**“Rebooting CGTMSE” – Press Release**

Ministry of Micro, Small and Medium Enterprises (MSME), Government of India launched the Credit Guarantee Scheme (CGS) to strengthen credit delivery system and facilitate smooth flow of credit to the Micro and Small sector without hassles of collateral security and third party guarantee. For operationalising the scheme, **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)** was set up in August 2000 with a committed corpus of ₹2,500 crore. CGTMSE facilitates access to finance for un-served and under-served geographies, making availability of financial assistance from conventional lenders to first generation entrepreneurs and under privileged section of society who lack collateral security and/or third party guarantee for supporting their ventures. Recognising the significant contribution made by CGTMSE so far, GoI has decided to increase the corpus of the Trust to ₹7,500 crore

The main objective of the Credit Guarantee Scheme is that the lender should give importance to project viability and secure the credit facility purely on the basis primary security of the assets financed. The other objective is that lender availing guarantee facility should endeavour to give composite credit (term loan and working capital facilities from single agency) to the borrowers. Presently, the financial assistance upto ₹200 lakh extended to micro and small enterprises by Banks/NBFCs are being guaranteed by CGTMSE through an automated B2B digital platform.

In its over 17 years of operations, CGTMSE has approved over 30 lakh of guarantees covering loans amounting to over ₹1.45 lakh crore on cumulative basis. The units supported by CGTMSE have generated employment to the tune of 99 lakh and export earning of ₹8576 crores. Approximately, 16% women and 8% SC/ST/Minorities entrepreneurs have been benefited by the scheme.

In order to cover large number of MSEs and improve the ease of delivery, there have been continuous modifications in the product line of CGTMSE. CGTMSE has recently introduced major structural changes in the current guarantee schemes which would make the scheme more attractive to the Banks and would enable increased credit flow to the MSE Sector. The proposed policy changes have been arrived based on detailed discussions with key stakeholders such as RBI, IBA and feedback received from Banks and NBFCs to identify ways to improve the scheme efficiency and coverage.

To enhance the attractiveness of the scheme, CGTMSE has undertaken the following key policy changes including change of LOGO of the Trust which were unveiled in an event” **REBOOTING CGTMSE”** organised on February 20, 2018 at New Delhi in the gracious presence of Hon’ble Minister of State (I/C), Ministry of MSME, GoI Shri Giriraj Singh. Besides the Hon’ble Minister the event was attended by Dr. Arun Kumar Panda, Secretary, Ministry of MSME, GoI, Shri Ram Mohan Mishra, Additional Secretary cum Development Commissioner (MSME), Ministry of MSME, GoI and Shri Mohammad Mustafa, Chairman and Managing Director, Small Industries Development Bank of India (SIDBI). Over 800 participants including host of senior bank officials and MSE entrepreneurs / representatives of MSE industry association from NCR region also attended the event. Following changes were announced during the above programme:-

1. Charging Annual Guarantee Fees (AGF) on outstanding loan amount as against the current practice of charging guarantee fee on sanction amount CGTMSE. This has been long standing demand of the Member Lending Institutions (MLIs) and MLIs expect huge uptake in guarantee backed loans due to this. Further, this change will incentivise the disciplined MSE borrower.
2. Expanding the Coverage of the Credit Guarantee Scheme (CGS) to cover MSE Retail Traders segment. This would enable considerable scope of expansion as the segment forms a large chunk of the MSE Sector. Currently financial assistance to MSE engaged only in manufacturing and services were eligible for coverage under CGTMSE.
3. Allowing loans with Partial Collateral Security under Credit Guarantee Scheme. This apart from bringing large chunk of loans under the ambit of credit guarantee scheme would also help in promoting disciplined credit behaviour.
4. Increase in the extent of guarantee coverage for proposals above ₹50 lakh would make the scheme more attractive for the MLIs and facilitate increased credit flow to MSE. Currently extent of coverage for loans above Rs. 50 lakh is 50 %, which has since been enhanced to 75%.
5. Introducing new product for NBFCs to enable them assist MSE under credit guarantee scheme. Allowing NBFCs to avail benefits of credit guarantee would increase the scheme coverage as NBFCs have become an integral part of credit delivery ecosystem for meeting credit demand of MSE sector.
6. Enhancing IT infrastructure of the Trust to improve operational efficiencies and reduce the turnaround time for guarantee coverage and claim settlement. The whole process of availing guarantees and claim settlement have been digitised to enable better experience for borrowers and Member Lending Institutions.

The above mentioned major policy changes undertaken by the Trust are expected to greatly increase the attractiveness and effectiveness of credit guarantee scheme for micro and small enterprises leading to increased flow of credit to the sector.

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