SIDBI.

8. It shall be the responsibility of the Controlling Office of each Eligible Institution to ensure that the Interest Subvention amount is released to the concerned MSME unit, as per the guidelines.

9. Further, SIDBI has compiled Frequently Asked Questions [FAQs] based on the queries received from the Eligible Institutions under the Scheme, which are hereby circulated to all the Eligible Institutions (Copy attached for reference).

10. Early action may please be initiated for implementation of the scheme. We shall be glad if you will please give wide publicity to the scheme and also bring its contents to the notice of all your operational offices/ BOs.

11. All communications in this regard may be addressed to:

The Chief General Manager
Institutional Finance Vertical
Swavalamban Bhavan,
C-11, 'G' Block, Bandra Kurla Complex,
Bandra East, MUMBAI - 400051
Phone No: 022-67531100
Fax : 022-67531236
Email: IFV_ISS@sidbi.in

Meanwhile, please acknowledge receipt.

Yours faithfully,



(Subodh Kumar)
General Manager

Encl : As above

Interest Subvention Scheme for MSMEs, 2018
- Frequently Asked Questions [FAQs]

Sl. No.	Query	Clarifications
A.	Eligibility	
1.	Who is eligible to be a beneficiary?	<p>(i) All the MSMEs who have the following shall be eligible as beneficiaries under the Scheme:</p> <p>a. Valid Udyog Aadhar Number [UAN]</p> <p>b. Valid GSTN Number</p> <p>Further, MSMEs should have availed incremental funded assistance on or after 2nd November 2018.</p> <p>Further, these assistances i.e., term loan or working capital should have been extended by either Scheduled Commercial Banks (including RRBs) or RBI Registered Systemically Important Non-Banking Financial Companies [NBFCs].</p>
2.	Whether all deposit taking NBFCs are eligible. [Ref. RBI circular dated February 22, 2019]	No. Only non-deposit taking NBFCs are eligible.
3.	An MSME is graduating to Large scale during the period of the scheme. Will it be eligible for interest subvention?	Yes. The unit shall be eligible for the duration for which it remained in the MSME category.
4.	If a particular account coming out of MSME category or any account became eligible on a particular date, in such cases whether proportionate subvention can be claimed?	Ref. FAQ Sr. no. 3
5.	A term loan was sanctioned before November 02, 2018. However, a part of it is disbursed after November 02, 2018. Is the unit eligible for claiming interest subvention?	Yes. Term loan disbursed on or after November 02, 2018 would be eligible.
6.	Incremental Working Capital Assistance is sanctioned after November 02, 2018. However, the utilization is still within the old sanctioned limit. Is the unit eligible for claiming interest subvention?	No. Interest subvention shall only be eligible for incremental Working Capital sanctioned and availed on or after November 02, 2018.
7.	Presently units up to ₹100 crore limits are classified as agriculture as per RBI guidelines. Whether these	Definition of MSME is as per criteria stipulated under MSMED Act, 2006.



	accounts having GST are eligible up to ₹100 crore for interest subvention.	
8.	<p>We are offering lower interest rates under some of our MSME schemes based on collateral coverage of loan. However, entry level rating is stipulated in the scheme and below entry level rating proposals are not considered under these schemes. Thus, rate of interest is offered based on the combination of collateral coverage and entry level rating.</p> <p>Under these circumstances, whether loans sanctioned under these schemes are eligible for Interest Subvention Scheme for MSMEs 2018.</p>	Yes.
B.	Validity	
9.	What is the validity of the scheme?	As per the extant approval, the scheme is in force from November 02, 2018 to March 31, 2020.
C.	Types of facilities/Facility related queries	
10.	Whether "Fresh Working capital" will be eligible as the word used is "incremental working capital". [Ref. 2.2 (ii) of RBI circulars dated February 21 and February 22, 2019]	Fresh working capital will also be eligible provided the borrower was not earlier availing working capital facilities from any eligible Scheduled Commercial Banks (including RRBs) or NBFC-ND-SI.
11.	Is there any ceiling on the amount of assistance that can be covered under the scheme?	The maximum incremental funded assistance that can be covered under the scheme is ₹100 lakh.
12.	Is there a separate ceiling for Term Loan and Working Capital?	No. Wherever for a single MSME both the facilities are extended viz. incremental working capital and fresh term loan by an eligible institution, interest subvention would be made available for a maximum of incremental financial assistance of ₹100 lakh.
13.	Whether incremental credit of ₹100 lakh per borrower is eligible for each financial year.	Incremental credit would be measured vis-à-vis credit facilities enjoyed by the MSME as on November 01, 2018 (cob).
14.	Whether Ad-hoc facilities are eligible.	Yes.
15.	Whether Temporary Overdraft facility shall be eligible for coverage under the scheme?	No.
16.	<p>Bill Discounting Facility: <u>Limit:</u> Where existing running limits, whether the bills discounted after</p>	No.



	02.11.2018 will be treated as fresh credit/ incremental credit <u>No limit:</u> Where no limits are sanctioned, whether every individual bill discounted will be treated as new sanction.	No.
17.	Whether each bill shall be treated as incremental credit or only fresh bill limit sanctioned to the party subject to a maximum of ₹100 lakh is only eligible.	Only incremental facilities / limits sanctioned and availed on or after November 02, 2018 will be eligible. Though incremental facilities / limits can be sanctioned and availed by the MSME without any limit prescribed, benefit of interest subvention would be restricted to incremental funding of upto ₹100 lakh only.
18.	Example: A client is sanctioned with Bills limit of ₹50 lakh, he availed maximum limit and subsequently, on realisation of some bills, further avilment of ₹75 lakh has taken place. In such scenario, whether he is eligible for ₹50 lakh or ₹100 lakh.	
19.	In case of running accounts, whether utilized limit or sanctioned limit subject to a cap of ₹100 lakh is eligible.	
20.	Whether credit facilities sanctioned above ₹100.00 lakh can be considered under the scheme for getting interest subvention benefit up to the limit of ₹100.00 lakh?	Yes
21.	If a MSME Borrower is having existing facility of ₹5.00 crore and we have extended additional facility of ₹5 crore on or after 02.11.2018, whether the borrower is eligible under the scheme to the extent of ₹1 crore on complying all the other terms and condition of the scheme. If additional facility of ₹5 crore extended to the borrower is reduced to ₹3 crore at the end of current financial year and further got reduced to ₹1.00 crore in the next financial year, whether interest subvention up to ₹1.00 crore shall continue to be given to MSME borrower. Whether non-fund based facility extended to the borrower is also eligible in case of invocation/devolvement of Bank Guarantee/ Letter of credit and non-fund based facility gets converted into fund-based facility.	Yes. The borrower is eligible under the scheme to the extent of ₹100 lakh of incremental funded assistance. Yes. No only duly sanctioned incremental funded assistance would be eligible. Conversion into funded assistance on Invocation of guarantee or devolvement of Letter of credit will not be eligible.



22.	If a particular borrower has more than one eligible credit facilities with differential pricing, in such cases how to fix the preference for selecting the account for claiming under the scheme?	Eligible institutions to decide; subject to borrower meeting guidelines of the Interest Subvention Scheme.
D.	Claim-related queries	
23.	Months in which claims shall be preferred on half yearly periodicity.	Claims to be submitted twice in a year, for the half year ending September 30 and March 31, each year. As claims need to be duly certified by the Statutory Auditor of the bank, claims may be filed at the earliest but not later than 6 months from the end of the period for which it is being claimed.
24.	Periodicity of crediting interest subvention – Whether on monthly basis or half yearly basis.	Half Yearly.
25.	In case of accounts closed before credit of interest subvention (claimed or eligible to be claimed) – How to address.	If a bank has claimed the benefit on behalf of the borrower and has received the money, the same has to be either extended to the borrower or to be returned to SIDBI.
26.	Are the claims made by the eligible institution needs to be certified? [Ref. 2.4 (3) of RBI circulars dated February 21 and February 22, 2019]	Yes. All claims have to be duly certified by the statutory auditors of the eligible institutions. The certificate shall include statement on verification of individual accounts with regard to amount, incremental lending, interest charged and amount claimed. Lending institutions shall ensure that the total relief claimed as indicated in Annexure I, II and III of guidelines of the Scheme already circulated.
E.	Queries on NPAs/Classification of accounts	
27.	Whether accounts which are slipped to NPA and subsequently upgraded to Standard as on the date of claim are eligible for subvention.	As per the scheme guidelines; "The loan accounts on the date of filing claim should not have been declared as NPA as per extant guidelines in force. No interest subvention shall be admissible for any period during which the account remains NPA."
28.	If the accounts slipped into NPA during scheme period & subsequently upgraded in between, whether eligible to be covered under the scheme for the entire scheme period/ tenure (inclusive of NPA period).	



29.	Bank classifies the accounts as NPA on daily basis. How are these to be treated for eligibility?	
30.	Whether restructured loans (due to Corporate Debt Restructuring, SME Restructuring, Natural Calamities, etc.) can be considered under the interest subvention scheme?	
F.	Timeline	
31.	Are the claims submitted to SIDBI available on tap? [Ref. 2.5 (4) of RBI circulars dated February 21 and February 22, 2019]	Interest subvention amount shall be released by SIDBI subject to availability of funds from GOI.
G.	Due diligence	
32.	How can the Banks ensure that the customer is not claiming interest subvention under any other schemes of State/ Central Government?	Banks may obtain suitable affidavit from the customer regarding the same and may also carry out basic due diligence in this respect if such means are available.
33.	How can the Banks ensure that the customer is not availing interest subvention from multiple banks?	The bank may obtain confirmation from other banks who are known to be the creditor of the Borrower regarding the same.
34.	Is there any validation to be done on UAN and GSTN numbers submitted by the borrowers?	As per 2.2 (i) of the RBI circulars dated February 21 and 22, 2019, only the MSMEs which have valid Udyog Aadhar Number and valid GSTN Number are eligible. The eligible institutions may ensure the same. Valid GSTN number can be verified from GSTN portal.
35.	Whether we will be able to get the date from/to which the borrower become MSME based on the UAN, GSTN or any other sources?	MSME status to be decided on the basis of MSMED Act, 2006, and filing/obtaining of Udyog Aadhaar Number by the applicant.
H.	Other queries	
36.	“On outstanding balance from time to time and received/ recovered by the lending institution” – Please clarify further. [Ref. 2.3 (1) of RBI circulars dated February 21 and February 22, 2019]	The interest should not only be due but should have been recovered by the Bank from the client and the account has to be a standard account.
37.	Kindly clarify on the accounts to which the subventions amount to be credited i.e. operative account or loan account?	The objective of the scheme is to pass on the benefit to the MSME entrepreneurs/ventures. The modus operandi of passing on the credit may be decided by eligible institutions.



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