

Mutual Credit Guarantee Scheme for MSMEs

Source: PIB

Why in News?

The Government of India has approved the introduction of the Mutual Credit Guarantee Scheme for MSMEs (MCGS- MSME).

What is MCGS- MSME?

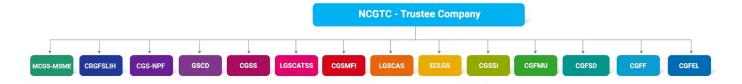
- About: It is an initiative designed to facilitate access to credit for MSMEs by offering
 a guarantee for loans extended to them by reducing the risk perceived by lenders.
- Key Features:
 - Target Borrowers: MSMEs with valid **Udyam Registration Number**.
 - Loan Limit: Up to Rs 100 crore for purchase of equipment/machinery.
 - Loan Guarantee: National Credit Guarantee Trustee Company Ltd (NCGTC) provides 60% guarantee coverage to Member Lending Institutions (MLIs).
 - Project Costs: 75% of the project cost should be for equipment/machinery.
 - Scheme Duration: Applicable for 4 years or until Rs. 7 lakh crore cumulative guarantee is issued, whichever is earlier.
- Significance:
 - Boost to Manufacturing: Enhances credit availability for MSMEs, which contribute 17% to India's GDP.
 - **Support for Make in India:** Aligns with the vision to increase the <u>manufacturing sector</u> 's share to **25% of GDP**.
 - Credit Access: Facilitates collateral-free loans for MSMEs to expand.
 - **Employment Growth:** Creates significant job opportunities in the manufacturing sector, **employing over 27 million**.

Note: MLIs include all <u>Scheduled Commercial Banks (SCBs)</u>, <u>Non-Banking Financial Companies (NBFCs)</u> and <u>All India Financial institutions (AIFIs)</u>, who register with NCGTC under the Scheme.

What is National Credit Guarantee Trustee Company Ltd (NCGTC)?

- About: NCGTC is a common trustee company to manage and operate various credit guarantee trust funds to help borrowers access finance by sharing lending risks with lenders.
 - It provides loan guarantees to lenders (like banks and financial institutions), encouraging credit extension to underserved sectors like MSMEs, startups, and vulnerable groups.
- Establishment: It was established in March 2014, under the Indian Companies Act, 1956, with a paid-up capital of Rs 10 crore.
 - It is a **private limited company** that is **fully owned by the Government of India** and operates under the **Department of Financial Services**, **Ministry of Finance**.

 Coverage: NCGTC currently manages 14 dedicated credit guarantee trust schemes including MCGS-MSME, <u>Credit Guarantee Fund for Micro Units (CGFMU)</u>, <u>Emergency Credit Line Guarantee Scheme (ECLGS)</u> among others.



UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

- Q. What is/are the recent policy initiative(s)of Government of India to promote the growth of manufacturing sector? (2012)
 - 1. Setting up of National Investment and Manufacturing Zones
 - 2. Providing the benefit of 'single window clearance'
 - 3. Establishing the Technology Acquisition and Development Fund

Select the correct answer using the codes given below:

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (d)

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