



Reserve Bank of India

Financial Inclusion and Development Department

S-FAME



**Sikkim – Finance and Access for
Micro, Small & Medium Enterprises**

*Comprehensive Guide for MSME Entrepreneurs in Sikkim on
Banking Facilities and Government Schemes*



Gangtok
September 2026

Chapter	Table of Content	Page
	Preface	3
	Disclaimer	4
	Objective of the Booklet	5
	Introduction	6
1	Registration Framework for Micro, Small and Medium Enterprises	7
2	Banking Facilities and RBI Guidelines on Lending to MSMEs	11
3	Credit Guarantee for Micro and Small Enterprises	21
4	Central Government Framework and Schemes – Sikkim	23
5	Policies and Schemes of the Government of Sikkim	32
6	Handholding, Incubation and Capacity Building	36
7	Support for Enterprises in Stress	41
8	RBI Customer Service Guidelines and Complaint Resolution	45
ANNEXURES		
Annex I	Permits, NOCs and Regulatory Clearances for Businesses in Sikkim	50
Annex II	MSME Loan Products of Schemes of Banks Operating in Sikkim	58
Annex III	CASE STUDIES — BANK FINANCE FOR MSME BORROWERS IN SIKKIM	66



Preface

The Micro, Small and Medium Enterprises (MSME) sector is a vibrant and dynamic segment of the Indian economy and an important contributor to economic growth, employment generation and entrepreneurship. In Sikkim, MSMEs have considerable potential to promote local entrepreneurship, generate livelihood opportunities and contribute to inclusive and sustainable economic development.

Recognising the importance of facilitating greater awareness and access to financial and institutional support for MSMEs, I am pleased to note that the Reserve Bank of India, Regional Office, Gangtok, through its Financial Inclusion and Development Department, has brought out S-FAME — Sikkim Finance and Access for Micro, Small & Medium Enterprises.

The booklet is an endeavour to bring together relevant information in a simple, structured and accessible format, thereby providing a useful reference to MSME entrepreneurs and those engaged in supporting the sector. It is expected to assist entrepreneurs in better understanding the avenues of financial and institutional support available to them at different stages of their business journey.

I appreciate the efforts of the Financial Inclusion and Development Department, Regional Office, Gangtok, in conceptualising and bringing out this publication.

We gratefully acknowledge the support and cooperation extended by MSME-DFO (Gangtok), Ministry of MSME, Government of India; Department of Commerce and Industries, Government of Sikkim; Gangtok Municipal Corporation; Banks; SIDBI; CGTMSE; and RXIL in the preparation of this booklet.

I hope that S-FAME will serve as a useful reference for MSME entrepreneurs and contribute to greater awareness, informed access to formal finance and Government support, and the sustainable development of the MSME sector in Sikkim.

Regional Director

Reserve Bank of India
Regional Office, Gangtok

Disclaimer

This booklet is intended as a general information and awareness resource for MSME entrepreneurs and does not substitute the applicable Acts, rules, regulations, Reserve Bank of India directions, Government notifications, scheme guidelines or other instructions issued from time to time.

The availability of any banking facility, credit, subsidy, incentive or scheme benefit is subject to the applicable eligibility criteria, terms and conditions, documentation requirements and approval of the concerned institution/implementing agency.

The information contained herein, including limits, interest rates and eligibility conditions, is subject to change. Readers are advised to verify the latest applicable position with the concerned authority or institution before taking any financial or business decision.

In case of any inconsistency, the applicable statutory, regulatory or scheme provisions shall prevail. Inclusion of any institution, product or scheme does not constitute an endorsement or assurance of eligibility, sanction or benefit.

Objective of the Booklet

The objective of S-FAME is to bridge the information gap faced by MSME entrepreneurs and facilitate their informed access to formal financial and institutional support.

The booklet seeks to:

- enhance awareness of banking facilities, credit and other financial services available to MSMEs;
- improve awareness of relevant Central and State Government schemes and institutional support;
- facilitate better understanding of the processes, requirements and avenues for accessing available support; and
- promote responsible financial practices, including awareness of digital financial services, customer rights and grievance-redressal mechanisms.

Through these objectives, the booklet seeks to enable MSME entrepreneurs to identify and make informed use of the support available to them.

Introduction

Starting, operating and expanding an enterprise involves a range of financial, regulatory and institutional requirements. S-FAME has been designed as a practical reference guide to assist MSME entrepreneurs in navigating these requirements and identifying appropriate avenues of support.

The booklet is primarily intended for existing and prospective MSME entrepreneurs in Sikkim. It may also serve as a reference for branch and credit officers of lending institutions and officials of Central and State Government agencies and other institutions associated with the MSME ecosystem.

The booklet is organised into eight chapters and three annexures, covering the principal aspects relevant to an enterprise's journey—from registration and banking relationships to access to finance, Government schemes and initiatives, institutional and handholding support, assistance available to enterprises facing financial stress, and customer protection and grievance-redressal mechanisms.

The material has been compiled from relevant information and guidance issued by the Reserve Bank of India; Ministry of MSME, Government of India; MSME-DFO (Gangtok); Government of Sikkim; SIDBI; CGTMSE; RXIL; Banks; Gangtok Municipal Corporation; and other relevant institutions, as applicable.

The booklet is intended to provide a starting point for identifying relevant facilities, schemes and sources of assistance. For detailed procedures, current eligibility conditions, documentation requirements and other specific provisions, readers should refer to the concerned institution or issuing authority.

Chapter I

Registration Framework for Micro, Small and Medium Enterprises

1.1 MSME Definition:

An enterprise shall be classified as a micro, small or medium enterprise on the basis of investment in plant and machinery or equipment, as follows:

Category	Investment	Turnover
Micro	Up to ₹2.5 crore	Up to ₹10 crore
Small	Up to ₹25 crore	Up to ₹100 crore
Medium	Up to ₹125 crore	Up to ₹500 crore

1.2 Udyam Registration

Udyam Registration is Government of India's official, online MSME registration system that issues a permanent Udyam Registration Number (URN) and an e-certificate with a QR code for verification. It is free, paperless, and self-declaration based, and the portal integrates PAN and GST-linked data for classification. It's a gateway to a host of benefits and support systems that can accelerate your business growth.

Documents Required for Udyam Registration:	Key Notes for Udyam Registration Online
❖ Aadhaar Number (mandatory) ❖ PAN Card ❖ Bank Account Details ❖ Business Address ❖ Investment & Turnover figures ❖ NIC Code (for business activity) No upload of documents is required. Self-declaration is sufficient.	 Only one registration per Aadhaar is allowed.  No fees are charged for MSME new registration online.  The certificate is valid for a lifetime unless revoked.  PAN and GSTIN are mandatory for registration.  Double-check your email and phone number.  Ensure NIC code selection is accurate for business activity.  If GST is applicable, link your GSTIN.

1.2.1 Steps for Udyam Registration Online

Go to the official Udyam Registration website: <https://udyamregistration.gov.in>

Udyam Registration — paperless and online



1.2.2 Common avoidable errors

- ❖ Wrong PAN / Aadhaar particulars or a mobile number that cannot complete authentication.
- ❖ Selecting an incorrect activity / NIC code.
- ❖ Attempting duplicate registration instead of updating the existing Udyam profile.
- ❖ Ignoring changes in address, activity, turnover or other particulars that should be reflected in the profile.

Remember: Udyam registration is free and paperless. Use only the official portal and retain the QR-coded e-certificate safely.

1.3 Udyam Assist Portal

Most unregistered MSMEs are Informal Micro Enterprises (IMEs) which may not have necessary documents, ability or awareness to register on the Udyam Portal. Such IMEs can register through Assist mode with the help of Designated Agencies like banks, NBFCs, MFIs, etc. on the Udyam Assist Platform (UAP) of Ministry of MSME, Gol. Ministry of MSME has defined IMEs as those enterprises, which on the basis of their turnover, are exempted from filing returns under the provisions of the Central Goods and Services Tax Act, 2017.

Udyam Registration Number with an exclusive number series of Udyam-I is issued to Informal Micro Enterprises registered on the Udyam Assist Platform.

Udyam Assist Certificate is issued to all Informal Micro Enterprises having an Udyam Registration Number issued by the Udyam Assist Platform.

Remember: Informal Micro Enterprise cannot individually register itself on Udyam Assist Platform (UAP). Interested IME can approach its bank, NBFC, MFI, etc. for assistance in its registration on UAP.

The certificate issued on UAP to IMEs is treated at par with Udyam Registration Certificate for the purpose of availing Priority Sector Lending benefits.

Designated Agency may write to udyamassist@sidbi.in for any clarification in this regard.

1.4 Licenses, Permits and No Objection Certificates (NOCs):

Universal documents (Basic Set) required for every business:

No	Document	Issued by
1	Aadhaar Card— of the proprietor / partner / director	UIDAI
2	Certificate of Identification / RC / SSC	Issuing authority (identity & residence proof)
3	Councillor Recommendation	Ward Councillor, Municipal Corporation
4	NOC from House Owner	Property owner (where premises are rented)
5	Parcha / Lease / Allotment / Occupancy Certificate	Revenue / LD & CL Dept. or landlord (proof of premises)
6	Fire Safety NOC	Fire & Emergency Services, Govt. of Sikkim

Activity-specific permits & NOCs — code list

[as prescribed in the trade/licence document schedule followed by the Gangtok Municipal Corporation (GMC)]

Code	Permit / NOC	Issuing authority	Typically required for
P1	FSSAI Licence	Food Safety & Standards Authority of India / State FDA	Food & allied trades — eateries, hotels, bakeries, meat/fish/egg trade, food manufacture
P2	Pollution Control NOC / Consent	Sikkim State Pollution Control Board	Hotels & restaurants, fuel & auto workshops, manufacturing, scrap dealing, polluting trades

Code	Permit / NOC	Issuing authority	Typically required for
P3	Tourism Registration	Department of Tourism, Govt. of Sikkim	Hotels/resorts/homestays, travel & tour operators, entertainment venues, curio & handicraft outlets
P4	HRACC Approval	Ministry of Tourism, Govt. of India	Classified hotels and tourism services (Ministry of Tourism classification)
P5	Health Registration NOC	Health & Family Welfare Dept. / Municipal health authority	Pharmacies, clinics, nursing homes, diagnostic labs, optical shops, veterinary clinics
P6	Sikkim Pharmacy Council Registration	Sikkim Pharmacy Council	Sale of medicines / medical equipment (retail & wholesale)
P7	Animal Husbandry & Veterinary NOC	Animal Husbandry & Veterinary Services Dept.	Trade in meat, fish, eggs and animal produce
P8	Fisheries Department NOC	Fisheries Department, Govt. of Sikkim	Trade in fresh and dried fish
P9	Forest Department NOC	Environment & Forest Department, Govt. of Sikkim	Cardamom and forest-produce wholesale
P10	Police NOC	Superintendent of Police (East) / concerned SP office	Lottery outlets and entertainment venues needing police clearance
P11	Letter of Authority	Concerned company / principal (franchise or authorised dealer)	Franchise / authorised-dealer operations; company-run centres
P12	Training Certificate	Recognised training institution	Computer education & training institutes
P13	Degree Certificate	Recognised university / institution	Professional / qualification-based services
P14	Traffic Police NOC	Traffic Police, Sikkim Police	Driving schools, vehicle trades affecting traffic

The business category-wise permits required are given in **Annex I**.



Chapter II

Banking Facilities and RBI Guidelines on Lending to MSMEs

2.1 Introduction to Banking Facilities

Transforming a promising business idea into a sustainable, growing enterprise requires more than passion. It demands financial discipline, cash flow management, and access to capital or short-term or long-term loans. Banks play a crucial role in this journey. Far from being simple place to store cash, banks act as financial partners, offering a wide array of facilities designed to support a business from its initial setup to large-scale expansion.



2.2 Current Account

Opening a dedicated current account for your business separates personal and business finances, eliminating accounting confusion while offering unlimited daily transactions and advanced digital banking tools.

Beyond routine operations, it provides vital cash flow support through overdraft facilities and short-term credit lines, alongside integrated merchant solutions like POS terminals, QR codes, and automated payroll systems.

Furthermore, a current account simplifies tax compliance and record-keeping for GST and ITR filings, provides trade and forex support for expansion through Letters of Credit and Bank Guarantees, and builds a strong financial footprint that unlocks easier access to formal MSME loans.



2.3 Various Types of Loans for MSMEs:

MSMEs can access different forms of loans depending on whether they need money for day-to-day operations, machinery, expansion, invoices, or specific projects. An illustrative list of different types of loans an MSME can avail is tabulated below:

Type of loan/facility	What it means / Key features	What it is mainly used for	Simple example
Term Loan	A fixed amount is borrowed for a specific period and repaid in instalments. It is generally used for creating or buying long-term business assets.	To buy machinery, equipment or vehicles, or to expand your business.	A manufacturer takes a ₹25 lakh loan to buy a new machine or commercial vehicle.
Cash Credit (CC) / Overdraft (OD)	A flexible borrowing facility where you can withdraw money as needed, up to a sanctioned limit. Interest is generally charged on the amount actually used.	To meet day-to-day business needs such as buying stock or raw materials.	A medical shop uses a ₹1 lakh CC limit to buy goods and maintain stock.
Bill / Invoice Discounting	You receive money against an bill/invoice raised by you before its actual due date. The bank or financier provides the funds	To get money against your invoices before	An event manager has a ₹5 lakh invoice payable after 60 days and gets the money

Type of loan/facility	What it means / Key features	What it is mainly used for	Simple example
	after deducting applicable charges.	your customer pays you.	earlier through discounting.
Project Loan	A loan provided for setting up a new project or carrying out a major expansion. Repayment is generally linked to the expected cash flows of the project.	To set up a new unit or undertake a major expansion.	An entrepreneur takes a loan to construct a new unit and for his shoe manufacturing business and buys the required equipment.
Composite Loan	A single loan facility that combines a term loan and working-capital (CC/OD) finance. It helps meet different business needs through one arrangement.	To meet both machinery and day-to-day working-capital needs through one loan.	A cafe gets finance for machinery as well as its initial operating expenses.
Purchase Order Finance	Short-term finance provided against a confirmed purchase order. It helps you arrange the funds needed to complete and supply the order.	To get funds for completing a confirmed customer order.	A construction business receives a large order to build a bridge and takes finance to buy the required raw materials.
Export Credit	Finance provided to exporters before or after shipment of goods. It helps meet production costs and manage the time gap until export payment is received.	To meet expenses for producing goods for export and managing export payments.	An exporter gets finance to manufacture goods for an overseas order.
Government-supported / Guaranteed Loans	Loans provided under government-supported schemes or backed by a credit-guarantee mechanism. Depending on the scheme, this may make it easier for eligible MSMEs to access credit.	To get business finance under government schemes or with credit-guarantee support.	An MSME obtains finance under PMEGP or a loan backed by CGTMSE.

2.4 RBI Guidelines on Lending to MSMEs:

RBI regulates and guides banks to ensure timely and adequate credit flow to the MSME sector. MSMEs are one of the eight categories classified for priority sector lending. RBI has mandated banks to lend 7.5 per cent of their Adjusted Net Bank Credit to micro enterprises.

2.4.1 Key Points for MSMEs While Applying for a Bank Loan

- **Seek a Checklist of Documents:** Before applying for a loan, you should ask the bank for a complete checklist of required documents. This helps in submitting a complete application and avoiding unnecessary delays.

- **Obtain an Acknowledgement:** Always obtain an acknowledgement from the bank after submitting the loan application, whether it is submitted physically or online. It serves as proof of submission and helps track the application.
- **Note the Unique Application Number:** Banks are required to provide an acknowledgement carrying a unique application serial number for both physical and online loan applications. MSMEs should preserve this number for future reference and follow-up.
- **Know the Credit Decision Timeline:** For loans up to ₹25 lakh to Micro and Small Enterprises, banks are required to communicate the credit decision within 14 working days, subject to submission of a complete loan application with the required information/documents.
- **Reasons for Rejection:** In case your loan application is rejected by the bank, RBI has advised banks to convey to the MSME borrowers in writing the main reason(s) which, in the opinion of the bank after due consideration, have led to rejection of the loan applications.



2.4.2 Collateral-free Loan

- Banks are mandated not to accept collateral security in the case of loans up to ₹20 lakh extended to units in the MSE sector. Banks are also advised to extend collateral-free loans up to ₹20 lakh to all units financed under the Prime Minister Employment Generation Programme (PMEGP) administered by KVIC.

- Banks may, on the basis of good track record and financial position of the MSE units, increase the limit to dispense with the collateral requirement for loans up to ₹25 lakh as per their internal policy.
- Details on the collateral security free loans under CGTMSE scheme of the Government of India is given in the chapter III.

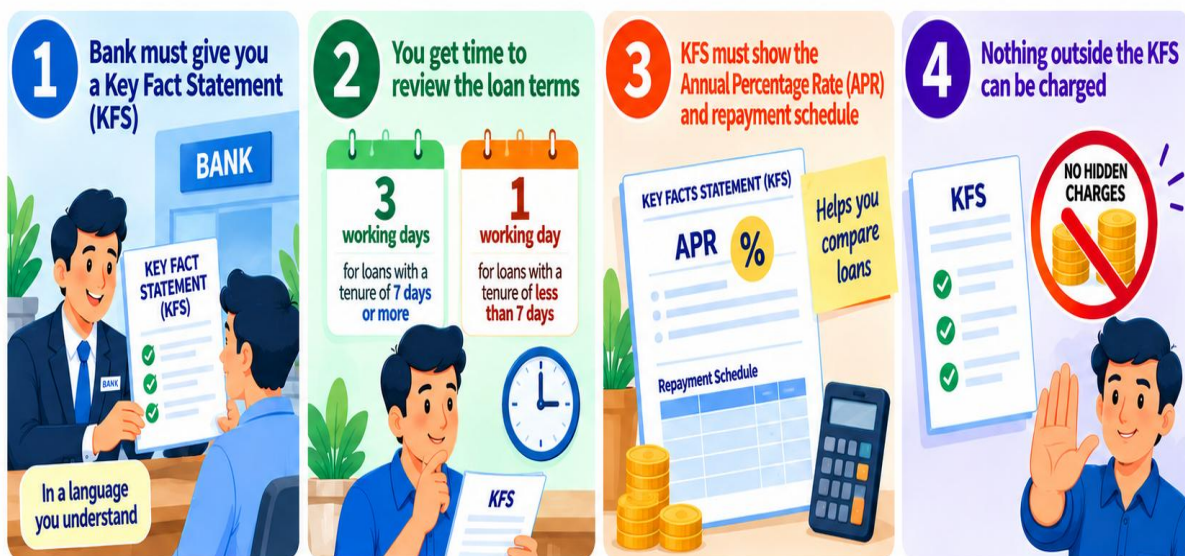
2.4.3 Key Fact Statement:

- **Bank must give you a Key Fact Statement (KFS):** Before you accept a loan, the bank must give you a KFS containing the important terms and costs of the loan. It should be provided in a language you understand.
- **You get time to review the loan terms:** Every KFS will have a unique proposal number and will remain valid for a minimum period; three working days for loans with a tenure of 7 days or more and one working day for loans with a tenure of less than 7 days
- During this period, you can review the loan terms before deciding whether to accept them. If you accept the offer within the validity period, the bank is required to honour the terms mentioned in the KFS.
- **Annual Percentage Rate (APR):** KFS must clearly show the total cost and repayment schedule. The KFS must include the APR, which shows the overall annual cost of the loan, including interest and other charges levied by the bank. It must also include a repayment/amortisation schedule, showing how much you need to repay and when. APR helps you to compare the costs associated with borrowing across products and/or lenders.
- **Nothing outside the KFS can be charged:** Any fee or charge not mentioned in the KFS cannot be charged by the bank at any stage during the term of the loan without the borrower's explicit consent.

Remember: Before taking a loan, carefully read the KFS and check the interest rate, APR, charges, repayment amount and repayment schedule. Ask the bank to clarify anything you do not understand before accepting the loan.

Know the Key Facts Before You Take an MSME Loan

Understand. Compare. Borrow Confidently.



2.4.4 Transparency of Charges

- **Charges must be disclosed upfront:** All fees and charges payable for banking services, including for loans, must be disclosed in a transparent manner at the time of sanction — processing fees, the amount of fee refundable if the loan is not sanctioned or disbursed, pre-payment options and charges, penalties for delayed repayment and conversion charges.
- **Penal charges, not penal interest.** For non-compliance with the loan contract, including delayed repayment, banks should levy 'penal charges' and not 'penal interest' added to the interest rate. Penal charges must be reasonable, levied only on the amount in default, non-discriminatory, as per a Board-approved policy, and must not be capitalised — no further interest is computed on them. The penal charges are also mentioned in the KFS.

2.4.5 Release of Loan Documents

- **Original documents within 30 days:** A bank must release all original movable and immovable property documents and remove charges registered with any registry within 30 days after full repayment or settlement of the loan.
- **Compensation of ₹5,000 per day for delay:** If release of documents or filing of the charge-satisfaction form takes longer than 30 days and the delay is attributable to the

bank, the bank must communicate the reasons and compensate the borrower at ₹5,000 for each day of delay. The same ₹5,000 per day compensation applies where pledged collateral is not released after full repayment or settlement and the delay is attributable to the bank.

- **If a document is lost or damaged.** The bank must assist the borrower in obtaining duplicate or certified copies and bear the associated costs, in addition to the compensation above; an additional 30 days is available to complete this procedure.

Indicative Information on the various types of MSME loans offered by banks is given in **Annex II**.

Illustrative case studies relating to sanctioned and rejected loan applications are given in **Annex III** for better understanding of loan process for the borrowers.

2.5 Bill Discounting & TReDS

2.5.1 What is bill discounting?

Bill discounting is a way for a business to get money immediately for a sale made on credit, instead of waiting for the customer to pay later.

2.5.2 Why bill discounting matters for MSMEs?

MSMEs often complete a supply or service today but receive payment weeks or months later. The gap between sale and cash receipt can constrain the ability to buy raw material or regular goods, pay vendors or employees, accept new orders and meet statutory or operating expenses. By availing bill discounting from a bank or NBFC, MSMEs can convert these receivables into liquidity.

A simple illustration

An MSME raises an invoice of ₹10 lakh on a large corporate buyer with a 60-day payment term. Instead of waiting 60 days, the eligible receivable i.e., the bill/invoice can be discounted through a receivables-financing mechanism available with banks or NBFCs. The MSME receives the financed amount upfront after deducting the applicable discount/financing cost and charges, while the buyer pays the financier on the due date.

Key message: Bill discounting is not simply “taking a loan”; it is a way of converting a genuine trade receivable into working liquidity.

2.5.3. What is TReDS?

Trade Receivables Discounting System (TReDS) is a technology platform authorised by the Reserve Bank of India for facilitating factoring of trade receivables through multiple financiers. An MSME is the seller and a buyer may be a corporate, government department, PSU or other eligible entity.

RBI has authorised the following entities to operate the TReDS platform:

Name of the Entity	Website/Solution Name	Website
Receivables Exchange of India Limited (RXIL)	TReDS system known as RXIL	https://www.rxil.in/
TREDS Limited	TReDS system known as “INVOICEMART”	https://www.invoicemart.com/
C2FO Factoring Solutions Private Limited	TReDS system known as ‘C2treds’	https://c2treds.com/
KredX Platform Private Limited	TReDS system known as ‘DTX’	https://www.dtxindia.in/
Mynd Solutions Private Limited	TReDS system known as M1xchange	https://www.m1xchange.com/

Remember: The MSME seller and the corporate/government department/PSU both should be on boarded on the TReDS platform for bill discounting.

2.5.4 Process Flow of Bill Discounting on TReDS Platform.

Step	What happens	In simple words
1	Invoice / bill	MSME supplies goods or services and raises a genuine trade invoice.
2	Factoring Unit	The invoice/bill is uploaded on TReDS and becomes a Factoring Unit (FU).
3	Buyer acceptance	The buyer confirms/accepts the FU.
4	Financier bidding	Multiple participating financiers may submit bids.
5	Best bid selected	The seller selects the applicable bid as per the platform process.
6	Funds to MSME	The financier pays the MSME the financed amount after applicable discounting/charges.

2.5.4 Factoring vs. Reverse Factoring

Factoring: the MSME seller creates/uploads the Factoring Unit. Reverse factoring: the buyer initiates the Factoring Unit, which is then accepted by the seller. Both are supported within the TReDS framework.

Accepted factoring units have the sanctity and enforceability prescribed under the applicable legal framework; buyer payment obligation on an accepted unit is unconditional, and TReDS factoring is without recourse to the MSME seller.

Remember: TReDS does not eliminate the need for a genuine underlying sale, proper documentation, buyer acceptance, KYC/eligibility checks, or compliance with the seller's existing banking arrangements. The MSME should also understand the discount rate, charges and net amount it will receive before accepting a bid.

2.5.5 Things to Keep in Mind while Raising Bills on TReDS

A good-quality invoice and clean transaction trail can significantly reduce avoidable delays. Before uploading a bill, an MSME seller should run the following checklist:

- **Confirm MSME eligibility:** Ensure the enterprise qualifies as an MSME under the applicable framework and that the required registration/validation details are available on the platform.
- **Verify the buyer:** Confirm that the buyer is on-boarded/eligible on the chosen TReDS platform and that the relevant buyer relationship is active.
- **Enter invoice details accurately:** Check invoice number, invoice date, taxable value, GST, total value, buyer details, due date and bank/account information before submission.
- **Avoid duplicate financing:** Do not offer an invoice that has already been financed, assigned, pledged or charged elsewhere. RBI's guidelines require the seller declaration that the underlying goods/services have not already been financed or charged to another financier/working-capital banker.
- **Track buyer acceptance:** Uploading an invoice is not the same as acceptance. Follow up so that the buyer accepts the Factoring Unit within the platform process.
- **Compare bids carefully:** Do not look only at the headline rate. Consider the discounting cost, platform/other applicable charges, net proceeds and settlement terms.
- **Check the due date:** Ensure the contractual due date shown on the platform matches the underlying invoice/accepted obligation.
- **Keep bank details updated:** Ensure the seller's bank account is correctly mapped so that financing proceeds can be credited to the seller's account.

2.5.6 Red flags to avoid

- Uploading invoices with incorrect or inconsistent buyer/invoice information.
- Uploading invoices for supplies that are disputed, cancelled or not yet supported by the required delivery/service evidence.
- Financing the same receivable through more than one channel.
- Accepting a bid without checking the actual net proceeds and applicable charges.
- Treating TReDS as a substitute for proper receivables, tax and banking records.

RBI Guidelines on the Trade Receivables Discounting System can be read at:

<https://rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=13526>



Chapter III

Credit Guarantee for Micro and Small Enterprises

3.1 What is credit guarantee?

Banks often ask collateral security such as land, gold, fixed deposits, etc. to secure the loans provided by them. However, many a time borrower are not in a position to provide such collateral security.

A credit guarantee provides protection to the bank against a part of the loss if an eligible borrower is unable to repay the loan. This helps banks provide loans to Micro and Small Enterprises (MSE) without requiring collateral security. MSEs engaged in manufacturing, services and trading, including educational/training institutions, can benefit from the scheme.

3.2 How to avail business loan without providing collateral security?

To avail loan without providing collateral security, MSE entrepreneurs must request for CGTMSE coverage while applying for loans in banks. Guarantee coverage ranges from 75% to 90% depending on the category of the borrower i.e., women, SC/ST, PwD, Agniveers and MSEs in NER, J&K, Ladakh, Aspirational Districts and ZED-certified units. The borrower would be required to pay an Annual Guarantee Fee for coverage of their loan under CGTMSE. AGF ranges from 0.37% to 1.20% depending on the guarantee slab amount. First year fee is charged on guaranteed amount and in subsequent year fee is charged annually on outstanding basis. Women, SC/ST, PwD, Agniveers and MSEs in NER, J&K, Ladakh, Aspirational Districts and ZED-certified units can avail up to 30% discount in guarantee fee.

3.3 Role of Credit Guarantee Fund Trust for Micro and Small Enterprises:

The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) was set up in July 2000 jointly by the Ministry of MSME, Government of India and SIDBI to facilitate the flow of credit to the MSE sector without the need for collateral or third-party guarantee. Since the requirement of collateral is the single biggest impediment to bank credit for small enterprises, the Trust acts as a risk-mitigating cushion for the lender, so that the credit decision rests on the viability of the enterprise rather than on the

borrower's balance sheet. The Trust presently provides guarantee support of up to ₹10 crore per MSE borrower.

Role of CGTMSE in MSME Financing

- **Substitutes collateral with a guarantee:** Guarantee cover is extended to the lending institution against loans sanctioned to MSEs without collateral or third-party guarantee, under Credit Guarantee Scheme-I (CGS-I) for Banks and FIs.
- **Promotes first-generation entrepreneurship:** Entrepreneurs without inherited assets or credit history are brought into the formal banking system.
- **Widens the eligible base.** All MSE borrowers are eligible; manufacturing, service and trading activities under the MSMED Act, 2006 qualify, along with educational and training institutions — covering horticulture, tourism, handloom and handicraft, and agro-processing units on the same footing as manufacturing.
- **Enables larger collateral-free ticket sizes.** The ceiling is ₹10 crore per borrower on a revolving basis (₹2 crore where the lender is an SFB, RRB or Co-operative Bank), with primary security on the assets financed being mandatory.
- **Keeps the cost of cover low.** The Annual Guarantee Fee is graded from 0.37 per cent to 1.20 per cent by slab, charged on the outstanding after the first year.
- **Extends targeted inclusion benefits.** Coverage ranges from 75 per cent (general borrowers) to 90 per cent (women entrepreneurs and Agniveer-promoted MSEs), and a fee concession of up to 30 per cent is available to women, SC/ST, PwD, Agniveers, NER, J&K, Ladakh and Aspirational District units and ZED-certified units.
- **Formalises informal micro enterprises.** Guarantee is available on loans up to ₹20 lakh to Informal Micro Enterprises (IMEs) registered on the Udyam Assist Platform, with no primary security and no legal action required for claim lodgement.
- **Supports exporters and working capital.** Collateral support for export-related working capital up to ₹10 crore is available under the *Niryat Protsahan* scheme.

More details about the CGTMSE scheme can be read on their official website:

<https://www.cgtmse.in/>



Chapter IV

Central Government Framework and Schemes – Sikkim

One-Stop Solution for MSMEs: Visit <https://my.msme.gov.in/> to get information on and access to the official portals relating to government policies, financial subsidies, and promotional initiatives.

1. Prime Minister's Employment Generation Programme (PMEGP)

Objective

To generate self-employment and sustainable livelihoods by setting up new manufacturing and service units through credit-linked subsidy routed through the Khadi and Village Industries Commission.

Applicable For

Individuals above 18 years, SHGs, co-operative societies, registered societies and trusts — new units only.



Key Benefits

- Subsidy of 15% to 35% of project cost depending on category and location.
- Project cost up to ₹50 lakh (manufacturing) and ₹20 lakh (services).
- Higher subsidy for women, SC/ST, minorities, ex-servicemen and rural areas.
- Margin money subsidy credited directly; balance financed as term loan.
- No collateral required for projects up to ₹20 lakh (KVIC).

How to Apply: <https://www.kviconline.gov.in/pmegpeportal/pmegphome>

2. PM Vishwakarma

Objective

To recognise and support traditional artisans and craftspersons by providing financial assistance, tool-kits, incentives and skill upgradation.

Applicable For

Traditional artisans and craftsperson engaged in the notified trades, registered on the PM Vishwakarma portal.



Key Benefits

- Collateral-free loan up to ₹3 lakh in two stages.
- Toolkit incentive of ₹15,000.
- 5% interest subvention on loan.
- Training, certification and digital on-boarding.
- Focus on 18 traditional trades

How to Apply

<https://pmvishwakarma.gov.in>

3. Entrepreneurship Skill Development Programme (ESDP)

Objective

To promote new enterprises, capacity building of existing MSMEs and inculcating entrepreneurial culture in the country.

Applicable For

Aspiring and Existing Entrepreneurs.



Key Benefits

- Widen the base of entrepreneurship by development, achievement, motivation and entrepreneurial skill to the different sections of the society.

How to Apply

<http://dcmsme.gov.in/Enterprise&skillDevelopment.htm>

<http://msmedi.dcmsme.gov.in>

4. Micro & Small Enterprises Cluster Development Programme (MSE-CDP) Scheme

Objective

The scheme supports the sustainability and growth of MSEs by addressing common constraints in technology, skills, quality and market access. It covers creation and upgradation of infrastructure in MSE industrial areas and clusters, Common Facility Centres for testing, training, raw material depots and effluent treatment, and green, sustainable manufacturing technologies.

Applicable For

Existing Entrepreneurs [in form of a Special Purpose Vehicles (SPVs)].



Key Benefits

- Creation of Common Facility Centers including Plug & Play Facilities.
- Support for Infrastructure Development Projects including Flatted Factory Complexes.

How to Apply

<https://cluster.dcmsme.gov.in>

5. Promotion of MSME in NER and SIKKIM

Objective

To provide financial support for infrastructure development that enhances the productivity, sustainability, competitiveness and growth of MSMEs by addressing common constraints such as technology upgradation, skill and quality improvement, and market access.

Applicable For

State Government or any State Govt. organization engaged in promotion of MSMEs.



Key Benefits

- Common facilities for MSMEs to develop new products & processes including toolings.
- Developed infrastructure for entrepreneurs for establishing new units or expanding their units.
- Support for creation of common infrastructures to boost tourism in NER & Sikkim.

How to Apply

www.ner-promotion.msme.gov.in

6. Procurement and Marketing Support (PMS) Scheme

Objective

The scheme promotes market access for MSMEs through the organisation of and participation in national and international trade fairs, exhibitions and MSME Expos, and by building awareness on packaging and marketing, packaging technology, import-export procedures, the GeM portal and other developments relevant to market access.

Applicable For

Manufacturing/ Service Sectors MSEs having valid Udyam Registration (UR) Certificate.



Key Benefits

- Market Access
- Capacity Building
- Development of Retail Outlet

How to Apply

www.dcmsme.gov.in

https://my.msme.gov.in/MyMsme/Reg/COM_Matu.aspx

7. MSME- Innovative (Incubation, IPR and Design)

Objective

The scheme promotes innovation across the full value chain — from idea to market — through incubation, design intervention and the protection and commercialisation of MSME intellectual creations. It builds a culture of innovation and creative problem-solving through industry-academia-government collaboration, links innovators with mentors for new product development, and focuses on affordable, commercially viable and sustainable innovations for large-scale benefit.

Applicable For

Incubation: MSMEs, Individuals, Students who want to develop their innovative ideas can apply through registered Host Institutes (HIs).

Design: The beneficiary unit(s) must typically be a registered micro, small or medium enterprises as per the definition in MSMED Act and should have a valid UAM or Udyam Registration.

Intellectual Property Right (IPR): For Manufacturing MSMEs with UDYAM Registration.

Key Benefits

- Incubation — Host Institutions receive financial assistance of up to ₹15 lakh per idea for developing and nurturing ideas, and up to ₹1.00 crore for the procurement and installation of plant and machinery, including hardware and software, in Business Incubators for R&D activities and common facilities for incubatees.
- Design — For approved MSME design projects, the Government of India contributes 75% (Micro) and 60% (Small & Medium) of the project cost up to ₹40 lakh, with the balance borne by the MSME and deposited with the Implementing Agency; student projects receive a GoI contribution of 75% of the project cost up to ₹2.5 lakh.
- IPR — A milestone-based grant of up to ₹1 crore is available to an IPFC, along with reimbursement for IP registration capped at ₹5.00 lakh (foreign patent), ₹2.00 lakh (GI), ₹1.00 lakh (domestic patent), ₹0.15 lakh (design) and ₹0.10 lakh (trademark).



How to Apply

<https://innovative.msme.gov.in>

8. MSME- Sustainable ZED Certification

Objective The scheme promotes Zero Defect Zero Effect (ZED) practices among MSMEs by encouraging quality manufacturing with latest technology and continuous process upgradation, building a ZED ecosystem to enhance competitiveness and exports, recognising and incentivising MSMEs to achieve higher certification levels through graded incentives, creating public demand for ZED products, and identifying areas for improvement to guide government policy and investment priorities.	Applicable For All MSMEs registered with the UDYAM registration portal (of the MoMSME) will be eligible to participate in MSME Sustainable (ZED) Certification and avail related benefits/incentives.
Key Benefits • Certification costs ₹8,000 for Bronze (Level 1), ₹32,000 for Silver (Level 2) and ₹72,000 for Gold (Level 3). • The ZED certification coAPIst is subsidized at 80%, 60% and 50% for micro, small and medium enterprises respectively, with 100% subsidy for women-owned MSMEs; an additional joining reward of ₹10,000 is admissible, which effectively makes Bronze certification free of cost. • An additional subsidy of 10% is admissible to SC/ST-owned MSMEs or those located in NER, Himalayan, LWE, island territories and Aspirational districts, and 5% to MSMEs also covered under the Ministry's SFURTI or MSE-CDP schemes. • Financial assistance of up to 75% of the total testing/certification cost is available, subject to a maximum subsidy ceiling of ₹50,000. • Handholding support of up to ₹2 lakh is available for consultancy to all ZED-certified MSMEs. • ZED-certified MSMEs can avail support of up to ₹3 lakh for technology upgradation towards Zero Effect solutions. • MSMEs can avail graded incentives prescribed for the three ZED certification levels, with State incentives linked to the ZED portal through Application Programming Interface (API) integration wherever possible to ensure interoperability.	
	
How to Apply www.zed.msme.gov.in	

9. International Cooperation (IC) Scheme

Objective

The scheme builds MSME capacity for exports by facilitating participation in international exhibitions, fairs, conferences, seminars and buyer-seller meets abroad, providing actionable market intelligence, and reimbursing costs incurred in exporting goods and services — enabling MSMEs to stay current with changes in technology, demand and new markets.



Key Benefits

- The Scheme covers the following sub-components:
- Sub-Component-I: Market Development Assistance of MSMEs (MDA).
- Sub-Component-II: Capacity Building of First Time MSE Exporters (CBFTE).
- Sub-Component-III: Framework for International Market Intelligence Dissemination (IMID).

How to Apply

<http://ic.msme.gov.in>



Chapter V

Policies and Schemes of the Government of Sikkim

The Commerce & Industries Department is the nodal agency of the Government of Sikkim for the promotion, regulation and development of the State's micro, small and medium enterprise sector. It is the department that an entrepreneur approaches for guidance on where and how to start, for the registrations and permissions that make an enterprise legitimate, for access to State and Central schemes, and for the handholding needed to convert an idea into a bankable, operating business. The Department is the State's counterpart to the Ministry of MSME, Government of India.

5.1 State Government Policies relating to MSMEs

5.1.1 Sikkim Industrial and Investment Promotion Policy, 2024

The Policy aims to promote industrial growth, investment, employment generation and balanced regional development by providing fiscal and non-fiscal incentives to eligible enterprises in manufacturing and service sectors. The Policy offers the following key incentives to eligible units:

- **SGST Reimbursement:** Eligible units shall be entitled to reimbursement of 75% of the SGST paid on finished products for a period of ten years.
- **Stamp Duty Relief:** 50% reimbursement or exemption up to ₹25 lakh for new industrial units, and 100% exemption up to ₹50 lakh for units run by women entrepreneurs (restricted to land used exclusively for the unit).
- **Patent Reimbursement:** Financial support for filing domestic up to ₹2 lakh and international patents up to ₹10 lakh.

5.1.2 Sikkim MSME Policy, 2022

The Policy focuses on promotion of MSMEs through Ease of Doing Business, entrepreneurship development, skill enhancement, technology adoption, market access support and facilitation of credit linkage. The Policy offers the following key benefits to the MSME Entrepreneur:

- **Fiscal & Financial Support:** Stamp duty exemption, SGST reimbursement, interest subsidy on loans etc.

- Institutional Support, Guaranteed Market, Green & Quality Incentives etc.
- **Market Access & Handholding:** reimbursement of transportation cost for participation in trade fairs, exposure training and free handholding by established firms, including as ancillaries.

5.1.3 Sikkim Start-up Policy, 2025

The Sikkim Start-up Policy aims to nurture innovation and entrepreneurship by supporting start-ups through incubation, mentoring, capacity building, networking opportunities, market access and ecosystem development initiatives. The Policy seeks to position Sikkim as a vibrant start up destination while promoting employment generation and innovation-driven enterprises. The Policy offers the following key incentives to eligible units:

- **Seed Fund:** Equity-free seed capital for start-ups in rural development, eco-tourism, organic farming, food processing, handloom and handicrafts, logistics and social enterprises, with a higher envelope for these priority sectors.
- **Support on Establishment:** Rental reimbursement for incubator or co-working space, full reimbursement of stamp duty and registration charges, and a one-time establishment grant.
- **Innovation & Quality:** Reimbursement of patent filing costs, capital subsidy for R&D labs and for plant and machinery using local resources, and reimbursement of quality certification fees.
- **Market Access:** Reimbursement of participation and travel costs for national and international trade shows, innovation meets and hackathons.
- **Public Procurement:** Exemption from prior experience and turnover criteria, full waiver of EMD, and direct procurement from registered start-ups without tender, up to the notified limit.
- **Ease of Compliance:** Self-certification regime with minimal inspections, simplified online registration, and guided support for IP protection.
- **Inclusive Growth:** Annual incentives for employment of women, transgender persons, PwD and Sikkim citizens, with an additional top-up for rural locations.
- **Ecosystem Support:** Incubation at Sikkim Manipal University Technology Business Incubator (SMUTBI) and other Technology Business Incubator (TBIs), a Fund of Funds and sector-specific equity funds, reimbursement of training and certification

fees, the Sikkim SPARK one-stop portal, and an annual entrepreneurship challenge with funding and incubation for selected start-ups.

5.1.4 Prime Minister's Employment Generation Programme (PMEGP)

PMEGP is a credit-linked subsidy scheme implemented through banks for establishment of new micro enterprises in manufacturing and service sectors, generating self-employment opportunities. The Programme is implemented at the national, state, and district levels primarily through three key implementing agencies namely Khadi and Village Industries Commission (KVIC), State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) alongside financing banks.

5.1.5 PM Vishwakarma

PM Vishwakarma provides end-to-end support to traditional artisans and craftspeople through skill training, toolkit incentives, concessional credit, digital transaction incentives and marketing support.

5.1.6 UNNATI 2024

UNNATI is a Government of India initiative aimed at promoting industrial development and entrepreneurship in the North Eastern Region through incentive-based support for eligible enterprises.

5.1.7 Raising and Accelerating MSME Performance (RAMP) Scheme

RAMP is a Government of India programme designed to strengthen the MSME ecosystem through institutional capacity building, market access support, improvement in business competitiveness, delayed payment resolution mechanisms, greening initiatives and support for MSME formalization and growth.

5.1.8 Sikkim State Logistics Policy 2025

The Policy seeks to improve logistics efficiency, reduce logistics costs, strengthen warehousing and supply chain infrastructure and facilitate development of logistics services within the State.

5.2 Encouragement and Benefits Available to Entrepreneurs

The State Government provides various forms of support to entrepreneurs including:

- Guidance and counselling through District Industries Centres.
- Entrepreneurship Development Programmes and awareness camps.
- Facilitation of credit linkage with banks and financial institutions.
- Assistance in obtaining registrations and statutory approvals.
- Capacity building and skill development programmes.
- Start-up mentoring and ecosystem support.
- Participation in exhibitions, trade fairs and market linkage initiatives.
- Access to incubation, innovation and enterprise support services.

5.3 Sikkim INSPIRES (Integrated Service Provision and Innovation for Reviving Economies) Programme:

It is an initiative of the Government of Sikkim (GoS) and is supported by the World Bank (WB). It involves a pan-economy, pan-government approach to deliver improved economic opportunities for women and youth. The Sikkim INSPIRES Program will support the following Result Areas:

- Entrepreneurship promotion and ecosystem development.
- Women and youth entrepreneurship initiatives.
- Start-up support and mentoring.
- Capacity building and skill development programmes.
- Innovation challenges, start-up competitions and hackathons.
- Networking and market linkage opportunities.
- Support for innovation and enterprise development.



Chapter VI

Handholding, Incubation and Capacity Building

The various stakeholders in the MSME space provide different kinds of important handholding and capacity building support. This chapter covers these facilities.

6.1 MSME-Development & Facilitation Office (MSME-DFO), Gangtok

MSME-DFO is a field-level office under the Office of the Development Commissioner (MSME), Ministry of Micro, Small & Medium Enterprises, Government of India. The Office serves as an important institutional contact point for MSMEs, aspiring entrepreneurs, artisans and other stakeholders in the State of Sikkim for implementation and facilitation of various programmes and schemes of the Ministry of MSME.

Contact Details

Address: MSME-DFO, Deorali Bazar, Gangtok, Sikkim

Contact: 03592 – 231880

Official Social Media: FB/Insta/X: @msmedfogangtok

Email: dcdi-gangtok@dcmsme.gov.in

Website: <https://msmedigangtok.gov.in/>

6.1.1 Handholding and Facilitation Support by MSME-DFO

MSME-DFO facilitates implementation of various schemes and programmes of the Ministry of MSME, including:

- **Entrepreneurship Awareness Programmes (EAP)** for creating awareness regarding entrepreneurship, business opportunities, Government schemes and institutional support.
- **Entrepreneurship and Skill Development Programmes (ESDP)** for imparting entrepreneurship and skill-oriented training to prospective and existing entrepreneurs.
- **Management Development Programmes (MDP)** for strengthening managerial, financial, marketing and business management capabilities of MSMEs.
- **Marketing and market development support**, including awareness and facilitation relating to Government procurement, GeM, e-commerce and other market-access opportunities.

- **Promotion of MSMEs in the North Eastern Region (NER) and Sikkim**, including facilitation of interventions aimed at strengthening industrial infrastructure, enterprise development and competitiveness.
- **Industrial Motivation Campaigns, seminars, workshops and awareness programmes** on contemporary issues relevant to MSMEs.
- **Micro & Small Enterprises – Cluster Development Programme (MSE-CDP)** for promoting common infrastructure, cluster-based development and competitiveness of MSEs.
- **Intellectual Property Rights (IPR) related awareness and facilitation**, enabling MSMEs to understand and protect their intellectual assets, innovations, brands and designs.
- **PM Vishwakarma**, including awareness generation, facilitation and handholding of traditional artisans and craftspeople in accessing the benefits and support available under the scheme.
- **Export Facilitation and Export Promotion**, including awareness and handholding on export procedures, market access, packaging, quality requirements, e-commerce and linkages with relevant export promotion institutions.
- **Capacity building and technology-related interventions** for improving productivity, quality, innovation and competitiveness of enterprises.
- The Office assists prospective entrepreneurs in understanding suitable business opportunities, identifying relevant schemes and institutions, and navigating various procedural requirements associated with establishment and development of enterprises.
- Support is also extended in areas such as preparation of project reports, capacity assessment, entrepreneurship development, technology and productivity improvement, vendor development, marketing, exports, packaging, e-commerce and Government procurement.

6.2 Commerce and Industries Department, Government of Sikkim

The following Facilitation and Incubation Centres for Handholding Budding Entrepreneurs is managed by the Department:

- **Innovation Hub, Commerce & Industries Department:** The Department is establishing an Innovation Hub to support startups and entrepreneurs through

mentoring, innovation promotion, networking opportunities, business advisory services and ecosystem development initiatives.

- **Centre for Competency and Capacity Training (CCCT):** CCCT provides technical training, entrepreneurship development programmes, incubation support and skill enhancement opportunities for aspiring entrepreneurs.
- **Advanced Technical Training Centre (ATTC):** ATTC provides industry-oriented technical training, enterprise development support, technology-based skill enhancement and incubation support for emerging enterprises.

6.3 District Industries Centre (DIC)

The District Industries Centre (DIC) functions as a district-level support and facilitation mechanism under the Commerce & Industries Department, Government of Sikkim, for the promotion and development of micro, small and other eligible enterprises.

DIC acts as a link between entrepreneurs, Government departments, financial institutions and other agencies. It provides information, guidance and hand-holding support to entrepreneurs at different stages of setting up and running a business.

6.3.1 Handholding and Facilitation Support by DIC

- **Awareness Programmes:** DIC creates awareness about entrepreneurship and encourages unemployed youth, women and other aspiring entrepreneurs to take up self-employment and business activities.
- **Guidance for Setting up Enterprises:** DIC guides entrepreneurs in identifying suitable business activities, preparing project proposals and understanding the basic registrations, licenses and procedures required for starting an enterprise.
- **Government Schemes and Incentives:** DIC provides information and facilitates implementation of relevant Central and State Government schemes, incentives and programmes for eligible entrepreneurs.
- **Credit Linkage:** DIC facilitates eligible entrepreneurs in approaching banks and other financial institutions for credit under applicable Government schemes. It assists in the processing, forwarding and follow-up of cases as prescribed under the respective schemes. The final decision on sanction and disbursement of loans rests with the concerned bank/financial institution.

- **Udyam Registration and Formalization:** DIC promotes formalization of enterprises by creating awareness about Udyam Registration and other applicable requirements and guides entrepreneurs towards the appropriate authorities.
- **Marketing and Market Support:** DIC facilitates opportunities for local enterprises through exhibitions, fairs, buyer-seller meets, branding, packaging and other market-linkage initiatives, as applicable, subject to the coordination with the MSME section under Head Office.
- **Hand-holding and Coordination:** DIC assists entrepreneurs in addressing procedural issues and coordinates with concerned Government departments, banks and other agencies wherever required.
- **Major Areas of Support:** DIC facilitates awareness and implementation of relevant Central and State Government programmes for MSMEs, including PMEGP, PM Vishwakarma, RAMP, UNNATI, Pradhan Mantri Formalisation of Micro Food Processing Enterprises implemented by Food Processing Department, State MSME initiatives, and other schemes as applicable from time to time, subject to the respective scheme guidelines and eligibility conditions.

6.3.2 Support by DIC at Different Stages of Enterprise

Stage	Support by DIC
Business Idea	Information, counselling and identification of suitable activities
Project Preparation	Guidance on project reports, schemes and documentation
Enterprise Set-up	Facilitation regarding applicable registrations and procedures
Finance	Credit linkage and coordination with banks
Business Operations	Information on Government schemes, training and incentives
Growth & Expansion	Market linkage, technology, quality improvement and other available support

6.4 Small Industries Development Bank of India

Small Industries Development Bank of India (SIDBI) acts as the Principal Financial Institution for Promotion, Financing and Development of the MSME sector as well as for co-ordination of functions of institutions engaged in similar activities.

Contact Details of SIDBI in Sikkim

Shri Shekhar Suman, Branch In-charge, SIDBI, Gangtok

E-mail – shekhars@sidbi.in Phone – 7631213755

6.4.1 Incubation Support by SIDBI in Sikkim

SIDBI supports incubation in Sikkim through the Atal Incubation Centre–Sikkim Manipal University Technology Business Incubation Foundation (AIC-SMUTBI), which provides infrastructure, mentorship, seed funding, and specialized programs to handhold budding entrepreneurs in the state through its ‘Digi SAPNE’ programme.

AIC-SMUTBI is the first Atal Incubation Centre in Northeast India and plays a key role in nurturing start-ups in Sikkim. SIDBI has been associated with AIC-SMUTBI since past two years and has played an important role in training of budding entrepreneurs especially related to banking and finance.

6.4.2 Developmental/promotional initiatives run by SIDBI

SIDBI has supported more than 160 micro enterprises through its Micro Enterprise Promotion Programme (MEPP). This programme aims to ground at least 500 micro enterprises in Sikkim supporting rural entrepreneurship and development. The programme is ongoing and the total duration of programme is 5 years.

SIDBI has supported more than 20 skill development programmes on various skills like sanitary pad making, *khada* making, incense sticks making, tailoring and cutting, weaving of traditional handloom products, etc. These programmes have been done in collaboration with various NGOs of the state and has supported livelihood generation of more than 700 rural entrepreneurs in the state.



Chapter VII

Support for Enterprises in Stress

7.1 Fair Recovery Practices

When an MSME account becomes stressed due to non-payment of dues to the bank, recovery must still be fair and lawful. Banks must:

- engage only agencies registered and authorised and ensure that agents are trained and certified, including on sensitive and behavioural aspects;
- communicate with the borrower on the terms and at the times agreed; contact only the borrower and those who have stood as guarantors or given a consent for contact;
- not use intimidation or harassment, and not resort to any action not sanctioned by law or the loan agreement.

7.2 RBI Framework on Revival and Rehabilitation of MSMEs

- The Framework gives stressed MSME units a simpler and faster alternative to the corporate-style restructuring machinery, so that a viable business is revived before its loan turns into a non-performing asset (NPA).
- It applies to MSMEs with aggregate loan limits up to ₹25 crore, including accounts under consortium or multiple banking arrangements; exposures above ₹25 crore continue to be handled under the CDR / Joint Lenders' Forum route.
- Stress is tracked through three Special Mention Account sub-categories — SMA-0 (signals of stress, overdue up to 30 days), SMA-1 (31–60 days) and SMA-2 (61–90 days) — and is resolved by a Standing Committee for Stressed MSMEs constituted by every bank at district, division or regional office level.
- The Committee chooses one of three corrective action plans (CAP): rectification, restructuring or, only as a last resort, recovery. Its decisions, taken by a majority of creditors representing 75% by value and 50% by number, bind all lenders.
- Accounts with loan limits of ₹10 lakh or less are handled by the branch itself under the authority of the branch manager or a designated official.

7.3. Facilities available to the borrower

- The Framework is not only a lender-side mechanism — it gives the borrower, a defined right of access and a set of protections.
- If your business is genuinely in difficulty, you need not wait for the bank to classify your account as an NPA to begin recovery. You may voluntarily invoke the Framework by making an application to your lending branch or, where your aggregate loan limit is above ₹10 lakh, directly to the Committee for Stressed MSMEs; you may also hand the application to your largest lender for onward submission to all your lenders.
- You can do so whenever you reasonably apprehend failure of the business, an inability (or likely inability) to pay your debts, or an erosion of net worth by 50% on account of accumulated losses in the previous accounting year.
- If you hold credit from more than one bank, the consortium leader — or the bank with the largest exposure — receives the case and coordinates between all lenders, so you deal with one window instead of many.
- Once the Committee admits the case it must meet at the earliest and not later than five working days, and it must decide the CAP within 30 days of its first meeting and inform you within five working days of that decision.
- In return, you are expected to respond to the application and disclose all liabilities within 15 working days of notice, failing which the Committee may proceed ex-parte.

Additional Points

- **Keep trading:** You may continue to avail both secured and unsecured credit for business operations while the CAP operates, and you may keep performing contracts essential to the survival of your enterprise.
- **Additional finance:** The Committee may sanction need-based additional finance for an unavoidable rise in working capital, ordinarily as an ad-hoc facility to be regularised within six months; such funding carries priority in repayment over existing debt.
- **Fresh resources:** If the existing promoters cannot bring in more money, the Committee may allow the enterprise to raise secured or unsecured loans, and with the consent of all recognised creditors such loans can even rank ahead of existing debt.
- **Restructuring:** If your unit is prima facie viable and you are not a willful defaulter, the account may be rescheduled; a stand-still clause in the Debtor-Creditor

Agreement keeps recovery at bay while terms are settled, and the restructuring terms must be finalised within 20 working days (exposure up to ₹10 crore) or 30 working days (above ₹10 crore and up to ₹25 crore), notified to you within five working days.

- **Recovery only last:** Recovery is resorted to only when rectification and restructuring are both seen as not feasible.
- **Time-bound exit:** the CAP must be implemented within 30 days if it is rectification and within 90 days if it is restructuring, so a decision, either way, is time-bound.

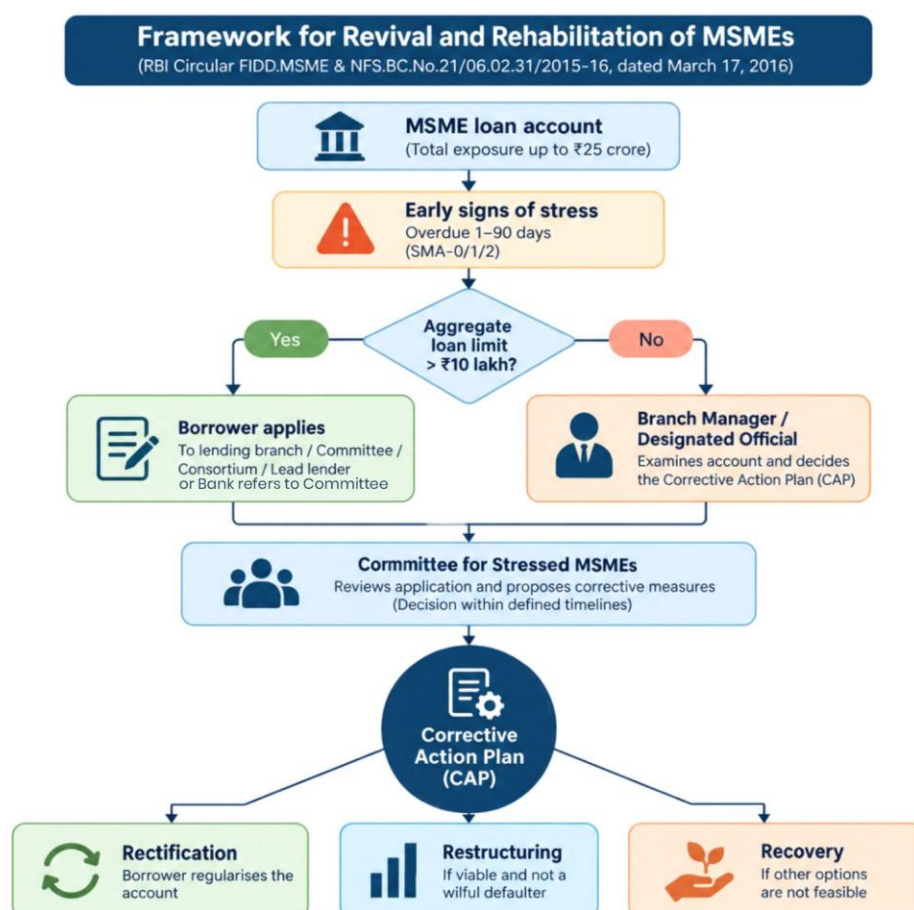
7.4. How to reach the Committee when your account shows incipient stress?

- **Watch your SMA status:** Once your interest or instalment is overdue for more than 30 days (SMA-1) or 60 days (SMA-2), or the branch detects other stress signals (SMA-0), your account is required to go to the Committee within five working days; referral is mandatory for SMA-2 accounts.
- **Find your Committee:** Every bank maintains a Standing Committee for Stressed MSMEs at district level, or at division / regional office level. Ask your branch for the name and address of the Committee having jurisdiction over your account. It is chaired by the regional or zonal head of the convening bank and includes an independent external expert and a State Government representative; all your lenders participate.
- **Move on your own:** Do not wait to be reported — file your application with the branch or directly with the Committee (limits above ₹10 lakh) on the IBA format, with the documents listed above.
- **Small borrowers:** If your aggregate loan limit is ₹10 lakh or less, the branch manager or the designated official examines the account and decides the CAP; if the branch chooses recovery instead of rectification or restructuring, the case must go to the Committee for concurrence.
- **Take part:** Appear before the Committee, disclose all liabilities, and respond within 15 working days of notice. Statutory creditors you have disclosed are also given 15 working days to represent their claims.

7.5. Time-lines a borrower can expect

Stage	Time limit
Branch forwards a stressed account (above ₹10 lakh) to the Committee	Within 5 working days
Committee meets after receiving an application from the borrower	Earliest, not later than 5 working days
Committee notifies the borrower when it admits a lender's application	Within 5 working days
Borrower responds and discloses all liabilities	Within 15 working days of notice
Committee decides the CAP after its first meeting	Within 30 days
Decision on CAP communicated to the borrower	Within 5 working days of decision
Restructuring terms finalised (exposure up to ₹10 crore / above ₹10 crore up to ₹25 crore)	20 / 30 working days, notified within 5 working days
Implementation of CAP (rectification / restructuring)	30 days / 90 days

7.6. Flow chart — how a borrower accesses the facilities under the Framework



Chapter VIII

RBI Customer Service Guidelines and Complaint Resolution

8.1 What if a Digital Payment Fails?

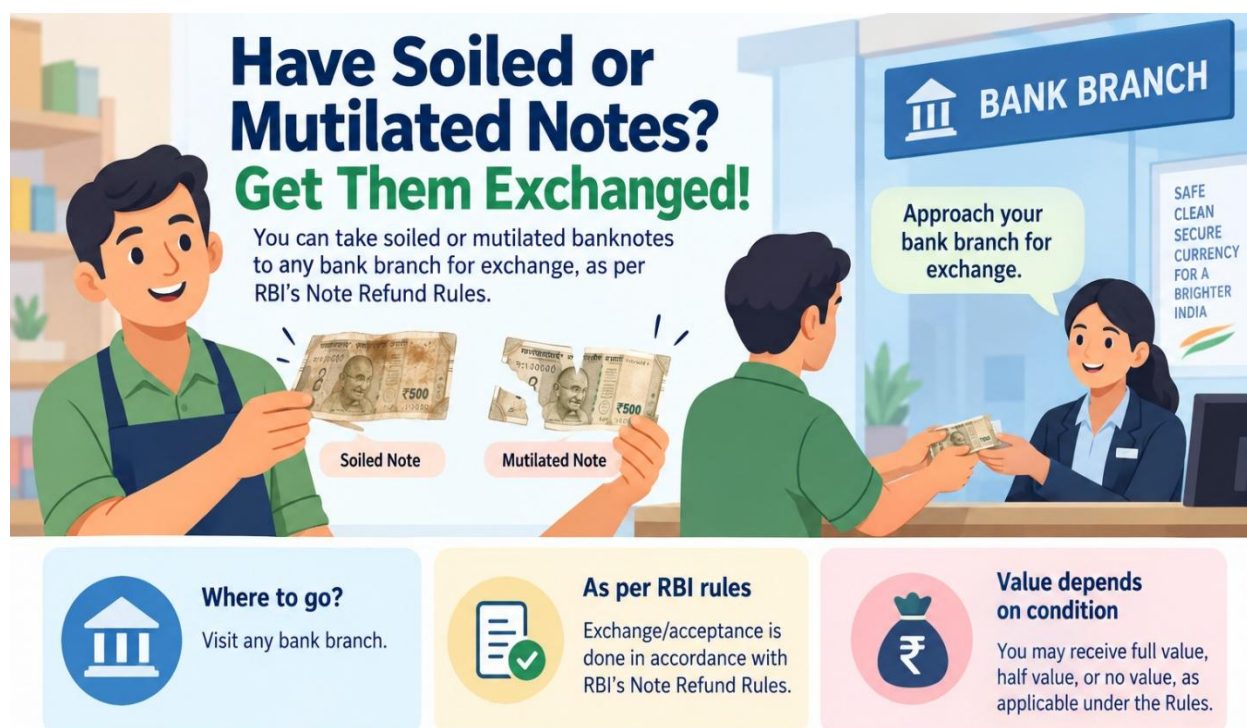


Digital payments are an important part of running a business. Sometimes, however, a payment may fail even though the amount has been debited from your account.

Don't worry! RBI has prescribed timelines within which such failed transactions must be automatically reversed. If the reversal is delayed beyond the prescribed timeline, you may also be entitled to compensation for the delay.

Description of the incident	Timeline for auto-reversal	Compensation
UPI (transfer of funds): Account debited but the beneficiary account is not credited.	If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day. *T is the date of transaction	₹100/- per day if delay is beyond T + 1 day.
UPI (Merchant): Account debited, but merchant confirmation not received. ATM: Account debited, but cash not dispensed. POS: Account debited, but transaction confirmation/charge-slip not generated. e-Commerce: Account debited, but merchant confirmation not received.	T+5 days *T is the date of transaction	₹ 100/- per day of delay beyond T + 5 days.

8.2 How to Exchange Soiled or Mutilated Notes?



While handling cash in your business, you may sometimes receive soiled (old/dirty) or mutilated banknotes (torn or missing portion). Don't worry! You can approach any bank branch (even if you do not hold an account there) to get such notes exchanged. Banks provide facilities for the exchange of soiled notes and acceptance of mutilated notes for adjudication according to RBI's Note Refund Rules. Depending on the condition of a mutilated note, you may receive its full value, half value, or no value, as applicable under the Rules.

8.3 Complaint Resolution Mechanism

8.3.1 Introduction and Purpose

A robust grievance redressal mechanism is an essential pillar of a healthy MSME ecosystem. Timely and fair resolution of complaints protects the cash flows of micro and small enterprises, sustains their credit access, and builds confidence in the formal financial system. In Sikkim, an enterprise that approaches a bank for credit, or a supplier awaiting payment from a buyer, has access to two distinct and complementary redressal tracks — one for complaints against banks and other financial service providers, and another for delayed payments by buyers or those related to government schemes.

8.3.2 Two Redressal Tracks

Grievances of MSMEs broadly fall into two categories, each governed by a separate framework:

- **Track I** – Complaints against banks and other RBI regulated entities for deficiency in service (e.g., non-sanction or delay in credit, loan servicing, charges, account operations, digital banking) are addressed through the banks’ internal grievance mechanism and, on appeal, through the Reserve Bank – Integrated Ombudsman Scheme (RB-IOS), 2026.
- **Track II** – Complaints relating to the delayed payment of dues for goods supplied or services rendered by a micro or small enterprise are addressed under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, as amended from time to time, through the Micro and Small Enterprises Facilitation Council (MSEFC) and the MSME Samadhaan portal. In addition, the Champions Portal can be visited for the resolution of other MSME grievances.

8.4 Complaints against Banks

- In the event of deficiency in service provided by banks or other RBI Regulated Entities (REs), a complainant must first file the complaint in writing with the bank. Complaint can be filed to the bank by various mode such as physical letter, email, website/portal, etc. of the bank.

Remember: All the banks have “bank.in” as domain for their official websites.
E.g., <https://sbi.bank.in/>; <https://www.hdfc.bank.in/> etc.

- If the complainant does not receive any reply within 30 days from the bank; or if the complainant is not satisfied with the reply/resolution provided by the bank, the complainant may escalate the complaint to RBI Ombudsman.
- Complaint to RBI Ombudsman can be made online on the Complaint Management System (CMS) portal of RBI at <https://cms.rbi.org.in/>
- Complaint can be sent physically to Centralized Receipt and Processing Centre (CRPC), 4th Floor, Reserve Bank of India, Central Vista, Sector 17, Chandigarh - 160 017.

- The complainant may also contact the Contact Center on Toll Free No. 14448 for assistance in lodging/escalation of complaint.
- The official document on the Reserve Bank – Integrated Ombudsman Scheme, 2026 can be read here:
https://cms.rbi.org.in/cms/assets/Documents/Ombudsman_Scheme_English.pdf
- Frequently asked questions on the Reserve Bank – Integrated Ombudsman Scheme can be read here: <https://www.rbi.org.in/Scripts/FAQDisplay.aspx?Id=153>

8.5 Complaints for Delayed Payments

8.5.1 Reference to the Micro and Small Enterprises Facilitation Council (MSEFC)

Any dispute regarding the amount due to a supplier may be referred to the Micro and Small Enterprises Facilitation Council (MSEFC), constituted by the respective State Government.

8.5.2 MSME Samadhaan – the online portal

MSME Samadhaan is the centralised online portal of the Ministry of Micro, Small and Medium Enterprises that enables micro and small enterprises to directly register cases of delayed payments by Central Ministries/Departments, State Governments, Public Sector Undertakings and buyers. The registered complaint is forwarded to the concerned MSEFC for conciliation and, if required, arbitration.



The Samadhaan Portal can be visited at: <https://samadhaan.msme.gov.in/>

8.6. The CHAMPIONS Portal

The CHAMPIONS portal is a platform for resolution, redressal and remedies. It is a facility provided by the Ministry of Micro, Small and Medium Enterprises, Government of India for:

- Ensuring a speedy, convenient, and effective redressal of MSMEs grievances.
- Handholding and helping MSMEs in their navigation of various government schemes/policies.
- Providing guidance and advisory services in areas of Finance, Marketing, Technology, Raw Material, Labour, Infrastructure and Capacity Building.
- Connecting MSMEs with key officials of Ministry, State Governments, Lending Institutions and Government agencies.
- Disseminating of information and details of all schemes of the Ministry of MSME.



As on September 2026, the portal disseminates information in eleven regional languages by using the facilitation from 69 state control rooms across the nation.

The Champions Portal can be visited at: <https://champions.gov.in/>



Annex I

Permits, NOCs and Regulatory Clearances for Businesses in Sikkim

Different types of businesses in Sikkim may require additional permits, No-Objection Certificates (NOCs) or regulatory clearances in addition to the basic business/trade registration.

The table below provides a **category-wise guide** to the additional permits required for different business activities. **Permit codes P1 to P14** refer to the permits listed in Section 1.4 of Chapter I.

1. 🌿 Agricultural & Forest Produce

Business activity	Additional permits
Forest Produce, Timber and Agricultural Products	
Agricultural implements, seeds, organic agricultural inputs, floriculture, horticulture, cane products, charcoal/firewood, broomsticks, dry flowers, cut flowers, fertilizers and agricultural implements, nurseries, ginger wholesale, bamboo products, quarry & stone crusher	P1
Cardamom – Wholesale	P1, P9
Lumber & Timber	Basic set only
Scrap Dealers	
Empty glass bottles, scrap bags, cartons, crates, iron and metal scrap	P1, P2

2. 🛍️ Apparel, Baggage & Textiles

Business activity	Additional permits
The following businesses generally require only the basic business/trade registration	
• Bags and suitcases • Hosiery goods • Ready-made garments • Sarees • Textile and cloth shops – retail/wholesale • Dry cleaning and dyeing • Laundry/manual laundry	• Footwear and shoe shops • Leather goods, belts, jackets, wallets and suitcases • Readymade garment shops and franchises • Tailoring and outfitters • Self-employed tailors
	Basic set only

3. 🚗 Automobile & Fuel

Business activity	Additional permits
Automobile spare parts and car accessories	P2
Automobile showrooms – heavy/light vehicles, two-wheelers and second-hand two-wheelers	P2
Automobile workshops, servicing centres, car wash, wheel alignment and two-wheeler hire	P2
Private car parking	P2
Automobile electrician/garage	P2
Heavy machinery, kerosene, LPG distribution, lubricants, petrol and diesel pumps	P2

4. 🧴 Beauty, Spa & Gym

Business activity	Additional permits
Most beauty, salon, spa, gym and wellness activities require only the basic business/trade registration, including:	
• Beauty parlours and hair salons • Unisex salons • Cosmetics and toiletries • Spa and spa training centres	• Gymnasiums • Health clubs • Yoga and Zumba centres • Body-building centres
Health Care Products	P2, P11

5. 📁 Business Services

Business activity	Additional permits
Advisory & Professional Services	
Advertising, design, consultancy, coworking spaces, matchmaking, newspaper hawking, petition writing, property valuation and related consultancy	Basic set only
Broker & Commission Agent	P2
Financial and Banking Services • Banks • ATMs • Chartered Accountant offices • Insurance companies • Tax consultants	• Money changers/lenders • NBFC offices • Share brokers • Financial service advisors
Government Suppliers and Contractors classified as Class I, II, III, IV and Super-A	Basic set only
Manpower & Consultancy Services: Cleaning services, manpower placement agencies, domestic/overseas placement agencies and certain security agencies	Basic set only
Real Estate Consultancy and Construction Services: Architectural/Structural Designing Engg, & Consultancy; Interior Designer; Real Estate Agents	Basic set only

Business activity	Additional permits
Security Agency – Class I operated by a Company/Agency/Firm	P14

6. Construction & Furnishing

Business activity	Additional permits
Hardware: shops dealing in cement, rods, sanitary fittings, tools, locks, tiles and similar products	Basic set only
Electrical & Electronic Goods: Sale, repair and rental of electrical/electronic goods, CCTV cameras, GPS systems, generators, panic buttons, radios, speed governors, watches, clocks and similar items	Basic set only
Furniture & Interior Services: shops, furniture franchises, interior decorators, soft furnishing businesses, aquarium construction and certain related activities	Basic set only

7. Departmental Stores

Business activity	Additional permits
General Departmental Stores: Provision stores, confectionery, cosmetics, groceries, general merchandise, cold drinks and ice cream	Basic set only
Departmental Store (B) dealing in readymade clothes, shoes, bags and cosmetics	P5
Furniture & Interior Services: shops, furniture franchises, interior decorators, soft furnishing businesses, aquarium construction and certain related activities	Basic set only

8. Eateries & Hotels

Business activity	Additional permits
Hotels & Resorts: 2-Star to 5-Star Deluxe Hotels - Guest houses, homestays, bed & breakfast, paying guest accommodation and hotels/resorts without star classification	P1, P2, P3
Other Eateries: Tea shops, bakeries, canteens, momo/faley outlets, snack shops, cloud kitchens, non-alcoholic beverage outlets and similar food businesses	P1, P2
Restaurants, Fast Food & Entertainment: Fast food outlets, restaurants, food courts, food franchises and home-delivery food businesses	P1, P2, P3
Restaurant/Pub, disco/night club, karaoke and live-music establishments	P1, P2, P3, P10

9. Education & Knowledge

Business activity		Additional permits
Books, Stationery & Educational Materials Book shops, stationery shops, book binding, educational/scientific articles and hawker activities		Basic set only
Computer Education/Training Institution – Class I		P12
Other Educational Institutions		
• Colleges • Computer training institutions – Class II • Driving schools • Private tutorial centres • Vocational institutes	• Music, dance, drama and arts institutes • Private hostels • Schools from nursery to senior secondary level • Printing and publishing units • Flight management training institutes	Basic set only

10. Green Grocer & Grocery

Business activity	Additional permits
Meat, Fish & Animal Products:	
Beef	P1, P2, P7
Buffalo meat, chicken, dressed chicken, dried meat, eggs, mutton, pork and similar products	P1, P7
Fish, dry fish and wholesale meat/fish businesses	P1, P7, P8
Dal and dry fish businesses	P8
Fruit, vegetable, milk and dairy vendors	Basic set only
Ordinary grocery and provision stores, excluding controlled items	Basic set only

11. Hawkers / Street Vendors

Business activity		Additional permits
Most listed hawker activities require only the basic set		
• Agricultural tools • Bakery and sweets • Grocery • Cloth • Flowers and plants • Handicrafts • Household goods • Ice cream	• Milk and dairy products • Mushrooms and pickles • Optical sunglasses • Paan/betel products • Pulses • Readymade clothes • Second-hand clothes • Watches • Toys and similar goods	Basic set only
Lottery tickets – Hawker		P10

Business activity	Additional permits
Additional point: Street vendors are also subject to the provisions of the Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, 2014 and applicable Town Vending Committee arrangements.	

12. Information Technology

Business activity	Additional permits
- IT solution providers - Internet service providers - PCO/Fax services - Photocopy and spiral binding - Computer hardware/software businesses - Computer sales and repair - Software development/design	- Audio production - Film/documentary production - FM radio - Mobile phone sales and repair - Telecommunication equipment - BPO/call centres
Cyber Café / Internet & Email Services	Basic set only
Film/TV/Cinema Distributor or Producer	P10, P13
	P14

13. Logistics, Export, Import & Transport

Business activity	Additional permits
- Banquet and conference halls - Catering services - Event management - Light and sound hiring	- Courier and logistics services - Cargo/transport companies - Courier franchises
	Basic set only

14. Manufacturing & Storage

Business activity	Additional permits
- Aluminium fabrication - Noodle manufacturing - Small/medium/large-scale manufacturing - Grill fabrication	- Grinding and milling - Oil extraction - Paper/non-woven bag manufacturing - Weigh bridges
	P2

15. Medical Services

Business activity	Additional permits
Ayurvedic, Homeopathic and Tibetan medicine clinics; medical practitioners; optical clinics	P5
Medical equipment and medicines/pharmaceuticals	P5, P6
Wholesale medicines/pharmaceutical supplies	P5

Business activity	Additional permits
Medical clinics with laboratory, pathology, X-ray, CT scan or ultrasound facilities	P5
Pathology/X-ray/CT/ultrasound centres	P2, P5, P11
Veterinary laboratory/clinic	P5

16. 🌸 Miscellaneous Businesses

Business activity	Additional permits
Large Business / Trades:	Basic set only
- Adventure and sports equipment - Agro and organic products - Animal feed - Bike/car rental - Coffee shops - Cold storage - Digital marketing - Electronic goods - Food products - GIS mapping - Herbal products - Internet services - Mobile phone businesses - Paints - PAN card services - Renewable energy/solar products - Shopping malls - Telecom services - Training institutes - Warehouses - Water purifiers - Wooden/PVC flooring	
Coffee Shop/Café	P1, P2
Sale & Purchase of Old Vehicles	P14
Small Businesses / Trades:	Basic set only
- Artificial jewellery - Astrology - Baby products - Bags and luggage - Carpets - Cold drinks - Confectionery - Crockery - Day-care centres - Dry fruits - Electronic repairs - Floriculture products - Home delivery - Ice cream - Mobile accessories - Nail art - Printing - Tailoring - Toys - Tyre repair - Waste management - Water-related products	
Gas Refilling	P2, P5, P11
Pickle/Vinegar – Home Scale Industry	P1
Other Miscellaneous Businesses	Basic set only
- Baby department stores - Household and kitchen goods - Manihari shops - Newspaper agents - Musical instrument shops - Pet and aquarium shops - Sports goods shops - Photographic studios - Tobacco/pan retailers and wholesalers - Liquor shops	

17. 🏞️ Transport, Tourism & Recreation

Business activity	Additional permits
Entertainment:	
Adventure sports, billiards/pool/snooker parlours, cable TV, cinematographic activities, futsal, video games and similar entertainment	P3
Lottery – Retail/Wholesale, paper or online	P3, P10
Gifts, Jewellery & Handicrafts:	
Art, sculpture, decorative items, gifts, souvenirs, handicrafts, handlooms, ritual articles and jewellery	P3
Curio & Mementos	P3, P5
Travel & Tourism:	
Taxi/Bus Stand Booking Counter	P3
Travel & Ticketing Agents, Tour Operators and Trekking Services	P3
Travel/Tour Operator/Trekking Franchise	P3

Important Notes

1. This Annex only shows the **additional permits/NOCs specified in the GMC trade/licence schedule**. Other registrations may also be required depending on the nature of the business, such as:

- Udyam Registration
- Shops & Establishments registration
- GST registration
- Professional Tax
- EPF/ESI
- FSSAI licence/registration
- PESO licence for applicable fuel activities
- Other sector-specific approvals

2. **Hawkers / Street Vendors:** Hawker activities may follow the applicable basic document requirements. Street vendors are also covered by the **Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, 2014** and the applicable Town Vending Committee framework.

3. Class I, II, III and IV: These classifications generally describe the **size/scale or category of the business/outlet under the municipal system**. They should not be confused with the MSME classification under Udyam, which is based on investment and turnover.

4. Franchise businesses: Franchise businesses should generally submit the **Letter of Authority/franchise agreement (P11)** from the principal company wherever applicable.

5. Requirements may change: Permit and document requirements may be revised by the concerned authorities. Businesses should therefore **confirm the latest checklist with the concerned municipal authority and relevant issuing agency before applying**.



MSME Loan Products of Schemes of Banks Operating in Sikkim

The key product features and benefits extended by banks operating in Sikkim are summarised below:



Scheme	Purpose, Quantum, Security & Terms
SME Short Term Loan	Temporary liquidity mismatch; ₹10 lakh – ₹250 lakh; As per scheme; Up to 36 months; Not specified
SME Medium Term Loan	Working capital gap; ₹25 lakh – ₹500 lakh; As per scheme; Up to 36 months; Not specified
Baroda SME Loan Pack	Working Capital NFB CAPEX; As per scheme; As per scheme; As per scheme; Not specified
MSME CAPEX Loan / Card	Machinery / asset / CAPEX; As per scheme; As per scheme; As per scheme; Not specified
Digital MSME Loan	Digital Working Capital; As per scheme; As per scheme; As per scheme; Not specified
bob Digi Udyam	Cash-flow based MSE loan; ₹10 lakh – ₹50 lakh; CGTMSE or 50% security; 3–7 years; Not specified
CGTMSE	Collateral-free credit; As per scheme; CGTMSE coverage; As per scheme; Not specified
PMEGP	Employment generation; As per scheme; As per scheme; As per scheme; Not specified
Contractor Scheme	Contract execution / Working Capital; As per scheme; As per scheme; As per scheme; Not specified
Artisans Credit Card / Weaver Finance	Artisan/weaver activity; As per scheme; As per scheme; As per scheme; Not specified



Scheme	Purpose, Quantum, Security & Terms
CA/FA, P&M, expansion, modernization	₹0.25Cr–₹50Cr; CCR 40%/50%, FACR 110%/120% (ETC/NTC); CGTMSE Hybrid: CCR 30%/40%; Not specified; Not specified
OD/WC/TL/Non-fund	₹0.20Cr–₹25Cr; Residential property (LTV 75% RVS); Other assets (LTV 65% RVS); Not specified; Not specified
Commercial/passenger/EV/CNG vehicles	Up to ₹7.50Cr; Hypothecation of vehicle; Min CCR 0.30 or CGTMSE or FACR 1.30; 60 months (incl. moratorium); Not specified
Infrastructure/real estate	₹0.25Cr–₹25Cr; Not specified; 15 years (incl. 36-month moratorium; no moratorium for LRD); Not specified
Premises, machinery, WC	₹20L–₹10Cr; Primary charge on assets; Min collateral 0.40; 14 yrs (premises), 7 yrs (other TL); max 24-month moratorium; Not specified



बैंक ऑफ महाराष्ट्र
Bank of Maharashtra
ONE FAMILY ONE BANK

(A Government of India Undertaking)

Scheme	Purpose, Quantum, Security & Terms
Primary	Hypothecation of assets acquired via bank finance.; Hypothecation of assets; mortgage of premises if financed.;
Vehicles	Hypothecation charge with RTO.; Hypothecation with RTO; Companies: ROC registration
Companies	Charges noted with ROC
Working Capital	Payable on demand.; ₹0.10 Cr to ₹2.00 Cr; 25% of projected turnover (≤₹5cr); PWCG method (₹5cr)
Term Loan	Up to 7 years; variable repayment based on cash flow.; Up to 7 years (incl. 6-month moratorium).; ₹0.10 Cr to ₹10.00 Cr;
Up to ₹5.00 Cr	RLLR 2.50% BSS (0.50%) p.a.; RLLR 2.50% BSS(0.50%)
₹5.00 Cr to ₹10.00 Cr	RLLR 2.00% BSS (0.50%) p.a
Minimum	₹10.00 Lakh (composite)
Maximum	₹2.00 Cr
Urban/Metro	₹25.00 Cr



Scheme	Purpose, Quantum, Security & Terms
Minimum collateral security comfort	25% to 50% (Low Risk), 50% to 75% (Normal Risk), 75% and above (Moderate Risk)
Primary security	Assets created from loan (movable/immovable), must be encumbered
Collateral security	Land/building or approved financial securities
Term Loan	Max 84 months (including moratorium).; Minimum 25% collateral comfort (land/building or approved securities).; Up to 10 years
Working Capital	Tenable for 1 year.; Not specified (standard WC tenure implied)
Low Risk	RLLR 0.50%
Normal Risk	RLLR 0.25%
(Higher risk tiers	RLLR 0.75%, RLLR 1.00% etc. as per table)
Term Loan & Working Capital	Above ₹10 lakh up to ₹25 crore
Working Capital Max	₹5 crore



Scheme	Purpose, Quantum, Security & Terms
Byapar loan	Small traders (e.g., retail shopkeepers)



Product / Variant	Key Features
Working Capital Loans	Support from a Relationship Manager, No collateral needed up to ₹5 Cr



Scheme	Purpose, Quantum, Security & Terms
Loan to Small Road Transport Operators (SRT0)	Passenger/commercial vehicles; ₹1 lakh–₹2 Cr; Hypothecation of vehicle; Up to 5 years; Not specified
IDBI Equipment Finance/Sanjeevani Loans	Machinery, medical/green equipment; Not specified; Collateral as per project; Not specified; Not specified
i-MSME Express/Sahaj Vyapar Loans	Working capital for micro/small businesses; Not specified; CGTMSE or collateral; Not specified; Not specified
General Credit Card (GCC)/PMMY (Mudra Loans)	Micro-enterprises, artisans; Up to ₹10 lakh; Collateral-free under CGTMSE; Not specified; Not specified
Composite Loans	Term working capital; Up to ₹1 Cr; CGTMSE up to ₹5 Cr; Not specified; Not specified
IDBI Loan Service Sector	Hotels, homestays, tourism; Up to ₹5 Cr; CGTMSE or collateral; Not specified; Not specified
Stand-Up India Scheme	SC/ST/Women greenfield projects; ₹10 lakh–₹1 Cr; Collateral-free under CGFSIL; Up to 7 years, 18-month moratorium; Concession pricing
IDBI Microfinance & SHG/JLG Financing	Women-led SHGs/JLGs; Up to ₹20 lakh (SHGs), ₹10 lakh (JLGs); Collateral-free; Not specified; Not specified



Product / Variant	Key Features
Term Loans	Collateral-Free Business Loan Up To ₹1 Cr
Working capital/cash credit loans	Working Capital Facility up to ₹5 Cr



Scheme	Purpose, Quantum, Security & Terms
IND SME Secure	WC, fixed assets, building, LC/BG etc.; 10 Lakh; No ceiling; 50% of exposure by realizable immovable/liquid security
IB Trade Well	Traders-WC, fixed assets, business premises; 10 Lakh; TL 5 Cr; Others No ceiling; 50% of exposure by immovable/liquid security
IB Contractors	Govt./PSU/corporate contractors - WC, BG, LC etc.; 10 Lakh; 10 Cr borrower/20 Cr group; 50% exposure by immovable/liquid security
MSME LAP	Business expansion, assets, purchase/construction/renovation of business property; 10 Lakh; 25 Cr; 100% property-backed; LTV normally 60%
IND Biz Nest	Purchase/construction/renovation of commercial premises/shop; Not specified; 10 Cr; Property-backed; scheme-specific margin 40%
IND Health Care	Hospitals, nursing homes, clinics, diagnostics, medical equipment, healthcare premises WC/; 10 Lakh; 2-5 Cr, depending on purpose/location;
IND Equipment & Wheels	New machinery, CE/CV, EVs, construction/mining equipment; 10 Lakh; 1-25 Cr depending on business vintage; Nil under CGTMSE;
IND MSME Sakhi	Manufacturing/trading/service units of eligible SHG members; Not specified; 5 Lakh; CGTMSE mandatory; Nil collateral
Lab Grown Diamond	Manufacturing/trading of lab-grown diamonds; 10 Lakh; 50 Cr; 100% collateral
IND MSME Jewel Loan	Jewellery business finance against jewels; Not specified; 25 Lakh normally; up to 50 Lakh under specified conditions; Pledge of jewels



Scheme	Purpose, Quantum, Security & Terms
KBL Commercial Vehicle	Purchase of commercial vehicles; Not specified; Vehicle quotation, Audited BS, Projected BS, DSCR; Not specified; Not specified
KBL Contractor	Contracting business; Not specified; MOA/AOA, GST Certificate, Audited BS, Projected BS, DSCR; Not specified; Not specified
KBL Equipment Loan	Purchase of equipment; Not specified; MOA/AOA, GST Certificate, Audited BS, Projected BS, DSCR; Not specified; Not specified
KBL Micro Mitra	MSME working capital/composite; Not specified; CA Certified Stock Statement, No statutory dues certificate, GST Returns (2 years); Not specified;
KBL MSME (Hybrid CGTMSE)	MSME term/working capital; Not specified; CA Certified Stock Statement, No statutory dues certificate, GST Returns (2 years); Not specified;
PM Vishwakarma	Artisan/craftsman funding; Not specified; Bank account details; Not specified; Not specified
PMEGP	Entrepreneurship project funding; Not specified; Project Report, Quotation, Cost estimation report; Not specified; Not specified



Scheme	Purpose, Quantum, Security & Terms
PSB Digi MSME Loan	Up to ₹1 Cr, digital lending, requires latest ITR, Udyam Registration, GST turnover-based, 6 months GSTR mandatory
PSB GST Ease Loan	Up to ₹25 Lakh, instant approval via STP based on GST returns
Stand-Up India Scheme	Composite loans ₹10 Lakh–₹1 Cr for SC/ST/Women entrepreneurs setting up greenfield enterprises (manufacturing/services/trading)
PSB Samridh Mahila Loan Scheme	Up to ₹5 Cr, 10-year tenure, for women entrepreneurs to establish/scale/sustain businesses
E-Shishu Mudra & PMMY Digital	Collateral-free digital loans under PM MUDRA Yojana
E-PM Vishwakarma	Digital financing for artisans/craftspeople under government schemes
Digi Commercial Vehicle Loan	Up to 5 years, for business-use commercial vehicles, trucks, buses; fast digital disbursal



Scheme	Purpose, Quantum, Security & Terms
Margin	Stock & Book Debt 25%; Plant & Machinery (New) 15%; Vehicles (New) 25%; Land & Building 25%; NFB 10%; OD – Nil; NFB (except ILC) – 10%;
Interest	8.30% – 8.85%; 8.60% – 9.60%; 8.30% – 10.50%; Up to ₹5 Cr – 9.10%; Above ₹5 Cr – RLLR-linked capped at 9.60%
Moratorium	Up to 12 months (need-based)
LC/BG commission	25% concession
LTV	Residential property – 65%; Others – 60%
Eligible property	Unencumbered, within 75 km (Metro) or 25 km (Non-Metro) of branch



Scheme	Purpose, Quantum, Security & Terms
CGTMSE	Collateral/third-party-guarantee-free credit
SME e-SMART SCORE under CLP	Hassle-free finance for multiple requirements, working capital/term loan. Two bands: > ₹10Lakh to ₹100Lakh and > ₹100Lakh to ₹500Lakh. Target: all MSME units
Stand Up India (SUI)	Greenfield projects in manufacturing/services; SC/ST and women entrepreneurs. Quantum: Minimum > ₹10 lakh. Margin: minimum 10%; max margin money on composite loan up to 25%, reducible via Central/State scheme convergence.

Scheme	Purpose, Quantum, Security & Terms
SBI Asset Backed Loan (ABL)	Current & fixed assets for business, capacity expansion, modernization, short-term WC.
ABL – Commercial Real Estate / Residential Housing	CRE projects (malls, hotels, cold storage, amusement parks etc.); ABL-RH min loan ₹50 lakh with developer parameters
e-DFS (Dealer Finance)	Need-based dealer inventory finance on Industry Major comfort; limits up to ₹1 Cr coverable under CGTMSE; minimum/nil collateral facility
SBI Construction Equipment Loan (CEL)	Purchase of new construction/mining/earth-moving equipment.
Corporate Loan	Shoring up NWC, capacity/replacement, acquisition (max 50% debt, shares pledged), high-cost debt repayment, R&D ($\leq 20\%$ of fixed assets)
SME Open Term Loan (SME-OTL)	Expansion, modernization, technology upgradation, business-development/intangible assets. Quantum: max ₹8 Cr (intangible creation $\leq ₹2$ Cr).
SME Marble Plus	Hassle-free finance to marble, flezpal, quartz & stone units (manufacturing, processing, carving)
PMMY / MUDRA	Micro enterprise credit. Margin: nil up to ₹50,000. Collateral: none for loans up to ₹10 lakh
e-MUDRA	Online MUDRA application; minimum overall score of 50%; collateral nil — covered under CGFMU (fee as applicable)
Pre-Approved Business Loan (PABL)	Working/business capital for analytics-selected customers.
SME Gold Loan	Fund-based general business purpose against gold.



Scheme	Purpose, Quantum, Security & Terms
Overdraft, Term Loan & Dropline Overdraft	Min: Above Rs.20.00 lakh Max: Rs.50.00 lakh
SIB Composite Power	Overdraft (For Working Capital), Term Loan, Non-Fund Based Facilities (LC/BG/ etc.), Packing Credit/FBP, Working Capital Demand Loan



Scheme	Purpose, Quantum, Security & Terms
Term Loans	For acquisition/construction of business premises, purchase of plant & machinery, equipment, vehicles, and other business assets
Working Capital/Cash Credit	For day-to-day working capital needs
Composite Loans	Combines term loan and working capital (where eligible)
Business/Micro Enterprise Loans	For establishment, expansion, modernization of micro/small enterprises
Government-sponsored scheme loans	As applicable from time to time
Service-sector loans	Tourism, hospitality, trading, and other eligible services



Scheme	Purpose, Quantum, Security & Terms
UCO Vyapar Samridhi Scheme	Purpose: Cash Credit and Term loan for business entrepreneurs engaged in MSE- Small Business including Retail Trade. Quantum- Rs. 1 Lakh to Rs. 100 Lakh Margin- 20% for term loan
UCO Trader Advantage scheme	Target group: Traders (wholesales & retailers) Purpose: Facility shall be provided for business needs of Traders, not prohibited by applicable law to meet the working capital requirement. Facilities: Overdraft/ Working capital Demand loan & LC/BG Quantum- Rs.10 Lakh to Rs. 100 Lakh
UCO MSME Yuva Shakti scheme	Term loan, Cash Credit , Export packing credit (Pre-shipment/ Post-shipment), LC/BG



Scheme	Purpose, Quantum, Security & Terms
Union MSME Suvidha	TL/CC/OD/NFB; ₹10Lakh-₹50Cr; for expansion, P&M, working capital, premises, vehicles
Union Progress	TL/CC/NFB; up to ₹2Cr; for expansion, WC, machinery
Union MSME Superfast	CC; ₹10Lakh-₹10Cr; GST-linked working capital
Union MSE Support	TL/CC/NFB; ₹50Lakh-₹10Cr; for growth, WC, TL
Union Digital Ease	WCTL/TL/CC; ₹50K-₹25Lakh; cash-flow based
PQBL	WCDL/TL; ₹50K-₹10Lakh; instant finance for existing CA holders
MSME Salute	TL/CC/OD/NFB; ₹1Cr-₹50Cr; takeover of quality MSME accounts
Union Yuva Shakti	TL/CC/NFB; ₹10Lakh-₹10Cr; for entrepreneurs aged 18-35
Union Nari Shakti	TL/CC/NFB; ₹2Lakh onwards (no ceiling); for women-owned MSMEs
Union Contractor	TL/CC/OD/NFB; ₹10Lakh-₹50Cr; contract financing



Scheme	Purpose, Quantum, Security & Terms
Offerings	Term loans, working capital/cash credit, composite loans for MSMEs



Scheme	Purpose, Quantum, Security & Terms
Enterprise Development Loan (<= 25 lac)	Aadhaar Card, PAN, GST Certificate, Udyam Certificate, Business license, Current Account Bank Statement, Business or Residence ownership proof, Income Tax Return, Property documents (in LAP loans) etc.
Enterprise Development Loan (> 25 lac)	Aadhaar Card, PAN, GST Certificate, Udyam Certificate, Business license, Current Account Bank Statement, Business or Residence ownership proof, Income Tax Return, Property documents (in LAP loans) etc.
Digital Merchant loans	Aadhaar, PAN, Udyam, Stock Statement, Selfie
Unsecured MSME term Loans	Aadhaar, PAN, Udyam, GST, Bank statement PDF (If account aggregator is not available)
Self Help Group Loans and SHG Individual Woman Entrepreneur loans	SHG Member Enrolment details, Aadhaar Card, PAN, Udyam Certificate, Trade License, Lease Agreement etc.



CASE STUDIES — BANK FINANCE FOR MSME BORROWERS IN SIKKIM

Note on the nature of these case studies:

The six case studies in this chapter are illustrative composites. They are drawn from the pattern of applications, queries and observations that typically arise while appraising food-processing, transport and hotel/homestay proposals in Sikkim. Names of borrowers, units, banks and places have been changed and all figures are indicative; they do not represent any specific borrower or any specific bank. Statutory and scheme particulars relating to the State of Sikkim are given as an appraisal checklist and must be confirmed with the concerned nodal department / scheme authority before they are relied upon.

Every case below turns on the same handful of RBI requirements. A borrower who understands these, and a banker who applies them in the same order, will normally reach a decision without multiple rounds of correspondence.

PART A — CASE STUDIES WHERE THE LOAN WAS SANCTIONED

CASE 01 | SANCTIONED

 **Food Processing** |  **Rangpo** |  **₹38 lakh**

At a glance	
Borrower / unit	Proprietorship "Rangpo Ridge Foods" (name changed); first-time entrepreneur, South Sikkim
Facility sought	Composite loan ₹38 lakh — term loan ₹26 lakh (cleaning & grading line, moisture dryer, vacuum packer, SS tables) + working capital ₹12 lakh
Promoter contribution	12% of project cost, through banking channel
Outcome	Sanctioned in 47 days from first application; CGTMSE cover; unit operational within 4 months of disbursement

The application: The borrower wanted to shift from selling raw large cardamom and ginger to farmgate traders to cleaning, grading, drying and vacuum-packing under her own brand. The project report estimated a project cost of ₹43 lakh, capacity utilisation of 60% in year one, and raw material linkage with 40–45 cardamom growers of the area.

Issues raised by the bank, and how each was resolved

No	Issue raised during appraisal	How it was resolved
1	No Udyam registration at intake, so the unit could not be classified as micro; two different PSL categories	Udyam registration obtained online the same week (investment ₹22 lakh, turnover ₹1.1 crore — micro enterprise). Classification finalised under the

No	Issue raised during appraisal	How it was resolved
	(MSME vs. agri food processing) were being claimed.	MSME category; the food-processing annexure was retained only as supporting evidence of the activity, since a loan is classified in one PSL category alone.
2	The processing shed stood on land occupied under an unregistered monthly arrangement; no document creating any enforceable right in favour of the borrower.	A registered lease deed for 6 years with the landowner, together with the owner's NOC and the land rent receipt, was placed on record; the bank recorded possession through a site-visit report with photographs.
3	Only an FSSAI basic registration was produced, while the projected turnover crossed the threshold at which a State Licence is required for a manufacturer.	The application was upgraded to a State Licence. The bank deferred the second tranche till the licence was produced, along with the water quality test report, layout plan of the processing area and the food safety plan displayed at the unit.
4	Consent to Establish from the Sikkim Pollution Control Board was absent; the dryer and boiler-adjacent activity needed air/water approvals.	Consent to Establish was obtained first; the first disbursement was released against the CTE and the balance against Consent to Operate after the Board's inspection, so the borrower was not asked to fund the whole compliance cost upfront.
5	Existing sanctioned load of 5 kW was far below the 18 kW required by the machinery list.	The load-enhancement order from the Power Department was made a pre-disbursement condition and was obtained in three weeks; the machinery quotation was re-validated for the sanctioned load.
6	No marketable collateral — the borrower held no clear title to any property.	The bank did not treat this as a ground for rejection. The proposal was routed under CGTMSE cover for the full ₹38 lakh, the guarantee fee was built into the project cost, and hypothecation of stock and machinery plus a charge on the assets created was obtained.
7	No firm sales tie-up; projected sales looked assumed. Working-capital limits could not be justified.	Two letters of intent (one from a Spices Board-registered exporter, one from a growers' cooperative), purchase receipts from growers for two seasons and a skill-certificate plus 4 years of trading history were submitted. The bank then applied the 20%-of-turnover benchmark to a turnover worked out from the LOIs rather than the DPR assumption, and set the cash-credit limit at ₹12 lakh.
8	The borrower had applied for PMFME margin money and did not know how the subsidy would reach the bank.	The bank linked the account to the PMFME processing flow: the 35% margin money was credited against the eligible asset after inspection and the utilization certificate was obtained from the nodal agency, avoiding any dispute on the funded share.

Sanction terms:

- Composite ₹38 lakh; term loan of 5 years including a 12-month moratorium on principal; cash credit of ₹12 lakh with monthly stock statement and drawing power.
- Pricing as per the bank's risk-based lending rate policy; no collateral, CGTMSE cover; hypothecation of stock and machinery; life and fire/asset insurance with bank clause; CERSAI charge registration.

- Pre and post-disbursement inspection by the branch, plus a compliance list (FSSAI licence, PCB consent, load order) with dates.

Outcome: Turnover moved from about ₹0.9 crore in the first full year to ₹1.8 crore by year three, with the value-added pack contributing most of the margin. Instalments were regular; the unit later took a second-line term loan and moved to the Tarun limit after repaying the earlier Mudra working-capital facility.

Sikkim compliance note — food processing

Regulatory requirements that had to be in place in Sikkim for this unit: Udyam registration (Udyam Assist Platform certificate is treated at par with the Udyam Registration Certificate for priority-sector classification) | FSSAI registration/State Licence as applicable to turnover and capacity | Consent to Establish and Consent to Operate from the Sikkim Pollution Control Board | sanction/enhancement of electrical load | building/structure and local body (Gram Panchayat / Nagar Panchayat) permission for the processing shed | GST registration and income-tax returns | legal metrology (packaged commodities) labelling compliance for packed cardamom and pickles | Spices Board export registration if the packed produce is exported | NPOP/PGS-India organic certification where the produce is sold as organic | compliance with the State single-use-plastic ban in packaging.

CASE 02 | SANCTIONED

 **Electric Taxi | Namchi |**  **₹21.5 lakh**

At a glance	
Borrower / unit	Sole proprietor "Dzongu Road Carriers" (name changed); 9 years as a driver, 3 years as a taxi owner-operator
Facility sought	₹21.5 lakh term loan for one battery-electric passenger taxi + ₹3 lakh working capital for maintenance, driver cost and tyres
Security	Paripassu charge on the vehicle; CGTMSE cover; 10% margin
Outcome	Sanctioned in 38 days; second and third EVs added from internal accruals and a fresh term loan in year three

The application: The original proposal was for a second-hand 27-seater diesel coach. The branch flagged at the first level that this was inconsistent with the State's move to an all-electric commercial/taxi fleet, and asked for a revised proposal rather than simply rejecting the file — which is what saved the loan.

Issues raised by the bank, and how each was resolved

No	Issue raised during appraisal	How it was resolved
----	-------------------------------	---------------------

1	The asset itself was not permissible: a diesel coach could not be registered as a fresh tourist taxi under the State transport policy / EV policy.	The proposal was reworked for a type-approved electric passenger taxi. The bank re-appraised on the revised cost (higher upfront price, lower running cost) instead of closing the file.
2	Permit position unclear — the borrower's existing permit was attached to a different vehicle and was not transferable.	The borrower produced the fresh tourist-vehicle permit / taxi permit issued by the Transport Department in the name of the new vehicle, the fitness certificate, the route/national permit for out-of-State movement, and the empanelment letter from the taxi operators' association. Sanction was made conditional on production of the permit and RC.
3	Repayment capacity could not be established — no salary slip, no GST, most receipts in cash.	Twelve months of trip logs and tour-operator bills, a written tie-up with two travel agencies, an GST registration and two years of income-tax returns were produced. Repayment was then tested at 60% of the demonstrated average monthly collection, not at the DPR figure.
4	Charging point — the bank needed to know how the asset would earn.	A load-enhancement order for the residential premises and a written charging-station tie-up for peak-season days were kept on record.
5	Hypothecation and insurance formalities for a moving asset.	Hypothecation was endorsed in the Registration Certificate by the RTO, own-damage insurance was obtained with the bank as interested party, and the charge was registered with CERSAI. A GPS/vehicle-tracking device and a valid Pollution Under Control certificate were verified at disbursement.
6	Working capital for driver wages and tyres was clubbed with the vehicle cost.	It was separated and sanctioned under MUDRA (Kishor) so that the short-term and long-end funds matched their purpose.

Outcome: Average monthly collection stayed within 10% of the appraisal assumption; debt-service coverage stayed above 1.6. The borrower added a second EV in year two and a six-wheeler electric goods carrier in year three, and now employs two drivers.

Sikkim compliance note — transport

Regulatory requirements that had to be in place in Sikkim for this business: registration of the vehicle and hypothecation endorsement by the RTO | valid fitness certificate (older vehicles need more frequent renewal) | tourist-vehicle / taxi permit and route or national permit from the Transport Department | compliance with the State's electric-vehicle policy for commercial and passenger transport, and the prevailing position on registration of non-EV taxis | empanelment with the recognised taxi operators' association and the State taxi-booking platform | driving licence with transport endorsement for the class of vehicle | third-party and own-damage insurance, Pollution Under Control certificate, and mandatory safety/device requirements for passenger vehicles | Shop & Establishment registration and GST where the threshold is crossed | NOC/permission for parking or charging space and electrical load sanction.

CASE 03 | SANCTIONED

 **Homestay** |  **Yuksom, West Sikkim** |  **₹42 lakh**

At a glance	
Borrower / unit	Joint proprietors "Cloudline Homestay" (name changed); running 2 rooms from own house since 2017
Facility sought	₹42 lakh — term loan ₹37 lakh for 4 additional rooms with attached baths, kitchen and plumbing upgradation, solar water heaters + ₹5 lakh overdraft for seasonal working capital
Security	Equitable mortgage of the immovable property plus CGTMSE cover on the unsecured slice
Outcome	Sanctioned in 63 days in two tranches; 6-room property operating within 8 months

Issues raised by the bank, and how each was resolved

No	Issue raised during appraisal	How it was resolved
1	The house stood on leasehold land; the patta/lease deed, mutation and land-rent receipts did not tell one consistent story.	The borrower produced the registered lease deed, up-to-date land rent receipts, mutation record and a lessor's NOC permitting construction and mortgage of the structure. A advocate's title-search report with a clear chain for the last 12 years was placed on record.
2	No sanctioned building plan for the proposed additional construction in a rural settlement.	The plan was sanctioned by the competent local body / housing authority before disbursement. The bank released the term loan in three stages against the engineer's progress certificate, so the borrower never had to build first and claim later.
3	Homestay was not registered with the State Tourism Department, so the activity could not be shown as a licensed hospitality venture.	Registration with the Tourism Department was obtained after compliance with the room, bathroom, tariff and amenity norms for registered homestays; the registration certificate was made a condition for the final tranche.
4	Location near a protected area raised a question of forest / environmental clearance and of waste handling.	A written screening position / NOC was obtained from the Forest, Environment & Wildlife Development Department confirming that the addition was within the existing structure footprint and did not require fresh SEIAA prior sanction. A soak-pit/biodigester plan, a biodegradable-waste composting arrangement and a plastic-ban compliance undertaking were added to the file.
5	Water source: a borewell without any permission.	Water-testing report and the applicable groundwater/departmental permission were obtained; rainwater harvesting was added to the project cost.
6	Seasonality — the DPR showed 70% occupancy round the year, which is not credible for the area.	The projection was reworked at 45% annual occupancy with a monsoon/lean-season discount, using the borrower's own booking history for the existing two rooms and two operator tie-ups. The sanction was sized on the revised figure, and the debt service was tested at 40% occupancy.
7	Fire and safety compliance for guest accommodation.	Fire NOC (or the departmental inspection report where NOC is not prescribed for the size), smoke detectors,

No	Issue raised during appraisal	How it was resolved
		extinguishers and a guest-registration register were installed and verified before the final tranche.

Outcome: Average annual occupancy settled near 62%, with weekend and festival-season rates above the appraisal assumption. The borrower pre-paid a part of the term loan in year three from surplus and obtained an additional ₹8 lakh for interior furnishing against the registered homestay.

Sikkim compliance note — hotel / homestay

Regulatory requirements that had to be in place in Sikkim for a homestay/hotel: registration with the State Tourism Department under the applicable homestay/hotel norms | sanction of building plan and completion/occupancy certificate from the competent authority | land-rent records, mutation and, where the land is agricultural, an order for non-agricultural (land-use conversion) use | NOC / screening position from the Forest, Environment & Wildlife Development Department and SEIAA prior sanction or Environmental Clearance where the project falls within the prescribed category, threshold or eco-sensitive area | Fire & Emergency Services NOC | Consent to Establish / Consent to Operate from the Sikkim Pollution Control Board and an effluent/sewage disposal arrangement | groundwater abstraction permission where a borewell is used | FSSAI licence for the kitchen serving guests | Shop & Establishment registration, GST registration as applicable, tariff display and legal metrology compliance | lodger/guest registration formalities, including Form C for foreign nationals | local body NOC and compliance with the State plastic-waste and solid-waste rules.

PART B — CASE STUDIES WHERE THE LOAN COULD NOT BE SANCTIONED

In each of these three files the application travelled a long way — application form, documents, reminders, further queries — and still closed without a sanction. In none of them was the reason a single dramatic event. The loan failed because a set of gaps, each individually curable, were never cured, and because two or three of them went to the heart of what a bank can never lend against: a defective right in the asset, an activity that the law does not permit, and a repayment source that cannot be evidenced.

CASE 04 | NOT SANCTIONED

 **Ginger & Pulse Mill** |  **Singtam** |  **₹75 lakh**

At a glance	
Borrower / unit	Proprietorship "Hill Ginger & Pulse Mills" (name changed); trading background, no manufacturing experience
Facility sought	₹75 lakh — term loan ₹55 lakh (pulse milling and ginger slicing/drying line, weighbridge, generator) + working capital ₹20 lakh
Stages covered	Application acknowledged → documents called twice → site visit → reference check → file referred to district credit centre → declined
Outcome	Declined; written communication with reasons issued within the prescribed time

The deficiencies in the process, documentation and statutory approvals

No	Gap observed	Why the file could not survive it
1	Project report was a readymade template: capacity assumed at full utilisation, no raw-material backward linkage, no buyer tie-up, no cost of the drying fuel, and no working-capital computation at all.	The only objective benchmark available — the 20%-of-turnover norm for working capital — could not be applied because the turnover itself was an assumption. The bank had no way to derive a limit that was not the consultant's figure.
2	Own contribution of 8% was shown as "own funds" but the source could not be traced; on query it turned out to be an unsecured arrangement with a private money lender.	Margin money that is itself borrowed removes the borrower's risk from the transaction. The bank asked for the funds to be routed through the banking channel with a statement trail; this was never produced.
3	The proposed site was on a jointly held family holding. There was no mutation, no partition, and the NOC produced was unregistered and unsigned by two co-sharers.	A charge cannot be created on a right that does not exist. Even under a guarantee-covered scheme the bank needs enforceable possession and disposal rights over the assets financed; the site document was the weakest link and it was never regularised.
4	No Consent to Establish from the Sikkim Pollution Control Board, no allotment/NO objection from the industrial-estate authority although the shed was inside the estate, and an electrical load of 12 kW against a stated requirement of 65 kW.	These are the three approvals that decide whether a processing unit can legally run. The borrower treated them as post-sanction formalities; the bank could not disburse against a unit that could be sealed in its first month.

No	Gap observed	Why the file could not survive it
5	FSSAI: only a basic registration was produced for a milling and packing operation whose declared turnover crossed the threshold for a State Licence; no food safety plan, no water test report, no layout of the processing area.	Food-processing finance is finance of a licensed activity. Without the licence the end product cannot be legally sold, so the revenue in the DPR has no legal basis.
6	Machinery quotations were received from a dealer connected with the borrower, and two quotations were substantially identical in format and figures.	The bank could not accept the capital cost, and hence could not accept the asset value on which both the loan and the security rest.
7	Credit history: two earlier micro loans reported overdue beyond 90 days, one account settled at a discount with another lender, and no income-tax returns for two years.	Willingness to pay is not negotiable. The earlier settlement and the current overdue position, taken with the untraceable margin money, made the file unapprovable at any pricing.
8	The single composite application was made for ₹75 lakh but the borrower was not registered under Udyam and had no GST registration; the file therefore had no verifiable third-party record of the business at all.	Where statutory records (Udyam, GST, IT return) are absent, the bank has nothing independent to test the borrower's own numbers against.

What went wrong in the end: The file was discussed twice. On both occasions the same three questions remained unanswered: what right does the borrower have over the site, what permission allows the unit to run, and what evidence supports the turnover on which both the term loan and the working capital were computed. The application was declined and the reasons — title to the site, absence of statutory consents and food licence, unverified own contribution, adverse credit history and unverifiable project report — were recorded and communicated in writing, as required. The borrower was also told which of these could be cured and in what order.

What could still have saved this file

The curable list that was left with the borrower: regularise the site (partition/mutation, registered lease or sale deed with all co-sharers as parties) → obtain Consent to Establish and the industrial-estate NOC → obtain the electrical load sanction → obtain the correct FSSAI licence → bring the own contribution through the bank account → build a verifiable sales trail (purchase and sale invoices, GST returns, buyer letters) for at least two seasons → and then re-apply with a phased, smaller line whose capacity matches demonstrated demand.

CASE 05 | NOT SANCTIONED

 Tourist Vehicles |  Rangpo |  ₹48 lakh

At a glance

Borrower / unit	Proprietorship "Ridge Line Travels" (name changed); working as a contracted driver for a travel agency
Facility sought	₹48 lakh for two second-hand 12-seat diesel tourist vehicles + ₹6 lakh working capital
Stages covered	Application → valuation report → permit query → RTO query → reference check with operators → declined at administrative office
Outcome	Declined; written communication with reasons issued; earlier MUDRA facility recalled

The deficiencies in the process, documentation and statutory approvals

No	Gap observed	Why the file could not survive it
1	The asset was not financeable in law: the vehicles proposed were diesel and could not be admitted to the tourist-taxi category under the State's electric-only commercial vehicle policy; the borrower's existing permit stood against a different vehicle and was not transferable.	This is the one defect that no amount of documentation can cure. Financing an asset that cannot lawfully earn the revenue that repays it is not a documentation gap; it is an unviable proposal.
2	The vehicles were more than ten years old; the fitness certificate had six months to run, the RC was still in the seller's name, and the seller had left the State and was untraceable.	Hypothecation could not be endorsed in the RC, so the bank's charge over the only security could not be perfected. Residual useful life was also shorter than the loan tenure sought.
3	The valuation report was issued by a valuer not on the bank's panel, and it valued the vehicles well above the price paid in a comparable transaction. The insurance policy had lapsed.	The lending margin computed on an unacceptable valuation would have been fictitious.
4	No income-tax returns for two years, no GST registration, no goods/service invoices in the name of the firm, no trip logs, and no written engagement from any tour operator — income was evidenced only by cash receipts.	Repayment capacity could not be computed. The bank had only the borrower's statement of average monthly earning, which is not a basis for a ₹54 lakh exposure.
5	Credit history: the existing vehicle loan was more than 60 days overdue, and two accounts guaranteed by the borrower had gone default.	Both direct and guarantee default point to the same problem.
6	End-use of an earlier MUDRA loan taken for a vehicle: the vehicle had been sold without the loan being closed and without the hypothecated asset being released.	Diversion of an earlier sanctioned purpose goes to conduct. Once this appeared in the verification report, the file had no prospect.
7	Basic KYC and business documents were inconsistent — address in KYC did not match the business address, no Shop & Establishment registration, PAN of the firm not linked to the account, no driver's employment terms.	Individually these are clerical. Together they showed a business with no records, which is why the substantive gaps could not be repaired either.

What went wrong in the end: The file failed on the first line of appraisal rather than the last: the proposed asset could not lawfully be plied as a tourist vehicle in the State, and the hypothecation of that asset could not be recorded because the registration itself was defective. Every other gap — income, valuation, credit history — only confirmed that there was no fallback repayment source. The bank recorded the reasons, recalled the earlier facility as per its terms, and advised the borrower in writing that a proposal for a compliant electric vehicle, with a permit in his own name, invoices for two seasons and the earlier default regularised, would be considered on its merits.

What could still have saved this file

The curable list that was left with the borrower: settle the arrears and close the earlier MUDRA account → obtain a tourist/taxi permit in his own name for a compliant (electric) vehicle → complete RC transfer and insurance before any valuation → obtain written engagement from at least two operators and maintain trip logs and invoices → register under GST and file returns for the periods due → and then re-apply for a new or near-new compliant vehicle whose residual life covers the loan tenure.

Case Study 6 (Not Sanctioned) — 12-Room Hotel at Pelling on Agricultural Land

CASE 06 | NOT SANCTIONED

 Hotel |  Pelling |  ₹1.6 crore

At a glance	
Borrower / unit	Partnership "Valley View Resort" (name changed); partners in business in the plains, no hospitality experience
Facility sought	₹1.6 crore — construction of a 12-room hotel on a plot described as agricultural, with a restaurant and parking
Stages covered	Application → legal title report → site visit → statutory-approval checklist → two adjournments → declined
Outcome	Declined after 5 months; composite application also violated the ₹1 crore single-window limit

The deficiencies in the process, documentation and statutory approvals

No	Gap observed	Why the file could not survive it
1	The land was agricultural. There was no order for non-agricultural use, no mutation in the name of the firm, and the purchase was supported only by a general power of attorney without a registered sale deed.	Title derived from an unregistered GPA is not marketable; the mortgage the bank was offered was therefore worth less than paper. This alone ends a construction finance proposal.
2	Construction had already begun without a sanctioned building plan, and the local body had issued a stop-work notice.	Financing an unauthorised construction means financing a structure that can be demolished. No tranche can be released against it.

No	Gap observed	Why the file could not survive it
3	No NOC from the Forest, Environment & Wildlife Development Department, and no SEIAA prior sanction, although the plot abutted forest land and lay in an ecologically sensitive zone; no Environmental Clearance/screening position was produced for the built-up area proposed.	In Sikkim the land-and-forest approvals are not sequential formalities after sanction — they determine whether the project exists at all.
4	No Consent to Establish from the Pollution Control Board, no sewage treatment or soak-pit/biodigester design for a 12-room property, no boiler/approval for the DG set, and no groundwater permission for the proposed borewell.	A hotel is an ongoing polluter by design. Absence of these approvals makes the operating cost in the DPR wrong as well as the compliance status.
5	Fire NOC could not be obtained because the access road was under the minimum width required for appliance access, and the certificate was offered as a "post-construction undertaking".	An occupancy-critical approval that is structurally unobtainable cannot be waived.
6	Financials: own contribution of 5% shown as an advance from a builder with no agreement; no hospitality experience; room tariff assumed at ₹9,000 against a local average of about ₹2,800; occupancy assumed at 70% throughout the year without allowing for monsoon and blockage of approach roads; debt service coverage negative up to year four.	The proposal was viable only on assumptions that the branch could not verify and the borrower could not support with any comparable data.
7	A single composite application was filed for ₹1.6 crore, although the single-window composite facility is available only up to ₹1 crore; no separate working-capital computation was submitted.	The file was procedurally incomplete before it was appraised on merits.
8	Guarantee cover was available for the quantum sought, but the partners declined to bear the guarantee fee and insisted on mortgaging the same defective land as the only security.	Above ₹25 lakh a bank may legitimately require security; but where the only security offered is the asset whose title and permissions are themselves the problem, there is no second way to repay.

What went wrong in the end: The file was held open for five months in the hope that the title and the land-use permissions would fall into place. They did not, because they were not gaps in paperwork but gaps in entitlement: without a registered sale deed, a conversion order, a sanctioned plan and the forest/environment clearances, there was no project to finance. The application was declined, the reasons (defective title, unauthorised construction, absence of land-use conversion and statutory clearances, unviable financial assumptions, procedural breach of the composite limit) were communicated in writing, and the partners were advised to regularise the title first and to consider a smaller, phased, homestay-category construction.

What could still have saved this file

The curable list that was left with the borrower: execute and register the sale deed and get the record-of-rights mutated → obtain the non-agricultural land-use order → obtain the sanctioned building plan and withdraw the stop-work position → obtain the forest/environment screening or SEIAA prior sanction, pollution consents, water permission and fire NOC → bring 15-25% genuine contribution through the banking channel with a partnership deed and partner net-worth statements → and re-apply in two tranches: a homestay-scale first phase and an expansion phase after two seasons of audited operating data.

PART C — WHAT THESE SIX CASES TOGETHER TEACH

C.1 The five questions on which every one of these cases turned

- 1. Is the asset legally financeable?** Whether the vehicle class is permitted, whether the land can carry the use, whether the structure is sanctioned. Where the answer is no, no document can substitute for it.
- 2. Is the charge perfectible?** A charge that cannot be registered — because the RC is in the seller's name, the title rests on an unregistered GPA, or the lease deed is not mutated — is not security.
- 3. Is the activity licensed?** FSSAI, homestay registration, permits, consents. The licence is what converts a project report into a lawful revenue stream.
- 4. Is the repayment evidenced?** Invoices, GST and tax returns, buyer or operator contracts, trip logs, sales registers. Cash statements are not a repayment source.
- 5. Is the contribution real?** Own funds traceable through the banking channel, at a margin that puts the borrower's own risk alongside the bank's.

C.2 Three habits that would have converted the three declined cases

- Sequence the approvals before the money: In Sikkim the land, forest, pollution and building approvals take longer than the loan. A borrower who starts them in month one and applies in month five is a sanctionable borrower.
- Build a paper trail of the business, not only of the loan: Invoices, registers, returns, buyer letters and trip logs are what allow a bank to lend against a small business; without them the file is decided on the borrower's word.
- Ask for the size the business can carry: Every declined file here was oversized — a full processing line, two second-hand vehicles, a twelve-room hotel — where a phased, smaller facility against demonstrated demand would have been approvable.

SANCTIONED CASES	NOT SANCTIONED CASES
✓ Legal asset	✗ Defective title / asset
✓ Required permissions obtained	✗ Missing permissions
✓ Genuine promoter contribution	✗ Unverified contribution
✓ Documented income	✗ Weak income evidence
✓ Realistic projections	✗ Unrealistic projections
✓ Proper security/guarantee structure	✗ Credit / conduct issues





Reserve Bank of India

Gangtok Regional Office



📍 Amdo Golai, NH-10, Tadong, Gangtok, Sikkim - 737102
☎ +91 3592-280050 | ✉ helpgangtok@rbi.org.in