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## FREQUENTLY ASKED QUESTIONS

### Financing Options for MSMEs

#### **Q1. I am a small business and I am seeking a loan. Please advise.**

Small and medium enterprises, which are interested in increasing their current business or need to capitalize in a new business are opting for SME loans. One must have proper business plans on paper so that no bottlenecks arise at the time of getting loans for business. Also, MUDRA loan is available through Banks/NBFCs/MFIs. Generally, loans up to Rs.10 lakh issued by banks under Micro Small Enterprises are given without collaterals. You can visit your nearest public-sector bank / NBFC for opting suitable loan and scheme as per your requirements.

#### **Q2. I am a small business owner dealing in the cattle business. I am seeking loans. What kind of documents do I need to have in place?**

It is important to meet the eligibility criteria for receiving loan approval. The applicant can submit the duly filled application form online or directly in the financial institution. The following mentioned documents are required while applying for the loan.

1. ID Proof (Aadhaar Card, PAN card, Voter ID, Driving License)
2. Residential Proof: Electricity or water bill (latest), Ration Card.
3. Proof of dairy business registration.
4. Partnership deed (if any)
5. Passport sized photographs
6. Banking documents: Salary credit of last 6 months.

Small and medium enterprises, which are interested in increasing their current business or need to capitalize in a new business are opting for SME loans. If you are businessman and intending to start a business of your own, then you can apply for a SME loans. The required documents may vary in different financial institutions. Kindly check with concerned bank before proceeding.

#### **Q3. I am a small business owner struggling with finances at the moment. Can I still restart my business? How do I use my sources of funding better?**

There are options for small business owners to resume operations with funding through schemes such as Credit Guarantee Trust Fund for Micro and Small Enterprises (CGTMSE), MUDRA Loans,

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Stand-Up India, Emergency Credit Line Guarantee Scheme (ECLGS) etc. The SIDBI Make in India Soft Loan Fund for Micro Small and Medium Enterprises (SMILE) is also another possibility for receiving financial support at competitive interest rates. Muthoot Fincorp Ltd. has launched a special Gold Loan Scheme for businesses known as "Ashwas Dinam Gold Loan" The features are:

- Maximum loan value against gold
- Steady interest rate for 180 days
- 24x7 online repayment options
- Reducing interest on daily payments.

Also, there are many other schemes provided by other financial institutions as well. However, the eligibility criteria and terms and conditions need to be assessed before processing as it depends on the business plan and the amount of loan that is availed. Check with your nearest financial institution for further guidance.

#### **Q4. I am a small businessperson and am currently defaulting on my loans/have a low CIBIL score. Can I still get a personal loan to cover my existing debts?**

A credit score is chiefly grounded on how easily you have paid back your previous loans, whether you have defaulted or pre-closed any loan, what types of loans you have availed and how much of your income goes in repaying loans. Hence, instantly if you induce a low mark and still need a personal loan, you can find some lenders who will be willing to pay you the money, but they normally turn on a high rate of interest. Some lenders even charge up to 30-40% p.a., which is very high. An alternative is to apply for a gold loan since it is not dependent on your CIBIL score. Further, if you repay the loan on time, you can improve your CIBIL score.

#### **Q5. I am a small businessperson and I want to branch out into a new business. I want to understand the kind of funding I can leverage for capital expenditure (machinery etc.)**

All the major financiers are giving adequate loans for development, procurement of machinery and the like. An option you can consider is SIDBI Make in India Soft Loan for MSMEs for which some conditions need to be satisfied. Loans are available for existing and new enterprises in manufacturing and services for equipment finance and other requirements.

Further, you can apply for a machinery loan from various lenders and Non-Banking Finance Corporation (NBFC) both online and offline. Alternatively, loans are available within MUDRA Scheme under the 'Kishore' category wherein loans range from Rs. 50,001 to Rs. 5,00,000 (For buying equipment/machinery, raw materials, business expansion for new and existing enterprises). Please get in touch with your nearest public-sector bank / NBFC for opting suitable loan and scheme as per your requirements.

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## **Q6. I am a small business. Do I need an MSME certificate to be eligible for the relevant financing schemes?**

There are schemes such as Emergency Credit Line Guarantee Scheme wherein a borrower can avail a collateral free loan upto 20% of his/her outstanding on 29 Feb 2020. As such there is no compulsion to get registered as an MSME but a GST registration is required. However, MSME Udyam registration can provide a variety of benefits as follows.

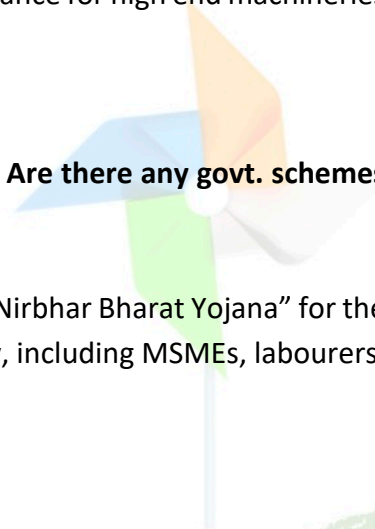
1. Loan without collateral such as loans guaranteed under CGTMSE are available
2. Subsidy on Patent Registration & Industrial Promotion: Business enterprises registered under the MSME Act are given a large subsidy of 50 per cent for patent registration.
3. Overdraft facility along with Interest Rate Exemption: Businesses or enterprises registered as MSME/SSI under the MSME Act maybe eligible to avail a benefit of 1% on the overdraft as part of the Credit Guarantee Trust Fund Scheme.
4. Concession on Electricity: Businesses registered under the MSME Act may be eligible on application to avail a concession on electricity bills.
5. Protection against Delayed Payments: Under the MSME registration benefits, a buyer is expected to make a payment for the goods/services within 15 days of the purchase. If the buyer delays the payment for more than 45 days, the enterprise is eligible to charge a compound interest which is 3 times the rate notified by RBI.
6. ISO Certification Charges Reimbursement: A registered small or medium enterprise can claim the expenses for reimbursement that were spent on ISO certification.

## **Q7. I am an MSME in manufacturing. Are there any financing options for Capital loans that do not involve collateral?**

An option you can consider is SIDBI Loan For Purchase Of Equipment For Enterprise's Development Plus for which some conditions need to be satisfied such as existence of operations for 5 years and past 3 years cash profit. This scheme offers 100% finance for high end machineries and no immovable property is needed as collateral.

## **Q8. I have lost livelihood (job, business) as a result of the pandemic. Are there any govt. schemes or loans that can help me?**

The Government of India has announced a package called "Atma - Nirbhar Bharat Yojana" for the Small business group. It will cater to various sections of the society, including MSMEs, labourers,



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middle class of the society and industries. It is a major boost to the MSME sector. Collateral free loan of 3 lakh crore rupees has been declared with a moratorium of 12 months.

Another package of 20 thousand crore rupees for stressed MSMEs benefitting 2 lakh units have also been announced. This is especially for MSME accounts which have become NPA. A Fund of Funds has also been set up to provide equity funding to MSMEs.

## **Q9. I want to expand a small business. Can you advise me on how I should go about it for funding?**

An option you can consider is SIDBI Trader Finance Scheme if you are a retailer/ wholesaler. To be eligible, you need to be in existence for at least 3 years having satisfactory financial position. Drop in sales turnover should not exceed 10% year-on-year in the last 2 years. The eligible expenditure is Any business related expenditure i.e. Working capital requirement and need based capital expenditure (including renovation of existing owned shops), if any (excluding non-business related commodity trading of metals, gems & jewellery, etc.).

## **Q10. I want to start a manufacturing project. How can I get a loan?**

All the major financiers are giving adequate loans for development, procurement of machinery and the like. An option you can consider is SIDBI Make in India Soft Loan for MSMEs for which some conditions need to be satisfied. Loans are available for existing and new enterprises in manufacturing and services for equipment finance and other requirements. The added benefit is that repayment commences only after a moratorium of 36 months which will be helpful since you are setting up your business. Check with your nearest financial institution for further guidance.

## **Q11. I want to restart my manufacturing business. What are the loan options available?**

Credit Guarantee Trust Fund for Medium and Small Enterprises (CGTMSE), MUDRA Loans, Stand-Up India, Emergency Credit Line Guarantee Scheme (ECLGS) etc. can be considered as an option. The SIDBI Make in India Soft Loan Fund for Micro Small and Medium Enterprises (SMILE) is also another possibility for receiving financial support. Cases upto Rs. 2 Crore are guaranteed under CGTMSE. Check with your nearest financial institution for further guidance.

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**Q12. I am a small business and I want to understand the different stimulus packages available under Aatmanirbhar Bharat that banks can offer us? Also, how can we apply for these - what are the prerequisites?**

The main features of the stimulus package available are listed below: Under the Aatmanirbhar Bharat Abhiyan Package, the following key measures have been introduced that will benefit the MSMEs—

- 1) In order to provide relief to the business, additional working capital finance of 20% of the outstanding credit as on 29th February 2020, in the form of a Term Loan at a concessional rate of interest will be provided. Interest is to be capped. Loans will have a 4-year tenure with moratorium of 12 months on Principal repayment. Prerequisite- This facility will be available to units with up to Rs. 25 crores outstanding and turnover of up to Rs. 100 crores whose accounts are standard. The units will not have to provide any guarantee or collateral of their own. The amount will be 100% guaranteed by the Government of India. Thus, there will be 100% credit guarantee cover to Banks and NBFCs on principal and interest. Scheme can be availed till 31st Oct 2020. Rs. 3 lakh crore Collateral-free automatic loans to be provided (45 lakh Business including MSMEs will be benefited)
- 2) Government is infusing Rs. 20,000 crores Subordinate Debt in the stressed MSMEs (2 lakh MSMEs will be benefited). The Prerequisites are - Functioning MSMEs which are NPA or are stressed will be eligible. Promoters of the MSME will be given debt by banks, which will then be infused by promoter as equity in the Unit.
- 3) Government will provide a fund of Rs. 50,000 crores to the MSMEs having potential growth as equity funding.
- 4) Also, the existing classification of MSMEs have been redefined - In place of the existing classification, a composite criterion of investment and annual turnover have been introduced. Some of the other features of this package are: Global tender is not allowed for government procurement up to Rs. 200 crores which will benefit the MSMEs. MSME receivables from Govt. and CPSEs are to be released in 45 days. A relaxation in Statutory and Compliance matters, such as income tax returns and GST returns have also been introduced., EPF contribution is reduced to 10%. Rs. 45,000 crores will be infused in NBFCs under the partial credit guarantee scheme and Rs. 30,000 crores will be infused in microfinance institutions. Under the package, Rs. 90,000 crores will be infused in DISCOMs to increase liquidity. Six months' additional time will be given to the Government contractors to complete the pending projects. The government has also advised the states and the concerned authorities to extend the registration and completion of the real estate projects under RERA. Till March 31, 2021, TDS/TDS rates

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have been reduced by 25%, to provide more funds at the disposal of taxpayers and this is applicable for all the payments made to contracts, dividends, etc. The date for filing income tax returns is now extended to November 30, 2020, from earlier July 31, 2020. Also, Vivad se Vishwas Scheme has also been extended till December 31, 2020. Other measures taken by RBI are Moratorium of three months on payment of instalments and payment of Interest on Working Capital Facilities in respect of all Term loans and Easing of Working Capital Financing by reducing margins. The RBI has raised the Ways and Means advance limits of States by 60% and enhanced the Overdraft duration limits.

**Q13. I am a small businessperson and I want to branch out into a new business. I want to understand the kind of funding I can leverage.**

Small Enterprises (CGTMSE), MUDRA Loans, Stand-Up India, Emergency Credit Line Guarantee Scheme (ECLGS) etc. are some of the options you can consider. The SIDBI Make in India Soft Loan Fund for Micro Small and Medium Enterprises (SMILE) is another option in terms of receiving financial support. Muthoot Fincorp Ltd. has launched a special Gold Loan Scheme for businesses known as “Ashwas Dinam Gold Loan” The features are: •Maximum loan value against gold • Steady interest rate for 180 days• 24x7 online repayment options; and• Reducing interest on daily payments. There are many other schemes provided by other financial institutions as well. However, the eligibility criteria and terms and conditions need to be assessed, as it depends on the business plan and the amount of loan availed. Check with your nearest financial institution for further guidance.

**Q14. I am an MSME in manufacturing. Are there any subsidies currently available for machinery purchase?**

The Department of Agriculture, Cooperation & Farmers Welfare has implemented Sub-Mission on Agricultural Mechanization. Under this Sub-Mission by the Department of Agriculture, Cooperation & Farmers Welfare, subsidy at 40% of the project cost limited to a maximum of Rs. 24 lakhs, whichever is less, is extended to the rural entrepreneurs, progressive farmer and self-help groups for establishment of farm machinery banks for custom hiring comprising of various agricultural machinery & equipment including combine harvester. SME loans are generally used by small and medium enterprises, which are keen on increasing their current business or need to

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capitalise in a new business against the borrowed amount, and all the major financiers are giving adequate loans for development, procurement of machinery and the like. Some General Criteria to avail a machinery loan:

- If you are businessman or a trader and own a small and medium sized business
- Your business exists for at least 3 years
- Mandatory to have ownership of at least one property
- Your business should have its Income tax filed for at least 1 year
- Your age should be between 25 years and 55 years. You can apply for a machinery loan from various lenders and Non-Banking Finance Corporation (NBFC) both online and offline. Please visit the below link for more details: <https://mas.co.in/machineryloan.html>,  
<https://www.rattanindia.in/machinery-loan>, <https://flexiloans.com/business-loan-for-machinery>.

