



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 [manufacturing sector](#)'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**.

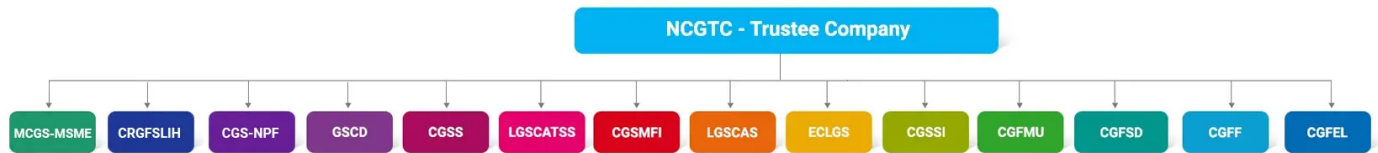
Note: MLIs include all [Scheduled Commercial Banks \(SCBs\)](#), [Non-Banking Financial Companies \(NBFCs\)](#) and [All India Financial institutions \(AIFIs\)](#), who register with NCGTC under the Scheme.

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**, **Credit Guarantee Fund for Micro Units (CGFMU)**, **Emergency Credit Line Guarantee Scheme (ECLGS)** among others.

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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)