

The CMDs/MDs/CEOs of Schedules Commercial Banks (including SFBs), Non Banking Finance Companies - Investment and Credit companies(NBFCs-ICCs) and Micro Finance Institutions (MFIs)

अविवि परिपत्र सं. 01/ 2020-21
IFV Circular No.01/ 2020-21

Madam / Dear Sir,

Schemes for Special Liquidity Support to MSMEs

In the wake of COVID-19 pandemic, the Reserve bank of India has provided a Special Liquidity Facility (SLF) of ₹15,000 crore to SIDBI to enable it to provide liquidity support to MSME sector and meet sectoral credit needs.

Accordingly, special schemes are being launched for support to MSMEs through banks, NBFCs and MFIs. The schemes would cover all eligible entities having investment grade ratings irrespective of the size of the organisation to ensure wider coverage. The eligibility norms and other parameters of the schemes are given hereinunder.

A. Scheme for Special Liquidity Support to MSMEs through NBFCs

Objective	To provide liquidity support to MSMEs impacted due to COVID-19, through NBFCs including Fintech NBFCs. The scheme would provide resource support to NBFCs by way of term loans to ensure operational continuity and promote onward lending to MSME sector.
Type and Eligibility of NBFCs	<ul style="list-style-type: none"> Registered with RBI as Investment and Credit Company (ICC) In business for 3 years. Have Minimum Net Owned Funds of ₹20 Crore and Minimum Asset Size of ₹50 Crore; Have external rating of 'BBB-' or superior (as at March 31, 2020) Be in compliance with applicable regulatory requirements. Promoter/Entity should not be in any RBI blacklist or defaulters list

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	<ul style="list-style-type: none"> Capital Adequacy ratio to be above RBI requirements, at all times in past 24 months
Eligible Activity / Beneficiaries	<ul style="list-style-type: none"> Facilities extended to MSMEs for bona-fide business purposes.
Tenor	<ul style="list-style-type: none"> The loan shall be repaid in bullet instalment after 90 days from date of drawl or such date as may be decided by the Bank.
Security	<ul style="list-style-type: none"> Need based security as per Bank's extant norms.
Processing Fee	<ul style="list-style-type: none"> 0.10% of sanctioned amount subject to maximum of ₹5 lakh alongwith applicable GST.

B. Scheme for Special Liquidity Support to MSMEs through MFIs

Objective	To provide liquidity support to MSMEs impacted due to COVID-19, through MFIs. The scheme would provide resource support to MFIs by way of term loans to ensure operational continuity and promote onward lending to MSME sector.
Type and Eligibility of MFIs	<ul style="list-style-type: none"> In operations for 3 years; Registered as Society, Trust, Company/ Section 8 Company, NBFC-MFIs, Co-operative Society and MACS; Have external rating of 'BBB-' or superior (as at March 31, 2020) and minimum MFI grading of "MfR5"; Promoter / Entity should not be in RBI blacklist or defaulter list; Capital Adequacy ratio not below RBI requirements, any time in past 24 months (applicable for NBFC-MFIs); Comply with applicable regulatory guidelines.
Eligible Activity / Beneficiaries:	<ul style="list-style-type: none"> Facilities extended to microfinance borrowers / clients by the MFIs
Tenor	<ul style="list-style-type: none"> The loan shall be repaid in bullet instalment after 90 days from date of drawl or such date as may be decided by the bank.
Security	<ul style="list-style-type: none"> Need based security as per bank's extant norms.
Processing Fee	<ul style="list-style-type: none"> 0.10% of sanctioned amount subject to maximum of ₹5 lakh alongwith applicable GST.

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C. Special Refinance Scheme for MSE to provide Liquidity Support

Objective	To support the MSEs by facilitating flow of credit to this sector by ensuring sufficient liquidity in the hand of intermediary Financial Institutions.
Type and Eligibility of Banks & SFBs	Scheduled commercial banks (Public, Private, Foreign) and Small Finance Banks (SFBs). SIDBI's assistance will be available under the scheme to those scheduled banks having sizeable outstanding portfolio to MSEs/ micro credit and sound financials with following eligibility criteria: FOR BANKS (other than SFBs) : <ul style="list-style-type: none"> • In operation for a period of 3 years • Earned profit in atleast 2 out of last 3 years • Following based on last audited balance sheet viz. <ul style="list-style-type: none"> (i) Net-worth of not less than ₹100 crore (ii) Capital to risk weighted assets (CRAR) of not less than 9%; and (iii) Level of Net NPAs not exceeding 10%. FOR SFBs : <ul style="list-style-type: none"> • The SFB / previous entity prior to conversion into SFB (taken together) should have earned profits during at least 2 years out of the last 3 years and • Comply with the following: <ul style="list-style-type: none"> i) Networth > or = ₹100 crore ii) CRAR >or =15% iii) Gross NPA < or = 7%
Eligible Activity / Beneficiaries:	<ul style="list-style-type: none"> • Eligible activities: As defined in section 2(h) of SIDBI Act. • Units satisfying definition of micro & small enterprises as per Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.
Tenor	<ul style="list-style-type: none"> • Generally 90 days. In deserving cases could be extended longer (to be reset every 90 days linked to prevailing repo rate).
Security	<ul style="list-style-type: none"> • As per the General Agreement.

All the eligible banks, NBFCs and MFIs are encouraged to apply and make use of the above special liquidity facility being offered.

Yours faithfully,

S N Singh]
Chief General Manager