

Pradhan Mantri Mudra Yojana (PMMY)

The Hon'ble Prime Minister launched the Pradhan Mantri Mudra Yojana (PMMY) scheme on 8th April 2015. This scheme provides loans up to 10 lakh to non-corporate and non-farm small or micro-enterprises. These loans are classified as MUDRA (Micro Units Development and Refinance Agency Limited) loans under PMMY.

MUDRA is a non-banking financial company (NBFC) which supports the development of MSMEs. MUDRA provides support by refinancing to banks, microfinance institutions (MFIs) and NBFC for lending loans to micro units having a loan requirement of up to 10 lakhs. Under this scheme, the loans are provided by Commercial Banks, Small Finance Banks, MFIs and NBFCs. The borrowers can approach any of these lending institutions or apply for loans online through the UdyamiMitra portal.

Under the scheme of PMMY, there are three different schemes namely 'Shishu', 'Kishore' and 'Tarun' which signify the stage of development or growth and the funding need of the beneficiary micro-units or entrepreneurs and it also provides a reference point for the next phase of graduation or growth.

Nature of Assistance – ‘Shishu’ offers loans up to Rs.50,000. ‘Kishor’ provides loans above Rs.50,000 up to Rs.5 lakhs. ‘Tarun’ provides loans above Rs.5 lakhs up to Rs. 10 lakhs to micro-units.

Prime Minister’s Employment Generation Programme (PMEGP)

The Prime Minister’s Employment Generation Programme (PMEGP) is a merger of two schemes of Prime Minister’s Rojgar Yojna (PMRY) and Rural Employment Generation Programme (REGP). This scheme focuses on generating self-employment opportunities to the unemployed youth and traditional artisans through micro-enterprise establishments in the non-farm sector. It is executed by the Khadi and Village Industries Commission (KVIC) which functions as the nodal agency for this scheme at the national level.

At the state level, this scheme is implemented through the State KVIC Directorates, District Industries Centres (DICs), State Khadi and Village Industries Boards (KVIBs), and banks. Under this scheme, the KVIC routes government subsidy through designated banks for eventual disbursal to the entrepreneurs or beneficiaries directly into their bank accounts.

Eligibility – Any individual/s who is/are above 18 years of age is/are eligible. The individual/s should be at least VIII standard pass for the projects, in the manufacturing sector which cost above Rs.10 lakh and in the business or service sector which cost above Rs. 5 lakh.

Under this scheme, only the new projects are considered for sanction. Self Help Groups, Institutions registered under Societies Registration Act, 1860, Production-based Co-operative Societies, and Charitable Trusts are also eligible.

Any unit/s existing under PMRY, REGP or any other scheme of Government of India or State Government are not eligible. Even the units that have already availed Government Subsidy under any other scheme of Government of India or State Government are not eligible.

Nature of Assistance – The maximum cost of the project or unit admissible in the manufacturing sector is Rs.25 lakhs and in the business or service sector is Rs.10 lakhs for assistance under this scheme.

The beneficiary's rate of the subsidiary for the general category is 15% in urban areas and 25% in rural areas. The beneficiary's rate of the subsidiary for the special category is 25% in urban areas and 35% in rural areas.

Credit Guarantee Trust Fund for Micro & Small Enterprises (CGT MSE)

Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India (SIDBI) together established the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). CGTMSE is established in order to implement a credit guarantee scheme for MSMEs.

The Government of India and SIDBI contribute to the corpus of this scheme. The whole idea behind this trust is providing financial assistance to the small and medium industries without any third-party guarantee or collateral. The guarantee coverage under this scheme ranges from 85% for Micro Enterprise (up to Rs 5 lakh), 75% for others and 50% for retail activity.

Eligibility – Both existing and new enterprises are eligible under the scheme. The candidates meeting the eligibility criteria may approach banks or financial institutions and select Regional Rural Banks which are eligible for getting assistance under this scheme.

Nature of Assistance – The guarantee cover available under the scheme is to the extent of 50%/75%/ 80% or 85% of the sanctioned amount of the credit facility. For micro-enterprises up to 5 lakhs, the extent of guarantee cover is 85%.

The extent of guarantee cover is 50% of the sanctioned amount of the credit facility for credit from 10 lakhs to 100 lakhs per MSME borrower for retail trade activity. In case of default, the trust settles the claim up to 75% of the amount in default of the credit facility, which is extended by the lending institution for credit facilities up to 200 lakh.

Credit Linked Capital Subsidy Scheme (CLCSS)

The Credit Linked Capital Subsidy Scheme (CLCSS) renders a subsidy for technology upgradation to the MSMEs. This scheme provides 15% subsidy for additional investment up to Rs.1 crore for technology upgradation by MSMEs. Technology upgradation means induction of state-of-the-art or near state-of-the-art technology.

The candidates meeting the eligibility criteria may approach 12 nodal banks or agencies to avail the subsidy under this scheme. These 12 nodal banks or agencies are SIDBI, NABARD, SBI, BoB, PNB, BOI, SBBJ, TIIC, Andhra Bank, Corporation Bank, Canara Bank and Indian Bank.

Eligibility – Any MSME unit is eligible under this scheme. But the units replacing existing equipment or technology with the same equipment or technology will not qualify for a subsidy under this scheme. Similarly, the units upgrading with used machinery would not be eligible under this scheme.

Nature of Assistance – This scheme aims at facilitating technology upgradation by providing 15% upfront capital subsidy to MSMEs on institutional finance availed by them. This subsidy is provided to MSMEs for induction of well established and improved technologies in specified sub-sectors or products approved under the scheme.

This scheme provides an upfront subsidy of 15% on institutional credit up to Rs.1 crore (i.e. a subsidy cap of Rs.15 lakh) for identified sectors/subsectors/technologies.

Equity Infusion for MSMEs through Fund of Funds

MSMEs face a severe shortage of equity. Venture Capital (VC) or Private Equity (PE) firms offer early-stage funding, but very few of them provide growth-stage funding. To encourage MSMEs to grow and get listed on stock exchanges, the Fund of Funds provides equity funding for MSMEs who have growth potential and viability.

This scheme will be able to intermediate different types of funds into underserved MSMEs and address the growing needs of viable and high growth MSMEs with the intervention of the government.

Eligibility – All MSMEs are eligible. MSMEs can apply through Investor Funds onboarded and registered with the proposed Fund of Funds.

Nature of Assistance – The Government of India will support VC or PE firms in investing in commercially viable MSMEs for meeting their growth requirements. The proposed fund of funds will encourage private sector investments in the MSME with leverage of Rs.50,000 crore.

Credit Guarantee Scheme for Subordinate Debt (CGSSD)

Credit Guarantee Scheme for Subordinate Debt (CGSSD) seeks to extend support to the promoters of the operational MSMEs which are stressed and

have become NPA as on 30th April 2020. The promoters, in turn, will infuse this amount in the MSME unit as equity and thereby increase the liquidity and maintain the debt-equity ratio.

Subordinate debt will be of considerable help to sustain and revive the MSMEs which have become NPA or are on the brink to become NPA. The promoters of the MSMEs will be given credit equal to 15% of their stake (equity plus debt) or Rs.75 lakh whichever is lower.

Eligibility – The operational MSMEs which are NPA or are stressed will be eligible. The promoters of MSME who meet the eligibility criteria can apply for this scheme. They can approach scheduled commercial banks to avail benefit under the scheme.

Nature of Assistance – The scheme provides 90% guarantee for the sub-debt, and the remaining 10% will be from the concerned promoters. The maximum tenure for repayment is ten years. There is a moratorium of 7 years on payment of the principal.

SIDBI Make In India Loan For Enterprises (SMILE)

The SIDBI Make In India Loan For Enterprises (SMILE) is intended to take forward the Government of India's 'Make in India' campaign and help MSMEs take part in this campaign. This scheme provides a soft loan in the nature of quasi-equity. It also provides term loans on relatively soft terms to MSMEs to

meet the required debt-equity ratio for their establishment. It also provides loans to the existing MSMEs to pursue opportunities for their growth.

Eligibility – New enterprises in the manufacturing and the services sector is covered under this scheme. The existing enterprises undertaking expansion for taking advantage of the new emerging opportunities are eligible under this scheme. This scheme will also cover the existing enterprises undertaking expansion for undertaking modernisation, technology upgradation or other projects for growing their business. Under this scheme, the emphasis is given to financing smaller enterprises within MSME.

Nature of Assistance – The minimum loan size is Rs.10 lakh for equipment and finance. The minimum loan size for others is Rs.25 lakh. The repayment period is up to 10 years, including moratorium of up to 36 months.

MSME Business Loan for Startups in 59 Minutes

The Government of India recently announced to offer MSME Business Loan for Startups in 59 Minutes. A new web portal was launched to provide loans to MSMEs in 59 Minutes. The processing of the loans for MSMEs on this online portal is fully automated. This portal will process the loans within one hour. After the loan is approved through this portal, the loan is disbursed to the applicant of the loan in the next seven or eight working days.

This scheme aims at automation and digitisation of various processes of business loans offered, which includes the term loans, working capital loans and mudra loans.

Eligibility – Any existing business or MSMEs which wants to apply for a business loan (term loan/ working capital loan) in-principle approval is eligible. The business should be IT compliant and must have a six months Bank Statement Facility.

Both GST registered as well as not-registered businesses are eligible. If any business not registered with GST or has not filed ITR or does not have a bank statement applies for mudra loan, then the business can provide the related details by self-declaring the same.

The income or revenue, repayment capacity, existing credit facility and any other factors as set by lenders determine the eligibility criteria of the borrowers. The portal is integrated with CGTMSE to check eligibility of borrowers.

Nature of Assistance -The business loan in-principle approvals are provided from Rs.1 lakh to Rs.5 crores. The loans are provided with or without collateral. The rate of interest starts from 8.5% onwards. The mudra loan in-principle approvals are provided from Rs.10,000 to Rs.10 lakh.

MSME Loan Scheme by Banks

Banks and other lending institutions offer term loans and working capital loans to MSMEs. The working capital loans are offered to MSMEs by banks to fulfil their daily cash requirements. The term loans are offered to MSMEs for capital expansion, capital expenditure or buying fixed assets.

Apart from term loans and working capital loans, the banks or financial institutions have different loan schemes which they offer to MSMEs. The MSME loan schemes offered by different banks or financial institutions have different terms and conditions applicable.

Each loan scheme offered by the banks/financial institutions has different interest rates. The interest rates are based on various factors such as desired loan amount, repayment tenure, nature and tenure of business, creditworthiness and repayment capability.

Many MSME loans are offered without collateral by banks. Some of the banks which offer different loans schemes are State Bank of India, HDFC Bank, ICICI Bank, Axis Bank etc. NBFCs, Small Finance Banks (SFBs), Regional Rural Banks (RRBs) and Micro Finance Institutions are some of the financial institutions that offer loans to MSMEs.