

Info Capsule

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INTEREST SUBVENTION SCHEME FOR MSMEs¹

As you are aware, Government of India, on November 2, 2018, has announced 'Interest Subvention Scheme for MSMEs 2018'.

2. A copy of the salient features and operational guidelines for implementation of the captioned scheme, released by the Ministry of Micro, Small and Medium Enterprises (MSME), Government of India, is enclosed as Annexure - 1.

Small Industries Development Bank of India (SIDBI) is the single national level nodal implementation agency for the scheme.

Annexure - 1

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 November 2, 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 MSME sector. Twelve announcements have been made to address each of these five categories. As part of access to credit, Prime Minister announced 2% interest subvention for all GST registered MSMEs, on fresh or incremental loans.

Ministry of MSME (MoMSME) 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.

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 on boarding on 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 MSMEs who meet the following criteria shall be eligible as beneficiaries under the Scheme:

- a. Valid Udyog Aadhar Number [UAN]
- b. Valid GSTN Number

¹ Available at: <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11478&Mode=0>

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

(iii) The term loan or working capital should have been extended by Scheduled Commercial Banks.

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

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

(vi) 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.

(vii) 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 (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.

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 internal / external rating of the MSME 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 office of eligible lending institutions should submit their half yearly claims to SIDBI as per the format given in Annex I. (Available at: https://rbidocs.rbi.org.in/rdocs/content/pdfs/125ISCUR21022019_A1.pdf).

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. (Available at: https://rbidocs.rbi.org.in/rdocs/content/pdfs/125ISCUR21022019_A2.pdf)

2. The format for compilation of data by branches of eligible institutions is given in Annex III. (https://rbidocs.rbi.org.in/rdocs/content/pdfs/125ISCUR21022019_A3.pdf)

The same may be submitted by the branches to their Controlling Offices / Head Offices.

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 / fresh lending, interest charged and amount claimed. Lending institutions shall ensure that total relief claimed as indicated in Annex 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 for the purpose of channelizing of interest subvention to the various lending institutions through their Nodal office.

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 claim duly certified by the Statutory Auditors of the eligible institutions. SIDBI shall not be liable for any inaccurate submission of data by lending institutions.
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.

RESERVE BANK OF INDIA EXTENDS TIMELINE FOR COMPLETION OF KYC FOR PPIs²

The Reserve Bank had issued Master Direction on Issuance and Operation of Prepaid Payment Instruments (PPIs) on October 11, 2017 (amended as on December 29, 2017). As per these directions, PPI issuers are required to complete the Know Your Customer (KYC) process by February 28, 2019.

Based on requests received from various stakeholders to increase the above timeline on account of difficulties in undertaking Aadhaar e-KYC and time necessary to put in place alternative systems for completing the KYC process, it has been decided to allow PPI issuers additional time of six months for completion of the KYC process.

The relevant provision in the PPI Master Direction has been modified suitably.

Master Direction on Issuance and Operation of Prepaid Payment Instruments

1. Please refer to paragraph 16 of Statement on Developmental and Regulatory Policies regarding issuance of Master Direction on Prepaid Payment Instruments (PPIs) announced in the Fourth Bi-monthly Monetary Policy Statement, 2017-18 by the Reserve Bank of India (RBI).
2. The RBI has issued a number of circulars from time to time on issuance and operation of PPIs. In the light of developments in the field, progress made by PPI Issuers, experience gained and with a view to foster innovation and competition, ensure safety and security, customer protection, etc., it was decided to review the instructions relating to the issuance and operation of PPIs and issue comprehensive Directions on the subject.
3. The draft Master Direction on PPIs was placed on the RBI website on March 20, 2017 for public feedback. The comments / views received from all stakeholders have been examined by the Reserve Bank in preparation of the final Directions.
4. The Master Direction, issued under Section 18 read with Section 10(2) of the Payment and Settlement Systems Act, 2007, replaces all circulars listed in Table-1 of [Annex-1](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11142) (Available at: https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11142) and partially replaces all circulars mentioned in Table-2 of [Annex-1](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11142) (Available at: https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11142) issued till date on the subject.
5. The Master Direction as available at: https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11142#MD is effective from February 25, 2019.

Existing PPI Issuers shall ensure compliance with the revised requirements on or before February 28, 2018, except where timelines have been specified in this Direction.

² Available at: https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46383