

Salient features of

Micro and Small Enterprises Refinance Scheme (MSERS)

Sl. No.	Particulars	Details
1	Scheme	❖ Micro and Small Enterprises Refinance Scheme (MSERS) ¹
2	Objective of scheme	<ul style="list-style-type: none"> ❖ Refinance of loans and advances extended by Primary Lending Institutions (PLIs) to Micro and Small Enterprises (MSEs). ❖ The overall objective of the Scheme is to support the MSEs by facilitating flow of credit to the MSE sector.
3	Eligible Primary Lending Institutions (PLIs)	<ul style="list-style-type: none"> ❖ Scheduled Banks (Public Sector Banks, Private Sector Banks, Foreign Banks, Small Finance Banks, Urban Co-operative Banks & Regional Rural Banks) ❖ The financial assistance shall be within the borrowing limit / Power approved by Board of the respective PLI.
4	Eligible underlying assets / End-borrowers	<ul style="list-style-type: none"> ❖ Loans & Advances extended to MSEs complying with definition of Micro and Small Enterprises as per definition contained in Government of India (GoI), Gazette Notification S.O. 2119(E) dated June 26, 2020. ❖ MSEs should be URC number compliant. ❖ Loans and advances relating to micro finance activities / financing micro enterprises under non-farm income generating activities. ❖ The above assets should be Standard Assets not in default or under SMA-0 / SMA-1 category, i.e., with default up to 60 days. NPA & Fraud cases are not eligible to be covered.
5	Eligible activities of the end-borrowers	<ul style="list-style-type: none"> ❖ Activities of "industrial concerns in the small-scale sector" as defined in Section 2(h) of the SIDBI Act, 1989 or "Micro or Small Enterprises" in terms of Section 7 of Micro, Small and Medium Enterprises Development Act, 2006. ❖ Note: It is clarified that MSEs engaged in Wholesale and Retail Trade, or running Educational Institutions are also eligible.
6	Eligible Refinance Assistance	<ul style="list-style-type: none"> ❖ Amount equivalent to the outstanding portfolio of loans and advances to MSEs against which the bank has not availed financial support, whatsoever nature, from any institution, including refinance support from SIDBI, in respect of the underlying assets / end-borrowers. ❖ The assistance under the scheme will also be subject to the exposure norms, eligibility criteria, financial performance of the bank etc.
7	Rate of interest / Commercial Terms	<ul style="list-style-type: none"> ❖ The rate of interest and other commercial terms, including up-front fees, would be negotiated, depending upon market conditions. ❖ Penal charges of 2% p.a., along with applicable taxes over and above the applicable lending rate, will be levied, for defaults in payment of installments of principal, interest and other monies as per General Agreement.

¹ The scheme is called Refinance Scheme for Small Finance Banks (RSFB) in respect of Small Finance Banks.

8	Period of refinance	❖ Generally, up to 3 years.
9	Security	<ul style="list-style-type: none"> ❖ The bank shall hold in trust for SIDBI, all the securities including movable and immovable assets, book debts, receivables, actionable claims, guarantees, assignments, bills of exchange and proceeds thereof as also other securities as may be directly or indirectly obtained or to be obtained by the bank from its borrowers to secure the financial assistance made available to the borrowers for which the loan has been sanctioned by SIDBI to the bank. ❖ The bank, whenever called upon, shall also furnish to SIDBI all such information and copies of all security documents obtained by it as security for the loan sanctioned to its borrowers covered under the said scheme subject to all applicable laws.
10	Application cum Drawl of Assistance	❖ The bank shall submit the Application and Certificate in prescribed format to SIDBI.
11	Sanction	❖ On approval of the financial assistance, a Letter of Intent (LoI) will be issued to the applicant bank indicating detailed terms of sanction.
12	Documentation	<p>A) <u>One-time</u></p> <ul style="list-style-type: none"> ❖ General Agreement is executed between the bank and SIDBI. ❖ Letter of Authority (LoA) to be executed by the banks addressed to the RBI/Principal Banker² for debiting their Current Account with the RBI/Principal Banker. The LoA should be duly acknowledged by the RBI/Principal Banker. <p>B) <u>At the time of availing Refinance</u></p> <ul style="list-style-type: none"> ❖ Acceptance of LoI by authorized official of the bank on a non-judicial stamp paper of requisite value with certified copy of Power of Attorney / applicable Board Resolution/Authorization letter. ❖ KYC documents of the authorized officials executing the requisite documents on behalf of the bank shall be submitted, along with the Board Resolution/DOP/Authorization letter.
13	Time frame for submission of list of end borrowers	<ul style="list-style-type: none"> ❖ The bank shall submit the list of end borrowers in the prescribed format at the time of disbursement or within extended period as may be allowed. ❖ In case, the bank fails to furnish the list of end-borrowers as per sanction terms, penal charges (PC) of 0.50% on the disbursed amount along with applicable taxes will be charged with prospective effect till date of receipt of data. The bank will be charged at monthly rest. ❖ In case the data is not furnished even after 3 months from the date of disbursement, SIDBI will reserve the right to recall the outstanding loan. PC will continue to be charged till submission of data, in case the loan is not recalled.

² Principal Banker applicable in those cases where the Bank is not maintaining a current account with RBI