

**Scheme for Financial Assistance to Banks for creation of Incremental Assets -
Micro, Small Enterprises and Medium Enterprises
(FABIA- MSME)**

Sl. No.	Particulars	Details
1	Scheme	Financial Assistance to Banks for creation of Incremental Assets - Micro, Small Enterprises and Medium Enterprises (FABIA-MSME).
2	Objective of scheme	To support the Micro, Small and Medium Enterprises (MSMEs) by facilitating flow of credit to the MSME sector through augmenting the resources of the Banks.
3	Eligible Primary Lending Institutions (PLIs)	<ul style="list-style-type: none"> ❖ Scheduled Banks (Public Sector Banks, Private Sector Banks, Foreign Banks, Small Finance Banks). ❖ The financial assistance shall be within the borrowing limit / Power approved by Board of the respective PLI.
4	Purpose of scheme	<ul style="list-style-type: none"> ❖ Financial assistance will be provided to the Banks by SIDBI for <u>on-lending</u> to Micro, Small and Medium Enterprises for fresh loans and advances. ❖ The assistance shall be used by the Bank for creation of incremental assets consisting of financial assistance to MSMEs.
5	Eligible underlying assets / End-borrowers	<ul style="list-style-type: none"> ❖ MSMEs complying with definition of Micro, Small and Medium Enterprises as per Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, as amended from time to time. ❖ Activities of "industrial concerns in the small-scale sector" as defined in Section 2(h) of the SIDBI Act, 1989. ❖ Loans and advances relating to micro finance activities / financing micro enterprises under non-farm income generating activities. <p>Note: It is clarified that MSMEs engaged in Wholesale Trade/ Retail Trade, or running Educational Institutions are also eligible.</p>
6	Eligible Assistance	<ul style="list-style-type: none"> ❖ Amount equivalent to the portfolio of MSME end borrowers, to be created, and proposed to be covered under the scheme, against which the Bank shall not avail financial support, whatsoever nature, from any institution, including financial support from SIDBI in future. ❖ The assistance will be subject to the exposure limit fixed for each Bank by SIDBI.
7	Period of Assistance	Generally, up to 3-5 years.

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8	Rate of interest / Commercial Terms	<ul style="list-style-type: none"> ❖ The rate of interest and other commercial terms, including up-front fees, would be specified taking in to account the market conditions. ❖ A charge of 2% p.a., over and above the applicable lending rate, will be levied, by way of penal interest, for defaults in payment of installments of principal, interest and other monies as per General Agreement.
9	Security	<p>The Bank shall hold in trust for SIDBI, all the securities including movable and immovable assets, book debts, receivables, actionable claims, guarantees, assignments, bills of exchange and proceeds thereof as also other securities as may be directly or indirectly obtained or to be obtained by the Bank from its borrowers to secure the financial assistance made available to the borrowers for which the loan has been sanctioned by SIDBI to the Bank.</p> <p>The Bank, whenever called upon, shall also furnish to SIDBI all such information and copies of all security documents obtained by it as security for the loan sanctioned to its borrowers covered under the said scheme subject to all applicable laws.</p>
10	Application cum Drawl of Assistance	The Bank shall submit the Application and Certificate in prescribed format to SIDBI.
11	Sanction	On approval of the financial assistance, Letter of Intent (LoI) will be issued to the applicant Bank indicating detailed terms of sanction.
12	Documentation	<p>A) <u>One-time</u></p> <ul style="list-style-type: none"> ❖ General Agreement is executed between the Bank and SIDBI. ❖ Letter of Authority (LoA) to be executed by the Banks addressed to the RBI/Principal Banker¹ for Debiting their Current Account with the RBI/Principal Banker. The LoA should be duly acknowledged by the RBI/Principal Banker. <p>B) <u>Each Time</u></p> <ul style="list-style-type: none"> ❖ Acceptance of LoI by authorized official of the Bank on a non-judicial stamp paper of requisite value with certified copy of Power of Attorney / applicable Board Resolution/Authorization letter. ❖ KYC documents of the authorized officials executing the requisite documents on behalf of the Bank shall be submitted, along with the Board Resolution/DOP/Authorization letter.

¹ Principal Banker applicable in those cases where the Bank is not maintaining a current account with RBI

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13	Disbursement	<ul style="list-style-type: none"> ❖ Disbursement would be considered based on a declaration/ commitment by the Bank for generating eligible portfolio of MSMEs within an agreed timeline and confirming end-use. ❖ Depending on the tenor of the loan, a timeline of 3 - 6 months would be considered. ❖ However, in case the PI is not able to create the eligible portfolio within the stipulated timeline, the PI shall immediately refund the loan amount, if already disbursed, along with penal interest of 2% over and above the interest for the outstanding period.
14	Time frame for submission of list of end-borrowers	<p>The Bank shall submit the list of end borrowers in the prescribed format within the approved timelines/ extended period as may be allowed.</p> <p>In case, the Bank fails to furnish the list of end-borrowers as per sanction terms, penal interest (PI) of 2% will be charged with prospective effect till date of receipt of data. The Bank will be charged at monthly rest.</p> <p>In case the data is not furnished even after 3 months from the stipulated timelines/ extended period as may be allowed, SIDBI will reserve the right to recall the outstanding loan. PI will continue to be charged till submission of data, in case the loan is not recalled.</p>
15	Prepayment	<p>The borrower Bank shall not prepay the outstanding principal amount of loan in full or part thereof before the due dates except after obtaining prior approval of SIDBI in writing, which may be granted subject to such conditions as SIDBI may stipulate, including levy of prepayment charges.</p>