

To All Eligible Non-Banking Finance Companies – CGS II

Circular No. 234 / 2023 - 24

Madam / Dear Sir,

Non-Banking Finance Companies (NBFCs) Scheme Modification

Considering the role played by NBFCs in the MSE eco-system, various modifications have been carried out in the past to support more and more MSEs. Now, it has been decided to introduce following modifications in the existing CGS-II Scheme:

1. Increase in Ceiling of guarantee from ₹ 200 lakh to ₹ 500 lakh –

Existing Clause	Modified Clause
The Trust shall cover credit facilities (Fund based and/or Non fund based) extended by Member Lending Institution(s) to a single eligible borrower in the Micro and Small Enterprises sector for credit facility not exceeding ₹200 lakh by way of Loan on or after entering into an agreement with the Trust, without any collateral security or such amount as may be decided by the Trust from time to time.	The Trust shall cover credit facilities (Fund based and/or Non fund based) extended by Member Lending Institution(s) without any collateral security/ third party guarantee to a single eligible borrower in the Micro and Small Enterprises sector with guarantee ceiling of ₹500 lakh on or after entering into an agreement with the Trust, or such amount as may be decided by the Trust from time to time. For the guarantee up to ₹200 lakh unsecured credit facilities can be covered. <i>For the guarantee above ₹200 lakh and up to ₹500 lakh, credit facilities should necessarily be secured by way of primary security.</i>

2. Ceiling of Credit Guarantee Cover for credit facility under retail trade segment -

Existing Clause	Modified Clause
Guarantee Ceiling for credit facility in respect of retail trade segment is ₹100 lakh per MSE borrower.	Guarantee Ceiling for credit facility of retail trade segment is up to ₹500 lakh per MSE borrower. <i>For the guarantee above ₹200 lakh and up to ₹500 lakh, credit facilities should necessarily be secured by way of primary security.</i>





3. Charging of Annual Guarantee Fee at lower rate & Higher Extent of Guarantee coverage to Social Category, Geographic & MSE Status of borrower under CGS

II –

- Following Categories have been identified for additional concession/relaxation in guarantee fee & extent of guarantee cover. The details are given in the table below-

Fee Relaxation to Social Category, Geographic & MSE Status of borrower

Category	Social Category (Weaker section/Underserved Section)	Geographic	MSE Status
-Target Group	Women/SC/ST / Person with disability (PwD)/ Agniveers	NER incl. Sikkim, UT of Jammu & Kashmir & UT of Ladakh (Upto ₹50 Lakh)/ Aspirational District	ZED Certified
Relaxation/ Concession in fee rate	10%	10%	10%
<i>An MSE falling in all the above three categories viz. Social, Geographic, MSE Status shall be eligible for maximum discount of 30% on standard rate.</i>			

Extent of Guarantee Cover

Category (including Trading activity)	Maximum extent of Guarantee Coverage (where guaranteed credit facility is)		
	Up to ₹ 5 lakh	Above ₹ 5 lakh & up to ₹ 50 lakh	Above ₹ 50 lakh & up to ₹ 500 lakh
Micro Enterprises	85%	75%	75%
MSEs located in North East Region (incl. Sikkim, UT of Jammu & Kashmir and UT of Ladakh)	80%		
Women entrepreneurs / SC/ST entrepreneurs / MSEs situated in Aspirational District / ZED certified MSEs / Person with Disability (PwD) / MSE promoted by Agniveers	85%		
All other category of borrowers	75%		
<i>*Not applicable for the NBFCs who have opted for 50% guarantee coverage.</i>			





4. Interest Rate Cap

All MSE Loans having Interest rate not exceeding 21% p.a. will be eligible for coverage under the Credit Guarantee Scheme of CGTMSE.

The above modifications shall be applicable for all the loans sanctioned by NBFCs on or after January 01, 2024.

All other Terms and Conditions of CGS-II shall remain unchanged.

The contents of the circular may please be brought to the notice of all your offices.



Yours faithfully

Sd/-

(Dhiraj Kumar)
Deputy General Manager