



CGTMSE Scheme

For Prelims: CGTMSE Scheme, MSMEs, SIDBI, Initiatives for MSME Credit

For Mains: MSMEs - Government Policies & Interventions, Initiatives for their promotion

Why in News?

The Union Minister for MSME recently launched the revamped [Credit Guarantee Fund Trust for Micro and Small Enterprises \(CGTMSE\) Scheme](#).

What is the CGTMSE Scheme?

- **About:**
 - It was launched in **2000** by the Government of India (GoI) to make available **collateral-free credit to the [micro and small enterprise sector](#)**.
- **Scope:**
 - Both the **existing and the new enterprises are eligible** to be covered under the scheme.
- **Funding:**
 - The corpus of CGTMSE is contributed by the **GoI and [SIDBI](#)** in the **ratio of 4:1 respectively**.
 - The Ministry of MSMEs, and **Small Industries Development Bank of India (SIDBI)** established a trust named **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)** to implement the **CGTMSE Scheme**.
- **Financial Inclusion for MSMEs:**
 - While launching the revamp of CGTMSE, it was announced that CGTMSE will collaborate with National Institute for MSME, Hyderabad for **setting up a Centre of Financial Inclusion**.
 - The Centre is expected to provide **financial literacy and credit counselling to MSEs**, thus helping them to better **utilize the benefits of the CGTMSE Scheme**.
- **Note:** SIDBI was set up in April 1990 under an Act of the Indian Parliament, acts as the **Principal Financial Institution for the Promotion, Financing, and Development of the MSME sector** as well as for coordination of functions of institutions engaged in similar activities.

What is the Revamped CGTMSE?

- **Major Changes:**
 - The revamped version of the CGTMSE Scheme has been provided with an additional corpus support of **₹9,000 crore in the [Union Budget for FY 2023-24](#)** to provide a guarantee for an additional ₹2 lakh crore to MSEs.

- Other major changes made in the revamped version include:
 - **Reduction in guaranteed fees** for loans up to ₹1 crore by 50%.
 - **Raising of ceiling** for guarantee from ₹2 crore to ₹5 crore.
 - **Raising the bar for claim settlement** without taking legal action from the **previous limit of Rs. 5 lakhs to Rs. 10 lakhs.**
- **Significance:**
 - The reduced guaranteed fees will **make it easier for MSEs to avail loans.**
 - The increased ceiling for **guarantee and threshold limit for claim settlement will provide better protection to lenders** in case of any default by the borrower.
 - The scheme is expected to **boost credit flow to MSEs**, thus creating more employment opportunities in the country.
 - These changes have been made to improve the **accessibility, affordability and availability of credit to MSEs**, especially in the wake of the **COVID-19 pandemic** and its impact on their businesses.

What are the Other Initiatives Related to MSME Credit?

- **Prime Minister's Employment Generation programme (PMEGP):** It is a credit linked subsidy scheme, for setting up of new micro-enterprises and to generate employment opportunities in rural as well as urban areas of the country.
- **Scheme of Fund for Regeneration of Traditional Industries (SFURTI):** It aims to properly organize the artisans and the traditional industries into clusters and thus provide financial assistance to make them competitive in today's market scenario.
- **Interest Subvention Scheme for Incremental Credit to MSMEs:** It was introduced by the **RBI** wherein relief is provided upto 2% of interest to all the legal MSMEs on their outstanding fresh/incremental term loan/working capital during the period of its validity.
- **Interest Subsidy Eligibility Certificate (ISEC):** Under the scheme, Khadi and Polyvastra producing institutions in mobilizing the capital funds from banking institutions.
- **MSME Loan in 59 Minutes:** Online portal for quick and hassle-free loans up to Rs. 5 crore. It uses advanced algorithms to analyse data and provide in-principle approval within **59 minutes**
- **MUDRA Loan Schemes for MSMEs:** Provides **loans up to Rs. 10 lakh** to micro and small enterprises engaged in **manufacturing, trading, and services sectors**. Collateral-free loans with low interest rates
- **National Small Industries Corporation (NSIC):** Facilitates MSMEs to obtain **credit from various banks and financial institutions** by offering **competitive interest rates** and **minimum documentation.**
- **Credit Link Capital Subsidy Scheme (CLCSS) for Technology Upgradation:**
 - Provides capital subsidy of 15% (up to Rs. 15 lakh) to MSEs for **upgrading their technology and installing new plant and machinery.**
 - Covers more than 50 sub-sectors.
 - Aims to improve the **quality, productivity, and competitiveness of MSEs.**

Source: PIB