

F.No. 27/09/2020-IF-II
Government of India
Ministry of Finance
Department of Financial Services

Jeevan Deep Building, New Delhi,
Dated the 26th June, 2020

To,

The Chairman & Managing Director,
Small Industries Development Bank of India (SIDBI),
Mumbai - 400 051.

Subject: Introduction of a Scheme for Interest Subvention of 2% on prompt repayment of Shishu Loans extended under Pradhan Mantri MUDRA Yojana (PMMY) for a period of 12 months to eligible borrowers

Sir,

I am directed to refer to the subject and say that the Government has decided to introduce a scheme on "**Interest Subvention of 2% on prompt repayment of Shishu Loans extended under Pradhan Mantri MUDRA Yojana (PMMY)**" for a period of 12 months to all eligible borrowers.

2. The key features of the scheme are as follows:

- 2% interest subvention will be payable to all outstanding Shishu loan accounts under PMMY that are not in NPA category, as per RBI guidelines, as on 31.03.2020.
- The interest subvention would be payable for the months in which the accounts are not in NPA category including for the months that the account becomes a performing asset again, after turning NPA.
- For borrowers, who have been allowed a moratorium by their respective lenders, as permitted by RBI under the 'COVID 19 Regulatory Package', the Scheme would commence post completion of the moratorium period till a period of 12 months i.e. from September 01, 2020 till August 31, 2021. For other borrowers, the Scheme would commence w.e.f. June 01, 2020 till May 31, 2021.

A copy of the approved Scheme is enclosed.

3. The scheme would be implemented through the Small Industries Development Bank of India (SIDBI) for which an administrative fee of 0.25% of the total claim settled, will be released at the end of the scheme based on the actual interest subvention paid.

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4. In view of the foregoing SIDBI is requested to arrange for implementation of the scheme and ensure that scheme guidelines are scrupulously followed.

Enclosed: As Above

Yours faithfully,



(Neha Chauhan)

Deputy Director IF-II

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o/c

Interest Subvention Scheme for MUDRA – Shishu loans

1. Background

Small businesses have been disrupted during the lockdown, impacting their capacity to pay EMIs and Reserve Bank of India (RBI) has granted a loan moratorium. Additionally, as part of the economic stimulus package, on 14th May 2020, GoI has announced an Interest Subvention Scheme for MUDRA – Shishu loans. Accordingly, GoI will provide interest subvention of 2% for MUDRA - Shishu loan accounts that are not categorised as NPAs, for a period of 12 months.

2. Salient Features of the Scheme

2.1 Purpose, Scope and Duration

- The scheme aims to alleviate financial stress for borrowers at the 'bottom of the pyramid' by reducing their cost of credit.
- The scheme will be in operation for 12 months. For borrowers, who have been allowed a moratorium by their respective lenders, as permitted by RBI under the 'COVID 19 Regulatory Package', the scheme would commence post completion of the moratorium period till a period of 12 months i.e. from September 01, 2020 till August 31, 2021. For other borrowers, the scheme would commence w.e.f. June 01, 2020 till May 31, 2021.

2.2 Coverage

- MUDRA – Shishu loans have a maximum loan amount of Rs. 50,000/- and the outstanding portfolio of these loans is approximately ₹1.62 Lakh Crore. Borrowers avail these loans from Member Lending Institutions (MLIs), i.e. Banks, NBFCs and MFIs. The MLIs share data on the Pradhan Mantri Mudra Yojana (PMMY) portal.
- This Scheme will cover all such MLIs who have submitted data for their Shishu loans outstanding on 31st March, 2020 on the PMMY (both Performance & NPA) portal.

2.3 Operational modalities

- i. MLIs shall inform all the eligible borrowers about this Scheme through sms and other normal means of communication.
- ii. The Interest Subvention will be calculated at 2% p.a. on the outstanding balance from time to time, for 12 months as explained above or till maturity of the loan, whichever is earlier.
- iii. The Interest Subvention will be available only to loans which are:
 - a. **not** NPA as per RBI guidelines, as on March 31, 2020; **and**
 - b. Should **not** be an NPA for the months for which claim is submitted.

c. To illustrate, some scenarios are given below:

Scenario	History of Loan account	Eligibility for claim
1	Not NPA as on March 31, 2020 and thereafter not NPA for all 12 months of the said duration.	Eligible for all 12 months of the said duration.
2	Not NPA as on March 31, 2020 and thereafter not NPA for initial 8 months of the said duration but NPA thereafter.	Eligible for initial 8 months only within the said duration.
3	Not NPA as on March 31, 2020 and thereafter not NPA for initial 8 months of the said duration, but NPA in 9 th & 10 th months and is not an NPA in subsequent months within the said duration.	Eligible for initial 8 months and thereafter in the 11 th and 12 th months within the said duration.
4	Not NPA as on March 31, 2020 and NPA in initial 7 months but is not NPA in subsequent 5 months	Eligible for last 5 months within the said duration
5	NPA as on March 31, 2020 but not NPA for any period during the said duration	Not eligible

d. The definition of 'NPA' shall be as per the definition given by RBI.

- iv. All accounts, which are not NPA as above, will be eligible for the 2% interest subvention. The MLI should credit this subvention to the eligible loan account. Data submission to Credit Information Bureau(s) should reflect non NPA status of these borrowers for the relevant months.
- v. MLIs shall not increase the rate of interest in any Shishu loan under PMMY, covered under this scheme, during the period of operation of the Scheme, unless the same is permitted as per RBI Guidelines.

2.4 Claim submission

- i. MLIs will be funded upfront for their estimated 2% interest subvention for the initial 3 months. Subsequent release of funds would be based on reconciliation of two earlier months and future estimate for the next two months. The estimates and reconciliation have to be duly certified by the statutory auditor of the MLI or an independent Chartered Accountant after verifying each loan account, NPA status as above and compliance to the scheme.
- ii. Nodal offices of eligible MLIs should submit their claims to SIDBI along with data, as per schedule and formats prescribed by SIDBI.
- iii. Interest subvention amount, against the MLI's claim(s) shall be released by SIDBI subject to availability of funds from Gol. Also, Gol will be the final authority for all interest subvention related matters and its decision would be final and binding.

2.5 Other Covenants

- i.** SIDBI shall act as the Nodal Agency for this scheme. SIDBI shall get an administrative fee of 0.25% of the total claim settled.
- ii.** To partially defray certification expenses, 10 paise per account shall be reimbursed to the MLI for the Scheme.
- iii.** All MLIs are responsible for submission of accurate data in compliance with the scheme.
- iv.** The interest subvention would be released only on the basis of claim of the MLI duly certified by their Statutory Auditor / Independent Chartered Accountant. SIDBI shall not be liable for any inaccurate submission of data by any MLI.
- v.** SIDBI / its authorised agency / RBI / CAG shall have right to inspect books of the MLI and the loan accounts covered under the claim application and / or call for any other information / document relating to the claim loan account, if considered necessary
