

Interest Subvention Scheme for MUDRA – Shishu

Frequently Asked Questions (FAQ)

**1) What is Interest Subvention Scheme for MUDRA – Shishu loans (ISSMSL)**

The Interest Subvention Scheme for MUDRA – Shishu loans provides interest subvention of 2% for standard (non NPA) MUDRA - Shishu loan payees, for a period of 12 months.

**2) What is the objective of the Scheme?**

To alleviate financial stress for borrowers at the 'bottom of the pyramid' by reducing their cost of credit. Eligible Business Enterprises / Micro borrowers are those who have availed credit facility in the form of working capital / term loan facility from eligible Member Lending Institutions.

**3) Which are the eligible MLIs under the Scheme?**

MLIs for this purpose shall include

- a. Scheduled Commercial Banks (SCBs),
- b. Regional Rural Banks
- c. Small Finance Banks
- d. Non- Banking Financial Companies (NBFCs)-Investment & Credit Companies.
- e. NBFC-MFIs and other MFIs, including Societies / Trusts.

who have uploaded their performance data & NPA data on PMMY Portal as on March 31, 2020.

Regarding such MFIs, who have submitted their data through Sa-Dhan, a confirmation regarding the same shall be obtained from Sa-Dhan.

**4) What is the duration of the Scheme?**

The scheme will be in operation for 12 months i.e. from September 01, 2020 till August 31, 2021 (who have availed moratorium) and for other borrowers, scheme would commence w.e.f. June 01, 2020 till May 31, 2021.

**5) What would be the Interest Subvention under the Scheme?**

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. MLI shall claim the same from SIDBI on a pre-defined matrix.

**6) Who is an eligible borrower for Interest Subvention Scheme**



All borrowers should have availed a term loan / working capital facility of ₹50,000/- or less under Shishu Scheme of Mudra, and are standard account in the MLIs books as on March 31, 2020. The interest subvention shall be available for the month(s) for which the borrower is a standard account. The loans should be for micro/small business enterprises under income generating activities in respect of manufacturing, services, processing, trading or activities allied to agriculture/other activities identified/to be identified under Shishu, PMMY scheme from time to time.

**7) What will be the eligibility criteria for availing Interest subvention under the Scheme?**

The eligibility criteria under the Scheme are as under:

- i) All borrowers should have availed a term loan / working capital facility of ₹50,000/- or less under Shishu Scheme of Mudra as on March 31, 2020 under income generating activities in respect of manufacturing, services, processing, trading or activities allied to agriculture/other activities identified/to be identified under Shishu, PMMY scheme from time to time.
  - ii) All term loan and working capital facility shall be availed from eligible MLIs.
  - iii) The eligible MLIs shall have uploaded the data on PMMY portal as on March 31, 2020.
  - iv) The interest subvention will be available only to standard accounts.
- 8) A term loan of ₹ 50,000/- was sanctioned before March 31, 2020 and partly disbursed as on March 31, 2020. Will the borrower be eligible to claim interest Subvention.**

Yes. The borrower shall be eligible to claim interest subvention **only** on the amount which was disbursed before March 31, 2020 and was uploaded in PMMY portal.

- 9) If a particular borrower (Shishu loanee) avails additional assistance in the form of term loan / working capital assistance and becomes a kishore or tarun loan, shall the borrower get interest subvention benefit?**

No. The borrower shall be eligible to get interest subvention benefit till the borrower is shishu loanee.

- 10) Will Interest subvention of 2% under the Scheme be automatically given without any application or solicitation from the borrower?**

If borrower is meeting the eligibility criteria for interest subvention, borrower need not apply. It will be credited to the borrowers account by the MLI upfront and the MLI shall claim reimbursement / got upfront for the same.

- 11) To avail interest subvention, will it be necessary for existing loans of the borrower to be uploaded on PMMY portal as on March 31, 2020.**

Yes





12) **Will the interest subvention be capped?**

Yes, interest subvention is capped at 2% for a period of 12 months.

13) **Will MLIs be required to enter into any agreement with SIDBI / MUDRA for the purpose of this Scheme?**

No. MLIs will be required to submit an Undertaking to SIDBI along with every claim for the purpose of this Scheme.

14) **Who will issue detailed operational guidelines for interest subvention scheme for Mudra – Shishu loan, and who will have the authority to modify provisions of the Scheme/operational guidelines?**

SIDBI has issued the detailed operational guidelines for the Scheme. The Department of Financial Services (DFS), Ministry of Finance, Government of India will have the authority to approve any changes to the current structure of the Scheme/ operational guidelines.

15) **What is periodicity of crediting interest subvention – whether on Monthly or Half yearly basis.**

First claim for 3 months, thereafter in a 2 month cycle.

16) **How to address the scenario of account closed before credit of interest subvention?**

If a MLI has claimed the benefit on behalf of the borrower and has received the money, same has either to be extended to borrower or to be returned to SIDBI

17) **Do the claims made by eligible MLIs need to be certified?**

All the claims have to be certified by the Statutory Auditor/Independent CA of the eligible institution. The certificate shall include statement on verification of individual accounts with regard to loan amount, interest rate, interest subvention passed on to beneficiaries and amount claimed. Lending institutions shall ensure that total relief claimed is as indicated in annexures of the guidelines already circulated.

18) **Are new borrowers after April 01, 2020 eligible under the scheme?**

No. The scheme is for existing borrowers from eligible MLIs who have uploaded data on PMMY portal as on March 31, 2020.

19) **What is the definition of Standard Account?**

Non-NPA, as per extant RBI norms.

20) **How to address a scenario where accounts have slipped from standard status in one month but in subsequent months (before claim lodgments date) have regained standard status i.e. overdue less than 90 days?**



- a. The Borrower has to be standard account as on March 31, 2020 and in the month of claim. To illustrate, some scenarios are given below:

Scenario	History of Standard accounts	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 <sup>th</sup> & 10 <sup>th</sup> months and is a not NPA in subsequent months within the said duration.	Eligible for initial 8 months and thereafter in the 11 <sup>th</sup> and 12 <sup>th</sup> 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

21) **Who can provide answers to any further queries?**

Please address your queries/suggestions to [shishuloans\\_iss@sidbi.in](mailto:shishuloans_iss@sidbi.in)

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