

**Frequently Asked Questions (FAQs)
Risk Coverage Scheme for SMEs**

- 1. What is the validity of the Risk Coverage Scheme? Shall it be available on loans booked during the first 5 years since launch, i.e. up to June 30, 2029?**

Clarification: The validity of the scheme is 5 years from July 01, 2024, to June 30, 2029. Accordingly, the risk coverage will be available on all fresh loans disbursed during these 5 years.

- 2. What is a fresh loan for the purpose of coverage under the scheme?**

Clarification: All loans extended to new to the Bank SMEs and the loans extended to existing SMEs over and above the existing limits available to them from all the banks shall be considered fresh loans for the purpose of coverage under the scheme.

- 3. If a loan is booked during FY 2025-26 having a repayment tenor of 5 years, shall it remain covered till maturity of the respective loan under the Scheme?**

Clarification: Yes. the maximum tenor of the loan under the scheme is 5 years; all loans extended during the validity of the scheme shall have the risk coverage till their respective maturities.

- 4. Whether the Risk Coverage shall be available on non-fund based facilities such as trade-based advances/ Bank Guarantee payments?**

Clarification: No; the risk coverage under the scheme will be available only on fund based facilities.

- 5. Is the Risk Coverage applicable on the disbursed portfolio during the respective period, or is the coverage available on outstanding basis?**

Clarification: It will be available on the outstanding portfolio developed through the fresh loans to SMEs. The risk coverage will be determined on the basis of SME finance outstanding portfolio reported by banks on quarterly basis.

- 6. Will the risk coverage apply to loans provided to SMEs that graduated to commercial category during the loan period?**

Clarification: The risk coverage will be applicable if at the time of extending the loan the entity is SME. If a loan is disbursed as SME loan and during the tenor of loan if the entity graduates from SME to commercial, the risk coverage will remain intact till the maturity of loan.

7. In order to get benefit of risk coverage under the scheme, can a bank adjust loans of its existing customers/customers of other bank and extend new loans?

Clarification: No; such loans shall not be eligible for coverage under the scheme. Only the loans given to the new SME clients, or the loans given to the existing SME clients over and above their existing limits from all banks shall be eligible for coverage under the scheme.

8. Is the scheme applicable in the event of a fire incident, stock lifting, or other insured events where a loss is declared after the insurance claim?

Clarification: The banks will not claim the risk coverage if the loan has been settled through insurance claims. Further, the banks can submit claims under the scheme for the loan losses (principal only) not settled through insurance claim.

9. Does the scheme apply in case of customer's demise or other uncontrollable events that lead to a loan default?

Clarification: No; the banks will take life insurance cover for its SME clients. In case of death of the customer, the loan may be settled through insurance claims.

10. Will each bank need to apply for limits under the Risk Coverage Scheme or will loss coverage be available automatically for fresh financing from 1st July 2024 onward?

Clarification: The bank does not need to apply for risk coverage scheme. The limits have already been assigned to banks; the fresh loans extended even over and above the assigned limits will be covered under the scheme.

11. Is Risk coverage applicable on incentive schemes for SMEs?

Clarification: The risk coverage will be applicable on financing under incentive schemes provided that no risk coverage is being provided under the incentive scheme.
