



SME

Govt finally operationalizes Rs 20,000 cr credit scheme for distressed MSMEs; here's how it works

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Credit and Finance for MSMEs: The promoters of distressed MSMEs would be eligible to raise credit equivalent to 15 per cent of their stake (equity plus debt) in the business or Rs 75 lakh whichever is lower.



The Reserve Bank of India (RBI) had earlier this month extended the restructuring of MSME debt until March 31, 2021.

Credit and Finance for MSMEs: Nearly two months after the launch of Rs 20,000-crore subordinate debt scheme by MSME Minister Nitin Gadkari for distressed or NPA MSME accounts, the government on Wednesday operationalized it. The announcement was made by the MSME Ministry on Twitter. "All preparation is done. All PSU Banks and some Pvt Banks are on board. Contact your bank," the Tweet read. The scheme was announced by Finance Minister Nirmala Sitharaman in May as part of the Rs 3.7-lakh-crore MSME package under the Rs 20-lakh-crore stimulus for Atmanirbhar Bharat campaign and to help businesses recover from the Covid impact.

According to the scheme, 2 lakh operational MSMEs, which are stressed and have turned NPA as on April 30, 2020, will be benefited. The owners of such MSMEs would be eligible to raise credit equivalent to 15 per cent of their stake (equity plus debt) in the business



under the scheme, the remaining 10 per cent would be contributed by promoters of the MSME. The scheme offers a 7-year moratorium for MSMEs for paying the principal amount while the maximum period for repayment would be 10 years.

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"For the first time in India, funding for NPA MSMEs has been announced. So, MSMEs will also be out of the NPA stigma as well. It is a historical decision of Modi Government, due to which many viable NPA MSMEs will live with dignity with the new standard classification to them after getting this funding," Mukesh Mohan Gupta, President, Chamber of Indian Micro,

Small & Medium Enterprises (CIMSME) told Financial Express Online at the launch of the scheme. The association represents 1.10 lakh MSME members.

The Reserve Bank of India (RBI) had earlier this month extended the restructuring of MSME debt until March 31, 2021, "provided the borrower's account was classified as standard with the lender as on March 1, 2020," a statement by the central bank had said. The government had earlier extended the period to December 31, 2020, from March 31, 2020, following Sitharaman's announcement in the budget that the government had asked the RBI to extend the same. MSME Minister Nitin Gadkari had in May said that the government may restructure 25 lakh MSMEs by December this year up from 6 lakh till March 31.



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