

F.No. E. 7(03)/2018-Pt. /653-56
Ministry of Micro, Small and Medium Enterprises
Govt. of India

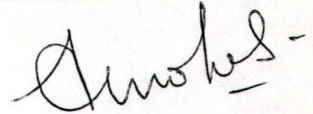
Dated : 5th December, 2018
Nirman Bhavan, New Delhi

Office Memorandum

Subject : Notification of Operational Guidelines for
Implementing the "Interest Subvention Scheme
for MSMEs, 2018".

The undersigned is directed to refer to the announcements made by Hon'ble Prime Minister on 2nd November, 2018 on support and outreach for MSMEs. As a part of the initiative, an "Interest Subvention Scheme for MSMEs" was accorded approval by the competent authority.

The operational guidelines for the said Scheme are hereby notified with the concurrence of IFW, DFS and the approval of the competent authority.



(Anshuman Mohanty)
Director
Tel. 23061197

Enclosed : Guidelines

Copy to :

- i. Secretary, Deptt. of Financial Services
- ii. Additional Secretary (Shri Tarun Bajaj), PMO
- iii. Additional Secretary (Shri Aramane Giridhar), Cab. Secretariat
- iv. CMD, SIDBI



ISSUED
6/14/2018

Interest Subvention Scheme for MSMEs 2018

1. Background:

The Micro, Small and Medium Enterprises [MSME] sector is a significant contributor towards building up of a strong and stable national economy. Hon'ble Prime Minister while launching outreach initiative for MSME sector on the November 2nd 2018 highlighted that access to credit, access to market, technology upgradation, ease of doing business and a sense of security for employees are five key aspects for facilitating the MSME sector. 12 announcements have been made to address each of these five categories. As part of access to credit, he announced a 2 % interest subvention for all GST registered MSMEs, on fresh or incremental loans.

Ministry of MSME has decided that a new scheme viz. "Interest Subvention Scheme for Incremental credit to MSMEs 2018" will be implemented over 2018-19 and 2019-20 with an allocation of Rs.975 crore.

2. Salient Features of the Scheme:

2.1 Purpose, Scope and Duration:

The Scheme aims at encouraging both manufacturing and service enterprises to increase productivity and provides incentives to MSMEs for onboarding in GST platform which helps in formalization of economy, while reducing the cost of credit. The Scheme will be in operation for a period of two financial years FY 2019 and FY 2020.

2.2 Eligibility for Coverage:

(i) All the MSMEs who have the following shall be eligible as beneficiaries under the Scheme:

a. Valid Udyog Aadhar Number [UAN]

b. Valid GSTN Number

(ii) Incremental term loan or fresh term loan or incremental working capital extended during the current FY viz. from **2nd November 2018** and next FY would be eligible for coverage.

(iii) The term loan or working capital extended by Scheduled Commercial Banks and RBI Registered Systemically Important Non-Banking Finance Companies [NBFCs].

(iv)) In order to ensure maximum coverage and outreach, all eligible working capital or term loan would be eligible for coverage to the extent of Rs. 100 lakh only during the period of the Scheme.

(v) Wherever for a single MSME both the facilities are extended viz. incremental working capital and term loan by an eligible institution, interest subvention would be made available only for a maximum financial assistance of Rs. 100 lakh.

(vii) MSME exporters availing interest subvention for pre-shipment or post-shipment credit under Department of Commerce will not be eligible for assistance under Interest Subvention Scheme for Incremental credit to MSMEs 2018.

(viii) MSMEs already availing interest subvention under any of the Schemes of the State / Central Govt. will not be eligible under the proposed Scheme.

2.3 Operational formalities:

1. The interest relief will be calculated at **two percentage points per annum**, on the incremental amount of working capital credit or incremental / new term loan disbursed by eligible institutions to eligible MSMEs from the date of disbursement / drawal or the date of notification of this scheme whichever is later computed on outstanding balance from time to time and received/recovered by the lending institution.
2. The interest rates charged to MSMEs shall conform to Code of Ethics and Fair Practices Code as published by respective institutions (as per extant RBI guidelines) and linked to the respective rating of the MSME as per internal / external rating as per applicable interest rate guidelines of the institution.
3. 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.

2.4 Claim Submission:

1. Nodal lending institutions should submit their half yearly claims as per format given in Annex I. Information with respect to loans disbursed and interest relief claimed (branch-wise) shall be submitted in soft copy in excel in the format given in Annex II.
2. The format for the individual branches of the eligible institution to provide information on relief to their Controlling Office/Head Office is given in Annex III. Further, the data captured should contain the following data viz., branch wise, category wise, sector wise, demographic, social and economic data of the beneficiaries, incremental working capital limit/ incremental / new term loan.
3. 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 are matched.
4. The Half Yearly claims shall be submitted to the Chief General Manager, Institutional Finance Vertical, SIDBI, Mumbai.
5. Disbursement against each claim to individual institution shall be only after release of funds from MoMSME

2.5 Other covenants:

1. SIDBI shall act as a Nodal Agency only for the purpose of channelizing of interest subvention to the various lending institutions through their Nodal office. SIDBI shall be entitled for a fee of 0.25% p.a. on the amount released, for administering the scheme.
2. All lending institutions shall be responsible for submission of the accurate data and monitoring of the scheme.
3. The interest subvention would be released only on the basis of the claim duly certified by the Statutory Auditors of the eligible institutions and SIDBI shall not be liable for any inaccurate submission of data by lending institutions. In case of any arbitration, SIDBI

shall not be made a party to the case and in case of any dispute, fees/charges if any shall be borne by GOI.

4. Interest subvention amount shall be released by SIDBI subject to availability of funds from GOI. Also, MoMSME, GOI will be the final authority for all interest subvention related matters and their decision would be final and binding. Receipt of funds by the eligible institutions would be treated as Utilization Certificate of the Fund.

3. Monitoring of the Scheme:

1. The scheme would be monitored by a Governing Board [GB], chaired by Additional Secretary & Development Commissioner, Ministry of MSME. The GB shall consist of representatives of the DFS (MoF), SIDBI and public sector banks and MSME associations as members. The GB will lay down the policy guidelines and give necessary directions for smooth functioning of the Scheme. Continuation of the Scheme beyond FY 2020 would be considered after an independent third party evaluation by an institute of repute and performance of Key Performance Indicators [KPIs] as advised by MoMSME.
2. SIDBI will operate the scheme according to guidelines laid down and directions given. SIDBI would prescribe the modalities for submission of subsidy claims by eligible institutions. Further detailed methodology for release and adjustment of subsidy shall be worked out by GOI in consultation with SIDBI.
3. SIDBI would specify in all communications that 'Interest subvention amount shall be released by SIDBI subject to availability of funds from GOI'.

ANNEX I

Indicative format of Certificate for claiming Subsidy

(Hard copy to be submitted to SIDBI)

Name of Lending Institution:

(Amounts in Rupees)

Incremental Working capital credit/ incremental/ new Loan Amount Disbursed*			Amount of Interest Relief Claimed		
MSME (Manufacturing)	MSME (Service sector)	Total	MSME (Manufacturing)	MSME (Service sector)	Total
(1)	(2)	(3)	(4)	(5)	(6)

*This may be calculated by arriving at the difference between the opening balance viz. the principal outstanding as on March 31, 2018 minus any interest accrued, separately for term loan and working capital accounts. All accounts which are NPA or have turned NPA during the period may be excluded.

We hereby certify that the amounts of Incremental Working capital credit/ incremental/ new Loan disbursements and interest relief being claimed thereon, as shown above, have been correctly calculated in conformity with the SIDBI Circular. No. ----- dated -----
----- We undertake that in the event of any inaccuracy detected later during audit or otherwise, we shall immediately refund to SIDBI any excess amount received by us.

(Authorised Signatory)

Place & Date

