



# 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**.

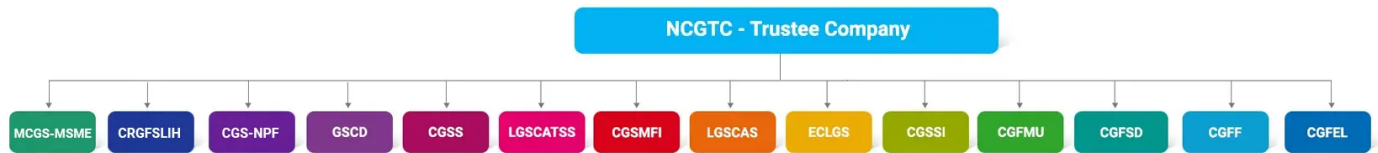
**Note:** MLIs include all [Scheduled Commercial Banks \(SCBs\)](#), [Non-Banking Financial Companies \(NBFCs\)](#) and [All India Financial institutions \(AIFIs\)](#), who register with NCGTC under the Scheme.

## 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)**