



Credit Guarantee Scheme for Startups (CGSS)

Why in News?

Recently, the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry has notified the **credit guarantee scheme for [start-ups](#)**.

What is the Credit Guarantee Scheme for Startups (CGSS)?

- About:
 - The scheme has been **approved for the purpose of providing credit guarantees** to loans extended by Member Institutions (MIs) to finance eligible borrowers being startups.
 - MIs include **financial intermediaries** (banks, financial institutions, [Non-Banking Financial Companies](#)) engaged in lending/investing and conforming to the eligibility criteria approved under the Scheme.
 - This scheme **would help provide the much-needed collateral-free debt** funding to start-ups.
 - The credit guarantee cover under the Scheme would be **transaction based and umbrella based**.
 - The exposure to individual cases would be **capped at Rs. 10 crore per case** or the actual outstanding credit amount, whichever is less.
 - In respect of **transaction-based guarantee cover**, the guarantee cover is obtained by the MIs on a single eligible borrower basis.
 - Transaction based guarantees will promote lending by Banks/ NBFCs to eligible startups.
 - The umbrella-based guarantee cover will provide guarantee to Venture Debt Funds (VDF) registered under Alternative Investment Funds (AIF) regulations of [Securities and Exchange Board of India \(SEBI\)](#).
- Aim:
 - To **support startups that are hit hard by the pandemic** and are now going to be impacted further by the rising interest rate scenario when liquidity is unlikely to be easily available to new entrepreneurs.

What is the State of Start-ups in India?

- About:
 - India has become the **3rd largest start-up ecosystem** in the world after the US and China.
 - India is home to as many as 75,000 Startups.
 - 49% of start-ups are from tier-2 and tier-3 cities.
 - There are currently 105 unicorns, out of which 44 were born in 2021 and 19 in 2022.
 - Startups are also emerging in the fields like IT, [agriculture](#), [aviation](#), [education](#), [energy](#), [health](#) and [space sectors](#).
- Related Initiatives:
 - National Initiative for Developing and Harnessing Innovations (NIDHI)
 - [Startup India Action Plan \(SIAP\)](#)
 - [Ranking of States on Support to Startup Ecosystems \(RSSSE\)](#)
 - [Fund of Funds for Startups \(FFS\)](#)

Source: PIB

PDF Reference URL: <https://www.drishtiias.com/printpdf/credit-guarantee-scheme-for-startups-cgss>

