



The most awaited announcement made by the Government of India on May 13, 2020, regarding the economic package has benefited millions of Indian individuals and companies. One of the reliefs provided by the government through the announcement was towards boosting the MSMEs and providing them the facility to avail loans without collateral.

A Guide for MSMEs to Apply for a Loan Under COVID 19 Package

The facility to apply for a loan has been simplified and made more clear allowing MSMEs to receive an approval within minutes from applying.

The process of applying and receiving the loan and getting the approval respectively shall be online through various banks' websites and/or other service providers websites. This article aims to help understand the new definition of MSME under the new notifications and the procedure to apply for a loan online.

What is an MSME under the new guidelines?

As per the new guidelines, an MSME is defined as *"A micro unit is one with investment up to Rs. 1 Crore and turnover less than Rs. 5 Crore; A small unit is one with investment up to Rs. 10 Crores and turnover up to Rs. 50 Crores and a medium unit is one with an investment of up to Rs. 20 Crores and turnover less than Rs. 100 Crores."*

The threshold limits for qualifying as an MSME have increased which means many units can now avail benefits that apply to MSMEs such as the loan announced by the Government of India under the economic package as described above.

It is advantageous to note that the above thresholds and definition of MSME apply to units in the manufacturing as well as the service sector.

Step by step process to apply for a loan and receive approval

1. Udyog Aadhar Registration: The first and foremost step in applying for a loan by an MSME calls for compulsory registration under Udyog Aadhar. Filling up a form and basic details about the enterprise/unit shall be made on the udyogaadhaar website. On completion of filling the relevant details, an OTP shall be generated, which when entered, the Udyog Aadhar registration certificate shall be generated. Some benefits of registration under Udyog Aadhar include:

- Protection against delay in payment;
- Collateral/Mortgage-free loans from banks;

- Waiver of stamp duty and registration fees;
- Counter guarantee from Government of India under CGSTI;
- Reduced rate of interest from banks;
- 1% exemption in interest on overdraft;
- 50% subsidy for patent registration
- Easy registration and approvals to obtain licenses.

2. Collation of documents for MSME registration: The following documents will be required to be uploaded on the portal while applying for a loan and hence must be kept ready in pdf format for the said purpose:

A. General Documents:

- Duly filled application from the bank;
- Identity proof: such as passport, driving license, PAN card, voter's identity card for the signatory;
- Residence Proof: such as passport, lease agreement, trade license, telephone and electricity bills, ration card and sales tax certificate;
- Age Proof: such as passport, voter's identity card, photo PAN card.

B. Financial Documents:

- Last 12 months' bank statement;
- Business registration proof;
- Proprietor(s) PAN card copy;
- Partnership deed copy;
- Company PAN card copy;
- Profit and loss statement and balance sheet copy of the entity for the last 3 years;
- GST registration details;
- Municipal tax document;
- Income Tax Returns in XML format

3. Application process: Various banks such as State Bank of India, HDFC Bank, Allahabad Bank, Central Bank of India, ICICI Bank, Bajaj Finserv, Oriental Bank of Commerce, Union Bank of India, Indian Bank provide MSME loans and an application for the same shall be made on their respective websites and by following the steps provided therein and uploading documents mentioned above. The application for the loan can be filed and in some cases, an 'in-principle approval' or 'ok' may be given by the bank/service provider that the application and documents submitted are satisfactory and the possibility that the loan is sanctioned as early as possible.

NOTE: The requirements above may vary from bank to bank or service provider to service provider. This article aims at providing an overview of the ease of availing loans and general and financial documents requirements to assist MSMEs and does not construe any form of legal advice.

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