

FREQUENTLY ASKED QUESTIONS ON BANK CREDIT FACILITATION SCHEMES FOR MSME LOANS

1.	Question:	What is Bank Credit Facilitation Scheme?
	Answer :	To meet the credit requirements of MSME units NSIC has entered into a Memorandum of Understanding with various Nationalized and Private Sector Banks . Through syndication with these banks, NSIC arranges for credit support (fund or non fund based limits) from banks .
2.	Question:	What are the Salient features of Bank Credit Facilitation Scheme?
	Answer :	<ul style="list-style-type: none"> a) Facilitates credit to MSMEs by having an integrated mix of various public and private sector banks. b) Provides an option for MSMEs to apply for a new bank or switch over of an account to a different bank . c) Helps the MSMEs in completing documentation and thereafter submitting it to the bank. d) Helps the MSMEs in getting liberal rate of interests from the banks after a favorable rating is awarded to unit under Performance and Credit rating scheme of the Ministry. e) To facilitate larger number of MSMEs who are desirous of availing credit. f) To provide handholding support to MSMEs
3.	Question:	How MSME loans can be availed under Bank Credit Facilitation Scheme ?
	Answer :	The MSME Unit can approach directly to any of our branch offices and submit their request for loan requirement from any of the banks under our tie up agreement. The official sitting at the branch will provide hand holding support to the MSME unit by assisting them in completing all documentation as required for further submission to the bank.
	Question:	What are these Documents?
	Answer :	These documents are to be provided by the MSME unit based on the checklist of the banks.
4.	Question:	What are the target clients who can avail loan under NSIC-FFC?
	Answer :	Existing MSME units as well as units applying for fresh loans can apply through this portal

5.	Question:	Is there any cost for applying in this scheme?
	Answer :	No fee is charged from the MSME unit for applying for loan under this scheme.
6.	Question:	How does this Bank Credit Facilitation Scheme help MSME ?
	Answer :	Under Bank Credit Facilitation Scheme ,the MSME(s) can get access to finance from banks based upon their lending policy and a focused attention is given to the credit proposals sponsored by NSIC.
7.	Question:	Which are the lending institutions eligible for extending loans under FFCs?
	Answer :	The Banks/FI(s) which have entered into Memorandum of Understanding (MOU) with NSIC are the lending institutions under FFCs.
8.	Question:	What is a Micro Enterprise?
	Answer :	Any manufacturing enterprise in which the original value of investment in plant and machinery is upto Rs. 25 lakh and any service enterprises in which the original value of investment in equipment is upto Rs. 10 lakh is called a Micro Enterprise.
9.	Question:	What is a Small Enterprise?
	Answer:	Any manufacturing enterprise in which the original value of investment in plant & machinery is above Rs. 25 lakh and upto Rs. 500 lakh and any service enterprise in which the original value of investment in equipments is above Rs. 10 lakh and upto Rs. 200 lakh is called a Small Enterprise.
10.	Question:	What is a Medium Enterprise?
	Answer:	Any manufacturing enterprise in which the original value of investment in plant & machinery is above Rs. 500 lakh and upto Rs. 1000 lakh and any service enterprise in which the original value of investment in equipments is above Rs. 200 lakh and upto Rs. 500 lakh is called a Small Enterprise.
11.	Question:	What are the types of loan facilities available in Bank for Micro, Small and Medium Enterprises?
	Answer:	- Term loans for acquisition of fixed assets (viz, land/building, plant/machinery, other fixed assets) towards setting up of new units

		<p>and for expansion, modernization and diversification in case of existing units.</p> <p>- Working Capital limits to meet the working capital needs of the MSME units in the form of open cash credit, overdraft against book debts and bill discounting facility.</p> <p>Non fund based limits such as guarantees, letter of credit, foreign bank guarantees, foreign letter of credit etc.</p>
12.	Question:	Whether KYC compliance is mandatory for availing loans under MSME?
	Answer:	Yes, the loan applicants should open an operative account (Savings /Current Bank Account) which is KYC compliant with proper introduction, address proof, ID proof and photo etc; as stipulated by the bank.
13.	Question:	What are all the documents to be submitted for availing loans under MSME?
	Answer:	<p>The documents to be submitted vary based on the purpose of the loan. The general documents as required are:-</p> <ul style="list-style-type: none"> (i) Proof of Identity (ii) Proof of Residence (iii) Proof of Business address (iv) Asset and Liability Statement of promoters, guarantors, directors etc. with latest income tax returns. (v) Rent Agreement / Lease Deed if business premises rented/leased. (vi) Copy of SSI registration certificate/Entrepreneur's Memorandum (vii) Profile of the Unit (Name and address of promoters, experience, nature of activity, address of all offices/plants, share holding pattern etc.) (viii) Last three year's Balance Sheet with IT/ST returns (ix) Projected Balance Sheet for next two years (x) Application in the prescribed format (xi) CMA data in the prescribed format if limit required is Rs. 100 lakh and above. (xii) Position of accounts with existing bankers (xiii) Project Report for term loan requirements (xiv) Estimates/Quotations/Sanctioned building plan etc.

		<p>(xv) Partnership Deed/Trust Deed/Rules & Bye laws/Memorandum and Articles of Association /Certificate of Incorporation etc.</p> <p>(xvi) Clearance from Pollution Control Board/Sanction from Electricity Board and other statutory authorities.</p> <p>(xvii) Month-wise production and sales data for the current financial year, value of stock in process, finished goods, debtors, creditors etc.</p>
14.	Question:	What are the margin norms for loans under MSME?
	Answer:	Varies from bank to bank
15.	Question:	What is the interest rate of MSME loans.
	Answer:	Varies from bank to bank
16.	Question:	What are the processing charges payable for MSME loans?
	Answer:	Varies from bank to bank
17.	Question:	What are the security norms for MSME loans?
	Answer:	Varies from bank to bank
18.	Question:	What is the method of assessing working capital requirement for MSME unit?
	Answer:	<p>For units requiring working capital limits upto Rs. 5 crore, requirement is assessed as 25% of the projected turnover for the next year and the working capital limit shall be 20% of the projected turnover. The balance shall be brought by promoters as their contribution by way of equity / loans.</p> <p>For limits above Rs. 5 crore, the working capital requirement is assessed under Maximum Permissible Bank Finance Method.</p> <p>It may also vary from bank to bank.</p>
19.	Question:	What is the repayment period stipulated for term loans?
	Answer:	The repayment period varies depending upon the income generation from the unit and generally varies from 5-7 years. However, in exceptional cases it can go to 11 years.
20.	Question:	How is working capital finance typically structured at bank?
	Answer:	At bank, working capital loans are tailored to suit the precise requirements of the client, in any of the various instruments available

		<p>or structured as a combination of cash credit, demand loan, bill financing and non-funded facilities.</p> <p>The banks accomplished credit crew can gauge the credit needs of each client and frame the exact solutions.</p>
21.	Question:	How does bank approve working capital loans?
	Answer:	<p>Bank dedicated credit team has a deep understanding of the intricacies of various industries and is richly experienced in reckoning the business potential of companies.</p> <p>These informed professionals can assess your specific credit requirements and tailor customized financial solutions to suit your risk profile and the working capital cycle of your company.</p>
22.	Question:	What is the repayment schedule like?
	Answer:	<p>Working capital finance limits are normally valid for one year and repayable on demand. Specific, self-liquidating loans are linked to the natural tenor of the transaction (bill finance, export credit etc.).</p>