



Stimulating Package for Re-energizing the MSME Sector in Sri Lanka

Government Funded Loan Scheme

Operating Guideline

DFD/2024/LF/OG/01

**Department of Development Finance
Ministry of Finance, Economic Stabilization and National Policies
Colombo, Sri Lanka**

02 May2024

1. Introduction

The Small and Medium-sized Enterprise (SME) sector has been recognized as an important strategic sector and it is considered as a change agent for inclusive economic growth, regional development, job creation, and poverty reduction. Moreover, it is anticipated to contribute to the transformation of lagging regions into burgeoning regions of prosperity and they account for more than 75 percent of all enterprises, provide percent of employment, and account for 52 percent of gross domestic product. SMEs promote broad-based equitable development and increase opportunities for women and youth to participate in the country's economic growth.

2. Objective

This project is for the purpose of providing concessionary credit facilities to eligible Micro, Small and Medium-sized Enterprise (MSME) sub-borrowers through selected Participatory Financial Institutions (PFIs) i.e. Licensed Commercial Banks (LCBs) and Licensed Specialized Banks (LSBs) at affordable interest rates with the objective of assisting existing MSMEs to survive, recover and expand and to provide seed capital for new MSMEs to commence business. The scheme has two main components: Component I: strengthening MSMEs that survived in the crisis and moved, and Component II: supporting MSMEs in the NPL category.

A sum of Rs. 20 billion have been accommodated for the implementation of the program. Further, according to the new regulation of the Central Bank of Sri Lanka (CBSL), the funds that was utilized for the projects implemented under the CBSL will be transferred to the General Treasury. These funds are also intended to be allocated to the component I time to time as per the utilization progress of the PFIs, since there is an increasing trend for investment loans in the market.

3. Overall Management of the Project

The Department of Development Finance (DFD) of the Ministry of Finance, Economic Stabilization and National Policies is the implementation agency of this loan scheme.

4. Areas of Operation of the Scheme

This loan scheme shall be operated in island wide

5. Participatory Financial Institutions of the Scheme

Licensed Commercial and Specialized Banks

6. Loan Component I: Strengthening the Existing MSMEs and Start-ups

6.1 Salient Features

6.1.1	Total Fund Allocation	:	Rs. 15 billion
6.1.2	Loan Limit	:	Maximum Rs. 15 million per MSME - An entity or an individual person can obtain only one loan under this scheme
6.1.3	Loan Type	:	Investment Loans only
6.1.4	Equity Contribution by MSME	:	Minimum of 10 percent of the total estimated cost of the respective project in cash or any kind of asset
6.1.5	Bank Loan	:	Maximum of 90 percent of the estimated cost
6.1.6	Refinance	:	100 percent of the loan amount disbursed by PFIs subject to the upper limits given at 6.1.2
6.1.7	Release Funds to PFIs	:	Maximum Rs. 750 million will be allocated to each selected PFIs as the first allocation and after utilizing 80 percent of the previous allocation the PFIs can request maximum Rs. 500 million as additional allocation. The additional funds will be allocated on first come first serve basis based on their pipeline.
6.1.8	Effective Rate to PFIs ¹	:	3 percent per annum
6.1.9	The Maximum On-lending Rate to End-borrower ²	:	7 percent per annum
6.1.10	Grace Period	:	Maximum of 12 months commencing from the date of disbursement of the first installment, if requested
6.1.11	Repayment Period ³	:	Maximum of 10 years including the grace period
6.1.12	Date of Implementation	:	02 May 2024

- 1. The applicable interest rate will be revised by the DFD by considering the fluctuations of the market interest rates, if needed.*
- 2. Interest rate initially imposed on each borrower should be valid for the entire loan repayment period of the respective borrower*
- 3. For loans granted for purchasing of machinery, equipment and furniture, repayment period should be restricted for a maximum up to the use of life time of the machinery, equipment and furniture.*

6.2 Eligibility of MSMEs

- 6.2.1 MSME whose turnover of the previous financial year is below Rs. 1,000 million and the number of employees is below 200 (need to satisfy both conditions). In the case of a group of companies, the total turnover of the group should be considered and must not exceed the aforesaid limits.
- 6.2.2 In order to be qualified to obtain sub loans, the enterprises must be registered. Sub borrowers who are not formally registered may qualify to obtain sub loans if they can submit evidence that its business registration application has been accepted by the respective registration authority.

- 6.2.3 Multiple loans cannot be obtained and one registered entity can obtain only one loan. In the case of a group of companies, only one loan can be obtained for entire group.
- 6.2.4 Under this scheme, loan proceeds cannot be used to settle existing loans.
- 6.2.5 Be a citizen in Sri Lanka.
- 6.2.6 Be able to satisfy the PFI that the proposed project has a sound cash flow, a good repayment capacity and high contribution to economic revival.
- 6.2.7 Be able to provide a proper business plan, with potential to growth.
- 6.2.8 Be able to provide collateral if any, as determined by the PFI.
- 6.2.9 In the event that the product or enterprise undergoes environmental screening, the MSME must obtain the necessary clearances from the relevant authorities. The PFI is obligated to verify that the clearances have been obtained prior to loan registration.

6.3 Eligible Beneficiaries

- 6.3.1 The MSMEs associated with manufacturing, construction, export oriented, tourism, apparel, fisheries, animal husbandry, agriculture and agro base industries.
- 6.3.2 All women-led enterprises. It is defined as; At least 51 percent of the enterprise ownership shall be controlled by women; OR shall be fulfill all of the following three (03) criteria;
 - (a) At least 20 percent of the enterprise ownership is controlled by women.
 - (b) A Woman is either the Chief Executive Officer (i.e. the most Senior Manager) OR Chief Operations Officer (i.e. Second most Senior Manager); and
 - (c) At least 30 percent of the board members are women; where a board exists.
- 6.3.3 Trading, leasing and renting businesses are not eligible for this scheme.
- 6.3.4 Trading is defined as “a business, which purchases finished/final products/service and sells the same without any value addition for reselling or final consumption”.

6.4 Eligible Economic Activities for Loans

Target beneficiaries are eligible for obtaining investment loans under the scheme for the following economic activities:

- (a) Purchase of assets such as machinery, equipment or furniture for business expansion, cost reduction initiatives i.e. solar installations or productivity improvement.
- (b) Vehicle purchase is not allowed unless it is a land vehicle or sub-borrowers are in the hotels or tourism sectors.
- (c) Introduce new or advance technologies for business upgrading.
- (d) New constructions / expansions / refurbishment of a factory, building, warehouse, and tourism sector related locations.

6.5 Registration of Sub-borrowers

6.5.1 The initial selection process of the sub-borrowers will be done by the Ministry of Industries (MOI) by calling applications from interested MSMEs.

6.5.2 Banks shall direct the MSMEs to submit their applications along with the business registration and the comprehensive project proposal to the one of the following respective officers who have been attached to;

Division Secretariat Offices - National Enterprise Development Authority (NEDA),
Small Enterprise Development Division (SED)
and Vidatha Unit

OR

Regional / District Offices Industrial Development Board (IDB)

OR

Provincial Offices Development Officers of MOI

OR

Directly to MOI

6.5.3 An Acceptance letter should be issued by the above officials to the respective MSMEs at the submission of the application and a recommendation letter of the MOI should be issued within five (5) working days after submit the applications to one of the officers mentioned in the above 6.5.2.

6.5.4 An evaluation will be done by the expert panel formed under the MOI in collaboration with the respective regional officer attached to MOI and after evaluating the project proposals submitted by the respective MSME, the expert panel will select the eligible sub-borrowers who have been able to fulfill all eligibility requirements and issue the recommendation letter to the respective applicant with a copy to respective bank.

6.5.5 In the event of delaying to issue the recommendation letter within the stipulated time period, bank may instruct the sub-borrowers to submit the application to the respective bank branch and the branch may follow the process and proceed the applications without the recommendation of the MOI from 6.5.6 onwards

6.5.6 Once receive the recommendation letters, eligible sub-borrowers should apply for sub-loans through the branch of the selected PFI closest to the applicant or location of the project on application form as per **Annex I**, with the descriptive project / business proposal. The PFIs have to ensure the accuracy and compatibility of the information provided in the **Annex I** and other supportive documents mentioned in the **Annex II**.

- 6.5.7 Branch Manager should conduct due diligence to assess the viability of the proposed investment by following banking procedures of the respective PFIs and submit the eligible proposals to the respective head offices with relevant information / documents.
- 6.5.8 Respective SME units of each PFIs established in head offices should enter the necessary data and upload the required documents to the system for the assessment of the DFD.
- 6.5.9 If all documents are in order and all requirements have been fulfilled, the borrower will be registered and a Temporary Loan Number (TLN) will be issued by the DFD on first-come-first-served basis subject to the funding quota of the respective PFI. It will be informed by the system generated “No Objection Letter” to the Head Office of relevant PFI by the DFD. It is important that all correspondence with DFD relevant to refinance carry the TLN wherever applicable. Branches of PFIs are advised to use this number on their ledger sheets for the purpose of identification of the sub-loan.
- 6.5.10 If the information provided is not in order, DFD reserves the right to reject the registration of the respective sub-loan and also reserves the right to refer back the registration application to the respective PFI, in the event that any further information or clarification is required.
- 6.5.11 If any discrepancy observed between the information provided at the registration and the information gathered through the field investigations, DFD reserves the right to cancel the respective sub-loan.

6.6 Release of Loan

- 6.6.1 Once received the “No Objection Letter”, the loans would be released by the respective banks for the sub-borrowers who are able to fulfill all other requirement of the banks by utilizing bank funds.
- 6.6.2 PFIs are required to disburse the loan to the sub-borrower within 60 days of receiving the No Objection Letter. If they fail to meet this deadline, the respective sub-loans will be automatically cancelled by the system.
- 6.6.3 If release the sub loans in tranche-wise, the manager of the PFI branch should satisfied with the utilization of previous tranche and the viability of the sub project of the prior to releasing the next tranche. The manager of the PFI branch is required to carry out an inspection of the sub-project prior to release each tranche of sub loan.
- 6.6.4 Refinance interest rate should apply from the date of release the refinance to the bank. Until that, the bank can charge prevailing interest rate of the bank.

6.7 Applications and Disbursement of Refinance

- 6.7.1 The sub loans released after the registered date are only qualified to receive the refinancing facility under this scheme.
- 6.7.2 The refinanced interest rate should be charged by the sub-borrower from the date refinance released by the DFD to the account of the respective PFI.
- 6.7.3 To obtain refinance from the DFD, the refinance applications should be submitted by the Head Office of the PFI to the DFD via online system as per the application given in **Annex III**. The refinance application should be accompanied by the supportive documents mentioned in the **Annex IV**.
- 6.7.4 PFI is required to submit separate refinance requests for each tranche for the sub loans that are disbursed in tranches.
- 6.7.5 Refinance requests should be submitted to DFD within 30 days of the disbursement of Sub-loans.
- 6.7.6 Upon approval of the refinance application, the DFD will approve the refinance based on the information provided in **Annex III** and other supportive documents on first come first served basis subject to the funding quota of the respective PFI mentioned in 6.1.7 and 7.1.6 and will inform the approval of the release of refinance with a permanent loan number to respective Head Office via online system.
- 6.7.7 DFD undertakes to ensure that the releasing of refinance within 7 working days of the receipt of the duly completed refinance application.
- 6.7.8 The PFIs have to ensure the accuracy and compatibility of the information provided in the **Annex III** and other supportive documents.
- 6.7.9 The information provided is not in order or if any discrepancy observed between the information provided at the registration and the information gathered through the field investigations, DFD reserves the right to reject the releasing the refinance of the respective sub-loan.

6.8 Repayment to the DFD

- 6.8.1 PFI shall repay each sub-loan (capital and the interest) on back to back basis in semiannually on 1st June and 1st December in each year based on the initial repayment schedule of the respective sub-loan.
- 6.8.2 Capital payments on refinance loan shall be payable by the PFIs to the DFD commencing from the end of the grace period and the interest payment shall be payable from the date of the loan release to the PFI at the date mentioned in the above 6.8.1.

- 6.8.3 The Principal amount repayable by PFI shall be the sum total of the funds transferred to the PFI from DFD.
- 6.8.4 PFI shall pay interest as per the interest rates mentioned in the paragraph 6.1.8 and 7.1.7 interest shall be computed on the basis of a 360 days year of twelve thirty-day months.
- 6.8.5 Semi-annual repayment amount of the capital and the interest will be informed to the PFI 14 days prior to the due payment date by DFD.

7. Component II: MSMEs in the NPL Category

7.1 Salient Features

7.1.1	Total Fund Allocation	:	Rs. 5 billion
7.1.2	Loan Limit	:	Maximum Rs. 5 million per MSME - An entity or an individual person can obtain only one loan under this scheme
7.1.3	Loan Type	:	Working Capital Loans only
7.1.4	Bank Loan	:	Maximum of 100 percent of the estimated cost
7.1.5	Refinance	:	100 percent of the loan amount disbursed by PFIs subject to the upper limits given at 7.1.2
7.1.6	Release Funds to PFIs	:	Maximum Rs. 200 million will be allocated to each selected PFIs and after utilizing 80 percent of the previous allocation the PFIs can request maximum Rs. 200 million as additional allocation. The funds will be allocated on first come first serve basis based on their pipeline.
7.1.7	Effective Rate to PFIs	:	4 percent per annum
7.1.8	The Maximum On-lending Rate to End-borrower	:	8 percent per annum
7.1.9	Grace Period	:	Maximum of 6 months commencing from the date of disbursement, if requested
7.1.10	Repayment Period	:	Maximum of 5 years including the grace period
7.1.11	Date of Implementation	:	02 May 2024

7.2 Eligibility of MSMEs

In addition to the eligibility criteria mentioned in clauses 6.2.1-6.2.9 above, the following should also be applicable for component II of the loan scheme:

- 7.2.1 MSMEs that are in operational level but classified as Non-Performing Borrowers due to unsettlement of existing loans as a results of the recent economic downturn are eligible for obtaining loans under this component. Fully closed-down MSMEs are excluded.

- 7.2.2 Priority should be given to persons / MSMEs which became NPL due to being a guarantor for other personal / business loans.
- 7.2.3 Willful defaulters, defaults due to the diversion of funds, defaults due to frauds should not be considered.
- 7.2.4 Banks are allowed to increase the interest rate to the market rate if the borrower does not settle the loan within its original tenure.
- 7.2.5 If the sub-borrower misuses the funds, the bank can convert the loan to a higher interest rate or apply a higher penalty to compensate for the loss with notice to DFD of the withdrawal of the benefit.

7.3 Eligible Beneficiaries

Same as the clause No. 6.3.

7.4 Eligible Economic Activities for Loans

Beneficiaries are eligible to obtain working capital for their existing business.

7.5 Registration of the Sub-borrowers

- 7.5.1 The initial selection process of the sub-borrowers will be done by the Ministry of Industries (MOI) by calling applications as per the **Annex VI** from interested MSMEs.
- 7.5.2 MSMEs can submit their applications to the respective officer of the National Enterprise Development Authority (NEDA) Small Enterprise Development Division (SED) and Vidatha Unit Industrial Development Board (IDB) or Development Officers of MOI attached to each Divisional Secretariat, District secretariat, Provincial council or directly to MOI and evaluation will be done by the expert panel formed under the MOI in collaboration with the respective regional officer attached to MOI.
- 7.5.3 After evaluating the project proposals submitted by the respective MSME and on the results of the physical inspection, the expert panel will select the eligible sub-borrowers who have been able to fulfill all eligibility requirements and issue a recommendation letter to the respective applicant with a copy to respective bank.
- 7.5.4 Once receive the recommendation letters, eligible sub-borrowers should apply for sub-loans through the branch of the selected PFI closest to the applicant or location of the project on application form as per **Annex I**, with the descriptive project / business proposal. The PFIs have to ensure the accuracy and compatibility of the information provided in the **Annex I** and other supportive documents required.
- 7.5.5 In addition to above 7.5.1-7.5.4, clauses No. 6.5.2-6.5.6 should be followed.
- 7.5.6 If a PFI rejects an eligible sub-borrower recommended by the MOI, the bank must report to the MOI with justification for rejection.

7.6 Release of Loans

Same as the clause No. 6.6.

7.7 Security Requirement

PFI should obtain required securities to mitigate the risk by revaluating the existing assets that were collateralized to the bank by the respective sub-borrower or in cases where the reevaluated assets are insufficient to cover the risk of the new loan, the respective bank can obtain new guarantees/ assets as collateral to cover the risk of the new loan.

7.8 Applications and Disbursement of Refinance

Same as the clause No. 6.7.

7.9 Repayment to the DFD

Same as the clause No. 6.8.

8. Post Credit Supervision

8.1 The bank should undertake periodic inspections of the investments financed by the PFI branches to ascertain that the borrowers are engaged in the activities identified under the project.

8.2 In respect of acquisition of assets such as equipment, machinery, tools, raw materials and agricultural inputs for sub-loans, the field officer of the branch should verify the supply of same to the borrower by the supplier to whom payment was made direct on behalf of the borrower soon after the loan was released and obtain an acknowledgement from the borrower for the file.

8.3 A letter of guarantee issued by the supplier for due performance of the machinery and implements and equipment supplied to the borrower should be held by the branch during the warranty periods. The borrower should be required to bring to the notice of the lending branch the manufacturing defects during the warranty period so that the branch could take up the matter with the supplier immediately for any corrective action, if necessary.

8.4 The field officer of the branch is required to carry out an inspection after release of every installment to verify the utilization of the sub-loan for the intended purpose. A utilization verification report should be submitted by the field officer in respect of each installment released. The second and subsequent installments should be released upon submission of utilization verification reports.

8.5 The field officer of the branch should visit the sub-projects regularly with a view to maintaining close contact with the sub-borrowers for recovery of sub-loans. These visits

are intended to verify the progress of investments and whether the borrowers continue to be in possession of items financed by the PFI and the investment yields the income as envisaged at the time of application.

9. Role of the Stakeholders of the Scheme

9.1 Role of the PFIs

- 9.1.1 Each PFI shall designate a full time senior officer as the administrator of the loan scheme at its Head Office who will be responsible for coordinating and supervising the PFIs' sub-loan operations. The functions allocated to each PFI are as follows:
- 9.1.2 Ensure that the required staff is allocated to implement the Scheme, throughout the branch network.
- 9.1.3 Designate an appropriate number of branches for granting of loans and make such branch staff aware on the implementation of the Scheme.
- 9.1.4 The Head Office of PFI shall issue relevant guidelines and instruct its branches to issue loan applications to the eligible sub-borrowers and collect such loan applications.
- 9.1.5 Undertake publicity on the Loan Scheme.
- 9.1.6 Evaluate the credit worthiness of borrowers and grant loans subject to the recommendations made by the DFD.
- 9.1.7 Undertake periodic inspections to ascertain that the borrowers utilize the loans for which the loans are granted.
- 9.1.8 Take all possible measures including frequent visits, sending reminders to borrowers to recover the loans (capital & interest) as per the scheduled repayment plan.
- 9.1.9 Maintain a separate ledger or a database by each branch of the PFI in respect of loans granted under the Scheme.
- 9.1.10 Take action to recover sub-loans
- 9.1.11 Maintain records and a separate database for refinance operations.
- 9.1.12 Repay the principal of the refinance loans provided to the PFIs with the interest accrued to the DFD as mentioned in paragraph 6.8.
- 9.1.13 Report the details of loan disbursements on or before 15th of each month for the preceding month, to the DFD.
- 9.1.14 Submit a report on such registered loans which have not been disbursed due to a specific reason, early settlement of loans and over-payment of loan installments by the borrowers as and when it is required by DFD.

9.2 Role of the Ministry of Industries (MOI)

- 9.2.1 Carry out the selection process of the sub-borrowers under the component I and II by calling applications in an appropriate method.
- 9.2.2 Assign the officers attached to the each levels of Divisional Secretariats, District Secretariats, Provincial Councils to pay visit to each MSMEs applied for working capital loan and evaluate the status.
- 9.2.3 Issue internal circular/s to direct each level officials to follow the procedures.
- 9.2.4 Issue an Acceptance letter to each MSME applicant with a copy to relevant bank.
- 9.2.5 Formulate a specified panel to select suitable sub-borrowers.
- 9.2.6 Issue a recommendation letter to each eligible MSME applicant with a copy to relevant bank.
- 9.2.7 Maintain a separate database on sub-borrowers recommended to the PFI in respect of loans granted under the component I and II.
- 9.2.8 A designated unit to monitor the progress of sub-projects of the both components should be established at the MOI in collaboration with its affiliated institutions and the Department of Development Finance.
- 9.2.9 The progress of the particular projects should be reported to the DFD semiannually through the designated unit of MOI.

9.3 Role of the DFD

- 9.3.1 Issue Operating Instructions and necessary amendments to PFIs as and when necessary.
- 9.3.2 Sign the relevant agreements with PFIs.
- 9.3.3 Register the details of the applicants approved by PFIs on first come-first-served basis, within 07 working days, based on the recommendation given by the PFI and subject to the funds available.
- 9.3.4 Operating and maintaining the online system.
- 9.3.5 Allocate a designated Enquiry Number to every registered loan applicant and notify it to the Head Office of the relevant PFI.
- 9.3.6 Ensure disbursing refinance within 7 working days after receiving duly completed refinance application, on first come first served basis, subject to the availability of funds allocated to each PFI.

- 9.3.7 Collect recoveries of refinance amounts with the accrued interest at the rate of 3 percent and 4 percent p.a. from the PFIs as mentioned in the paragraph 6.8.
- 9.3.8 Maintain separate accounts for the loan scheme.
- 9.3.9 Prepare annual financial statements of the loan scheme and submit such financial statements to the Auditor General.
- 9.3.10 Continuous monitoring of the progress of sub-loan processing and provision of necessary assistance to PFIs in implementing the loan scheme and supervising credit.
- 9.3.11 Monitoring and evaluation of benefits accruing to sub-borrowers with a view to observing the impact of the loan scheme in relation to its planned objectives and if necessary, adopting measures to improve benefits to be received by sub-borrowers.
- 9.3.12 Monitoring and evaluating the performance of the PFIs during the project implementation period.
- 9.3.13 Organizing training programs and awareness programs to make cover the PFI staff Government officers and general public.

10. Duration of the Scheme and Termination

The implementation of the scheme will commence with effect from May 02, 2024 and shall be terminated on May 01, 2026

11. Other Matters

The DFD has the right to revise the terms and conditions in respect of refinance scheme as and when necessary with prior notice to the PFIs.

Malarmathy Gangatharan
Director General
Department of Development Finance
Ministry of Finance, Economic Stabilization and National Policies
The Secretariat
Colombo 01.

May 02, 2024

STIMULATING PACKAGE FOR RE-ENERGIZING THE MSME SECTOR IN SRI LANKA

GOVERNMENT FUNDED LOAN SCHEME
REGISTRATION APPLICATION

Loan Amount:
Approved Date:

Loan No. To be filled by DFD/MOF

1. PFI DETAILS

1.1 Name of the PFI:

1.2 Branch of the PFI:

1.3 Branch Contact No.:

2. BORROWER'S DETAILS

2.1 Name of the Business:

2.2 Business Address:

2.3 District of the Business located:

2.4 Business Registration No:

2.5 Date Registered: DD/MM/YY

2.6 Eligible Sector: (Please mark the relevant)

Nature of the business	Women-led		Climate Financing		Export-oriented			Eligible Sub-sector	Pls. mark the relevant
	Yes	No	Yes	No	Yes		No		
					Direct	Indirect			
Agriculture								Agriculture & Agro Processing :	
Tourism								: Paddy Millers	
Manufacturing								: Tea Factory	
Technology								: Oil Millers	
Export-oriented								: Floriculture	
								: Others (pls. mention)	
								Apparel & Garments	
								Animal Husbandry	
								Beauty Culture/dressmaking	
								Construction Industry	
								Carpentry, Furniture & Lathe work	
								Educational activities	
								Fisheries	
								Healthcare activities	
								IT/Software development	

								Manufacturing: Foot wear/Gift items/Machinery ect,	
								Mining & quarrying	
								Ornamental Fish	
								Processed Food: Bakery items/Catering/mobile foods etc,	
								Tourism & Restaurants	
								Transport	
								Others except Trading/Leasing & Renting etc,	

2.7 Annual Turnover of the Business in the previous year:

Rs.....Mn/ Year.....(from [month/year] to [month/year])

2.8 Employment:

Gender	No. of Employees	
	Existing	Expected/ New
Female		
Male		
Total		

2.9 Target Category: (pls. Mark the relevant)

Category 01- Micro		Category 02- Small		Category 03- Medium	
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***Pls. refer Note 1**

2.10 Type of Business: Sole-Proprietor Partnership Company

2.11 Details of Owner/Partners/Directors:

SN	Name in Full	NIC No* (Pls attach a certified copy/copies)		Tele/Mobile (Compulsory)
		Old	New	
1				
2				
.....				

* If a borrower holds a new NIC number, please mention the old NIC number as well. (If available).

2.12 Brief description of the Existing Business: (Minimum 50 words)

3. LOAN DETAILS

3.1 Loan Amount: (Maximum Rs. 15 million for Component I and Maximum Rs. 5 million for Component II) Rs.....Mn

- 3.2 Interest Rate of the Loan : (%)
- 3.3 Grace Period : (in months)
- 3.4 Repayment Period (excluding grace period): (in months)
- 3.5 Brief description of the project as per the Credit Appraisal: (*Minimum 50 words*)

(The details of the expected improvement in annual turnover and the employment opportunities due to new working capital loan facility should also be included)

4. COLLATERAL DETAILS

4.1 Type of Security (*pls. mark relevant*)

Collateral		Type of Security	
1. No		None	
		Guarantors	
2. Yes		Movable Assets	
		Immovable Assets	
		Guarantors	
		Others: (deposits/Promissory Notes)	

5. RECOMMENDATION/APPROVAL

This is to certify that we have appraised the application made by(borrower's name) of(borrower's address) for a loan of Rs.....(loan amount) and are of the opinion that on the basis of the investigations done and the assumptions used, the project is financially viable and technically feasible.

.....
 Prepared by:
 Officer
 Date: DD/MM/YY

.....
 Recommended by:
 Branch Manager
 Date: DD/MM/YY

.....
 Authorized by:
 Authorized Officer/Head Office
 Date: DD/MM/YY

Note 1: Definition of the MSMEs

Size/Sector	Criteria	Medium	Small	Micro
Manufacturing	Annual Turnover (Rs. Mn)	351-1000	20 -350	less than 20
	No. of Employees	51-200	10-50	less than 10
Service sector	Annual Turnover (Rs. Mn)	351-1000	20 -350	less than 20
	No. of Employees	51-200	5 -50	less than 5

Note: if when an MSME comes across two parameters, the parameter that yields a higher value between the number of employees and the annual turnover would be the decisive factor in determining which category it falls under.

Evidencing Proper Utilization of the Sub Loan Proceeds – Approval Level

1. A Copy of the Business Registration (BR)
 - a. For sole proprietorship and partnership – Certificate of registration issued by the relevant local authority
 - b. Private limited company – Form 01 and other relevant forms with the details of directors, shareholders, and company address etc.
 - c. If the applicant has not obtained the BR yet, the payment receipt obtained from the relevant local authority for applying for the BR
2. Approved bank evaluation report
3. If the application in NPL Category, working capital calculation as per the specimen in **Annex V (Original) - *applicable only for the Component II***
4. If a MSME in export sector, documents to prove its engagement in export related activities
5. If a construction, provide BOQ
6. If a machinery purchase, provide quotation
7. If the SME Not previously borrowed from a licensed and or specialized commercial bank, provide CRIB Report

REFINANCE APPLICATION NO.....

TLN NUMBER

(To Operating Guidelines No DFD/2024/LF/OG/01)

Date:

APPLICATION FOR REFINANCE UNDER

The Stimulating Package for Re-energizing the MSME Sector in Sri Lanka - Government Funded Loan Scheme

To: Department of Development Finance.

Gentlemen

We, a Licensed Commercial Bank / and Licensed Specialized Bank, do hereby apply for the grant of a loan of Rupees

..... (Rs.....) for the purpose of claim the refinance the funds released to the following MSME under the above loan scheme.

MSME Borrower Name: _____

Loan Amount Disbursed: _____

Purpose of Loan: _____

Loan Tenure: _____

Interest Rate: _____

Repayment Schedule: _____

Details of Collateral (if any): _____

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Guidelines No. DFD/2024/LF/OG/01.
3. We certify that the loans mentioned in the above have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby expressly agree to repay the monies disbursed to us in terms of this application to you as stipulated in the Operating Guidelines No. DFD/2024/LF/OG/01
5. We hereby certify that we have satisfied ourselves that
 - (i) the loans granted to borrowers mentioned in the above are within their borrowing powers;
 - (ii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees;and
 - (iii) understand that any false statement or misrepresentation may lead to the rejection of this application.

Signature

Name and description of the Authorized Officer(s) of the PFI
Manager, Refinance Unit.

Evidencing Proper Utilization of the Sub Loan Proceeds – Refinance Level

1. A Copy of the Offer letter(Condition letter) issued by PFI to the sub borrower
2. A certified copy of the Borrower's Bank Statement/Bank Pay Order or Cheque payment
3. If a vehicle purchase, provide a copy of Vehicle Registration/Vehicle book
4. If a machinery purchase, valid and certified purchase evidence

Turnover / Sales			
Cost of Sales			
Current Assets			
- Inventories	- Raw material	$\left(\frac{\text{Cost of Sales/Purchases}}{365}\right) \times \text{Raw Material Holding Period}$	A
	- Work in progress	$\left(\frac{\text{Cost of Production}}{365}\right) \times \text{Work In Progress holding Period}$	B
	- Finished Goods	$\left(\frac{\text{Cost of Sales}}{365}\right) \times \text{Finished Goods Holding Period} *$	C
- Debtors		$\left(\frac{\text{Credit Sales}}{365}\right) \times \text{Debtors Collection Period} **$	D
- Other Current Assets (specify)			E
Total Current Assets		(A+B+C+D+E)	F
Current Liabilities			
Trade Creditors		$\left(\frac{\text{Credit Purchases}}{365}\right) \times \text{Creditors Payment Period} ***$	G
Other Current Liabilities (Excluding Bank Borrowings)			H
Total Current Liabilities		(G+H)	I
Total Working Capital Needed		(F-I)	J
(Less) / Add : Working Capital Available in the Business (Long-term sources less long-term uses)			K
Net Working Capital Needed from Bank Borrowings		(J-K)	L
(Less) : Already financed with bank borrowings (Our Bank & other Bank)			M
Additional Working Capital Requirement		(L-M)	N

$$* \text{Finished Goods Holding Period} = \left(\frac{\text{Average Finished Goods Stocks}}{\text{Cost of Sales}}\right) \times 365$$

$$** \text{Debtors Collection Period} = \left(\frac{\text{Average Trade Debtors}}{\text{Credit Sales or Total Sales}}\right) \times 365$$

$$*** \text{Creditors Payment Period} = \left(\frac{\text{Average Trade Creditors}}{\text{Cost of Sales}}\right) \times 365$$

.....
 Prepared by:
 Officer
 Date:

.....
 Recommended by:
 Branch Manager
 Date:

.....
 Authorized by:
 Authorized Officer/Head Office
 Date:

Application Form for Working Capital Loan – NPL Category

MSME Details:

1. Name of MSME: _____
2. Registration Number: _____
3. Address: _____
4. Contact Person: _____
5. Contact Number: _____
6. Email Address: _____
7. Nature of Business: _____
8. Number of Employees: _____

Financial Information:

9. Current Financial Year Revenue: _____
10. Net Profit/Loss: _____
11. Reason for Non-Performing Loan (NPL) Status: _____

Loan Details:

12. Amount of Working Capital Loan Required: _____
13. Purpose of the Loan: _____
14. Loan Tenure and Grace Period Requested: _____
15. Repayment Plan: _____
16. Collateral Offered (if any): _____

Declaration:

I, [Name of Applicant], hereby declare that the information provided in this application is true, accurate, and complete to the best of my knowledge. I understand that any false statement or misrepresentation may lead to the rejection of this application.

Signature: _____

Date: _____