

विश्वास

THE TRUST

CREDIT GUARANTEE BULLETIN
FIRST EDITION - MARCH 2017

साथ उड़ान भरें
GIVE WINGS TO YOUR DREAMS



This bulletin is made available by Degree 360 Solutions Pvt. Ltd. for National Credit Guarantee Trustee Company Ltd. (NCGTC) for the purpose of general information about credit guarantees.

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India is a relatively late entrant to the world of credit guarantees when compared to other Asian, European or Latin American countries. Although ECGC in late 1950s and DICGC (promoted by RBI) in early 1960s had made forays in the Indian credit guarantee space; it took another 40 years for CGTMSE (a joint initiative of Ministry of MSME and SIDBI – for MSE loans), to be established in the year 2000, focused towards the micro and small borrowers.

CGTMSE remained confined to extending credit guarantee to smaller banking loans to Micro and Small Sector and focused largely on the single guarantee segment. After realizing the CGTMSE success to achieve desired results in the MSE specific sector, the Government relooked at expanding the credit guarantee space. It took an orbital shift in 2014, after the Ministry of Finance established the uniquely new credit guarantee super structure, NCGTC, to intervene and uplift underperforming segments of the economy to desired levels.

Coming under the common management of SIDBI, both NCGTC and CGTMSE taken together, can arguably boast of being one of the largest credit guarantee programs in the world. It is expected to achieve gigantic proportions given the number of segments and sub segments under its coverage. Together, these two entities have a committed corpus fund of around ₹25,000 crore after the recent announcements by the Govt. of India.

As a delivery tool, the credit guarantee mechanism in India is a B2B model, driven through various lending institutions. With different social segments being targeted, the guarantee programmes under NCGTC are planned through multiple last mile delivery channels, which have banks, non-banks, factors, venture debt funds and micro finance institutions as member lenders.

As part of a larger plan, it is intended that all credit guarantee programmes sponsored by the Govt. would be gradually brought under the overarching common structure of NCGTC. This will create institutional domain learning, while reaping economies of scale in delivery.

Credit guarantee programmes as access to finance (A2F) tools have moral hazard and adverse selection issues inherent in their models. Being mindful of this, efforts have been made to have a robust delivery structure and careful product designing with suitable checks and balances. The CGTMSE learnings of more than a decade and a half have helped in innovative product structuring and putting in place the much needed building blocks for NCGTC.

Presently, NCGTC has 5 trusts under its management and a sixth one is under active consideration. What is unique about the NCGTC programme is that it goes beyond the periphery of MSME sector and covers social lending segments such as education loans and skill development loans as well. Even within the MSME loans, dedicated trusts have been structured to meet the varied requirements of each segment be it the micro enterprise loans under MUDRA, factored debt for MSMEs, Standup India loans for women entrepreneurs and under privileged borrowers from scheduled castes and scheduled tribes aspiring for establishing green field projects or start-ups.



MoU signing ceremony, September 30, 2016



Shri Ajay Kapur (DMD, SIDBI) &
Shri Pradeep Malgaonkar (CEO, NCGTC & CGTMSE)
at consultation meeting with NBFC



Dr. Kshatrapati Shivaji at the MoU signing
ceremony of CGTMSE with Perum Jamkrindo
& NCGTC with Perum Jamkrindo

The large volume of guarantee transactions expected under the different guarantee programmes called for an efficient, cost effective and robust technology driven solution for a seamless end to end schematic delivery. To achieve this, a B2B technology platform, (SURGE) has been developed at NCGTC through its technology support providers, Mastek Ltd. Technology is going to be the mainstay of delivery. It is expected that this multi-pronged A2F development initiative will generate a humungous amount of data from across various sectors on a single platform. This will help in data analytics which will in turn serve as an edifice for policy tools for effective delivery of these programmes and various other developmental programmes.

The products are all in their nascent stage of roll out. The guarantee programme under MUDRA (guarantee for micro enterprise loans) which has just started picking up, is on a J-curve ride as far as the coverage of micro loans is concerned and has almost reached ₹5,000 crores of sanctioned micro loans.

Educational loans have also started gaining traction with about 90,000 student loans already covered with ₹2,500 crore of sanctioned loan amount. Skill loan guarantee has been a slow starter which could be due demand side issues since the loan product in the banking sector is new.

In our inaugural edition of Credit Guarantee bulletin, 'Vishwas', we wish to build trust with the unfolding of credit guarantee programmes in India and creation of this unique institution, NCGTC. We will keep you updated with the latest developments in the field periodically. No doubt this is one of the largest development engagements being jointly experimented under the leadership of Ministry of Finance and SIDBI.

We will fail in our efforts if we do not acknowledge the unstinting efforts of the Ministry of Finance and SIDBI for conceptualizing and implementing NCGTC. A special acknowledgement is also due to the management of SIDBI, which provided much needed guidance during it's fledgling stage.

The institution is slowly and steadily making its presence felt in the financial sector. The global credit guarantee space will definitely have lot of take-aways in times to come.

March 24, 2017
NCGTC, Mumbai

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I. CREDIT GUARANTEE - BACKGROUND

A. WHAT IS CREDIT GUARANTEE?

Credit guarantee is the guarantee that often provides for a specific remedy to creditor if his debtor does not return his debt. For getting credit guarantee facility, creditor can take a guarantee cover for covering the risk of bad debts as a part of risk management. Credit guarantee is very helpful to avoid the fear of non-payment. In case customer becomes insolvent or bankrupt, creditor can demand same amount from the guarantor.

A Credit Guarantee Scheme (CGS) involves at least three parties: borrower, lender and guarantor. The borrower is often a SME seeking debt capital. This borrower typically approaches a lender for a business loan. For reasons of asymmetry of information lack of credit history and high risk perceptions the loan request will frequently be turned down by the lender. This is where the guarantor comes into the picture. The guarantor, usually a government or trade association, seeks to facilitate access to debt capital by providing lenders with the comfort of a guarantee for a substantial portion of the debt.

While in most cases guarantee schemes focus on access to credit, (especially for micro and small enterprises and in developing and emerging economies), they may also aim to improve the terms of a loan (mostly in the case of medium enterprises that already have access to credit). At the same time CGS pursue social goals, such as reducing social imbalances, empowering marginalized groups or assisting post-calamity reconstruction and a lot of additionalities to the society and economy of the country. Developing economies often use guarantee as a tool to drive development of unserved and underserved geographies of the country. Whereas in industrialized countries they are mostly seen as correctors of the

market for credit, they are also applied as development instruments in emerging economies.

A guarantee scheme can only function efficiently if the road to its objectives is clearly defined. The procedure of extending the guarantees, the eligibility criteria that borrowers must satisfy and the type of finance targeted must therefore be determined early on. Incentives for lenders and/or borrowers to participate depend on the scheme's marketing efforts, the distribution of risk, additional services offered, cost savings in screening and monitoring, the level of fees, the credibility of the guarantor in handling claims and the relations between guarantor and lender. All of these must be specified in contracts between the parties involved. The level of leverage a scheme achieves and the existence or non-existence of counter-guarantees will have an effect on its sustainability. A scheme's viability is further enhanced through proper regulation and supervision. (UNIDO SME Technical Working Paper Series – Ms. Anke Green; August 2003).

The success or failure of a guarantee programme is difficult to measure. But academic literature on credit guarantees indicates that efforts have been made to measure it by the additionality such programmes bring in. The additionality refers to the impact on the borrower. To assess the additionality of a loan it is necessary to estimate the “counterfactual”, that is, what would the borrower have done without the loan, then compare that with what was done with the loan. The counterfactual can never be measured so some proxy is needed. Frequently, this involves comparing the current situation of borrowers with some earlier baseline data, and attributing some portion of the observed changes to borrowing. (Meyer and Nagarajan, 1996; Vogel and Andams, 1996).

B. BENEFITS OF CREDIT GUARANTEE SCHEME

Economy

1. Financial inclusion/Additionality
2. Market friendly tool: generates fewer distortions in credit market
3. Wider and bigger impact with less capital

Borrower

1. Better Risk Profile
2. Improved access to credit
3. Credit at softer terms

MLI

1. Credit enhancement & Risk mitigant
2. More capital Leverage
3. Less provision

C. CREDIT GUARANTEE WORLD EXPERIENCE

The credit limitation of the marginalized is mainly due to the high administrative costs of lending, asymmetric information, the high risk attributed to such entities and their lack of collateral.

The fact that these entities often receive less finance or face worse conditions than the more privileged and endowed can put them at a competitive disadvantage. The fact is observed more particularly in case of small firms/early stage entrepreneurs.

In order to address this problem, various government and donor-initiatives have emerged in industrial as well as developing and emerging economies, notably credit guarantee schemes. Dating back to the 19th and early 20th century in European countries, credit guarantees were implemented in developing and emerging economies throughout the late 20th century as a measure to promote private sector-led growth. Today, over 2250 schemes exist in various forms in almost 100 countries.

The major types of guarantee systems which can be identified are publicly operated national schemes, mutual guarantee associations, corporate associations, schemes arising from bilateral or multilateral cooperation, and schemes operated by NGOs.



Dr. Kshatrapati Shivaji at the 28th ACSIC Conference held at Bali, Indonesia



Some of the illustrative global experiences are discussed below:

- 1 The Partial Credit Guarantee Fund (FOGAPE) in **Chile** where guarantees are allocated to financial institutions through a sealed bid auction
- 2 **Canadian** Small Business Financing Program (CSBF), is based on portfolio management
- 3 **USA** Loan Portfolio Guarantee Scheme (LPG), facilitates public-private partnerships, offers four guarantee products: loan guarantees, loan portfolio guarantees, bond guarantees and portable guarantees
- 4 **Italy's** Confidi's are a unique model which work on the concept of mutual guarantee with MSME's coming together through regional industry associations & chambers of commerce,
- 5 **Taiwan** offers direct Guarantee Products.
- 6 **South Korea** offers Risk Assessment and private-partnership, proper legal framework and mandatory contribution from bankers to Guarantee Corpus, Guarantee aligned Investment Product.
- 7 **Japan** has a burden charge method to avoid moral Risk.
- 8 **Indonesia** and **Japan** have a network of Guarantee Corporations at District or province level and with Unified JFC or ASSIPINDO to share the excess risk and counter guarantor.

D. CREDIT GUARANTEE IN INDIA

HISTORY : Export Credit Guarantee Corporation of India (ECGC Ltd.) was established in July, 1957 to strengthen the export promotion by covering the risk of exporting on credit. It functions under the administrative control of the Ministry of Commerce & Industry, Department of Commerce and Government of India. It is managed by a Board of Directors comprising representatives of the Government, Reserve Bank of India, banking and insurance and exporting community. Name of the company has been changed from EXPORT to ECGC Limited with effect from August 8, 2014.

It helps:

- Provides a range of credit risk insurance covers to exporters against loss in export of goods and services as well.
- Offers guarantees to banks and financial institutions to enable exporters to obtain better facilities from them.
- Provides Overseas Investment Insurance to Indian companies investing in joint ventures abroad in the form of equity or loan and advances.

Deposit Insurance and Credit Guarantee Corporation (DICGC) is a subsidiary of Reserve Bank of India. It was established on July 15, 1978 under Deposit Insurance and Credit Guarantee Corporation Act, 1961 for the purpose of providing insurance of deposits and guaranteeing of credit facilities. DICGC insures all bank deposits, such as saving, fixed, current, recurring deposits for up to the limit of ₹ 1,00,000 of each deposits in a bank.

PRESENT

- **Credit Guarantee Trust for Micro & Small Enterprise (CGTMSE)** was setup in August 2000: The main objective of this trust is that the lender

should give importance to project viability and secure the credit facility purely on the primary security of the assets financed. The other objective is that the lender availing guarantee facility should endeavor to give composite credit to the borrowers so that the borrowers obtain both term loan and working capital facilities from a single agency.

➤ **Credit Risk Guarantee Fund Trust for Low Income Housing under National Housing Bank (NHB) (June 2011). Its objectives are:**

- To promote a sound, healthy, viable and cost effective housing finance system to cater to all segments of the population and to integrate the housing finance system with the overall financial system.
- To promote a network of dedicated housing finance institutions to adequately serve various regions and different income groups.
- To augment resources for the sector and channelize them for housing.
- To make housing credit more affordable.

IFCI Ltd: One of IFCI Ltd.'s product 'Credit Enhancement Guarantee Scheme for Scheduled Castes (CEGSSC)' (2014-15): The Finance Minister during the Union Budget speech 2014-15 on July 18, 2014, had announced that a sum of ₹ 200 crore will be allocated towards credit enhancement facility for young and start-up entrepreneurs, belonging to Scheduled Castes, who aspire to be part of neo middle class category with an objective to encourage entrepreneurship in the lower strata of the society resulting in job creation besides supporting confidence of Schedule Castes.

The said allocations is under social sector initiatives in order to encourage entrepreneurship among scheduled caste, who belong to the lower strata of the society by supporting the banks & financial institutions

in the form of Credit enhancement guarantee, who shall be providing financial assistance to the Scheduled Caste (SC) entrepreneurs.

Its Objectives are :

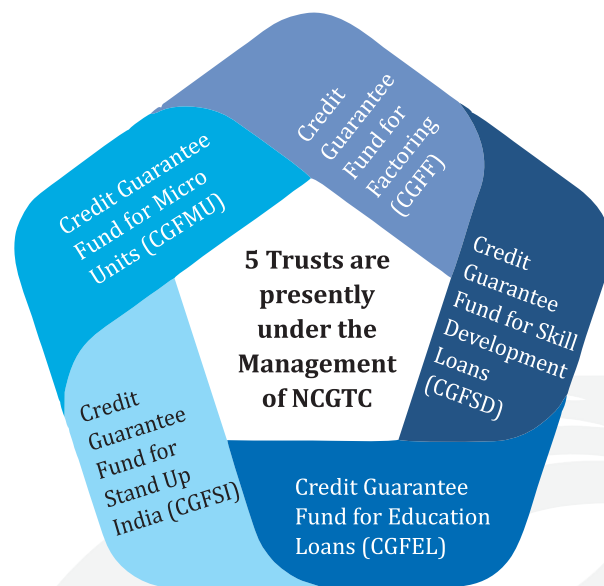
- To promote financial inclusion for SC entrepreneurs and to motivate them for further growth of SC communities.
 - To facilitate economic development of SC entrepreneurs.
 - To enhance direct and indirect employment generation for SC population in India.
- **National Credit Guarantee Trustee Company Ltd (NCGTC)** was set up in March 2014 to provide guarantee for education loan, skill development loan and factoring / bills discounting, Stand-up India, Mudra Loans, Start-up Guarantee programme, etc.

E. NCGTC PROFILE

BACKGROUND : Package of credit guarantee can be made only on adequate reserves of resources under a trustee. The trustee needs considerable wherewithal, skill in managing guarantee business, knowledge of the market risk, capability to balance underwritten risk and members lenders who have prudent due diligent process. **Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE)** gives credit guarantee to its member lenders against collateral free micro and small enterprise credits. But over the years, the scope for widening area of credit guarantee has come up to ensure support to various other classes of businesses and individuals, based on the nature of credit and nature of business. That necessitated the formation of **National Credit Guarantee Trustee Company (NCGTC)** in 2014, which can act as a common cost-effective trustee with comprehensive knowledge of the credit guarantee business and operate various existing and emerging credit guarantee funds.

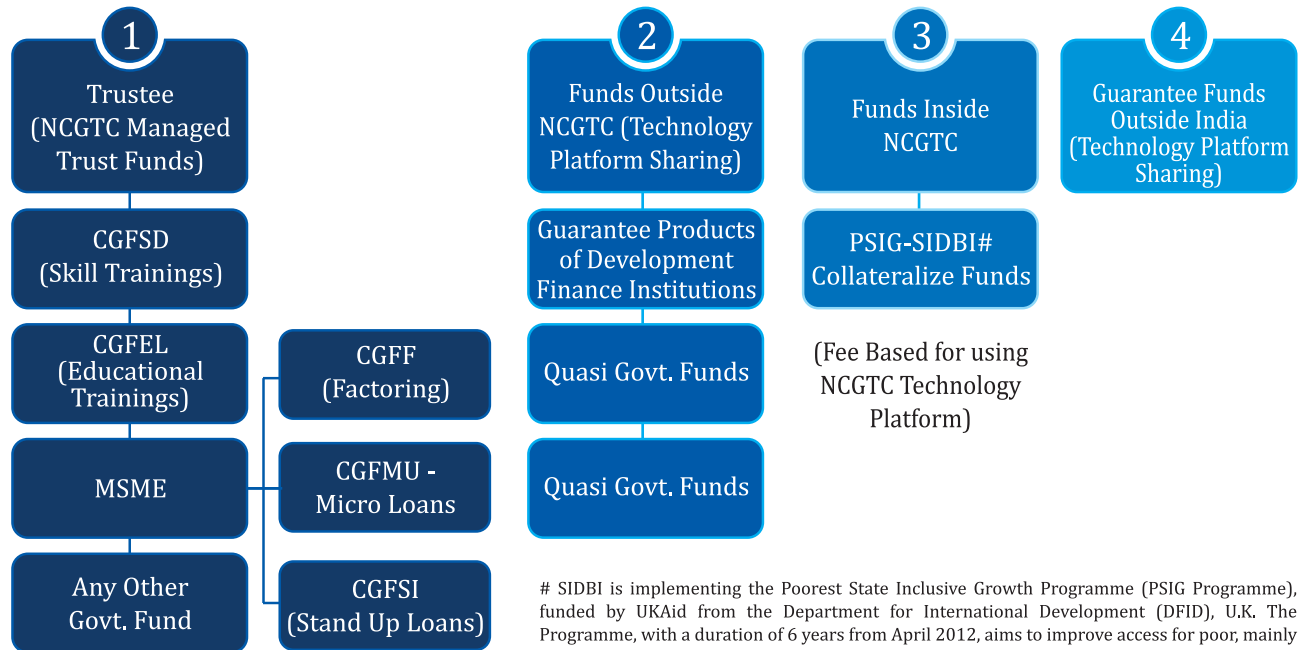
COMPANY : National Credit Guarantee Trustee Company Ltd (NCGTC) is a private limited company incorporated under the Companies Act 1956 on March 28, 2014. Its main objective is to play a developmental role in supporting the country's economic development agenda by assisting students & enterprises in obtaining finance from the member lending institutions. NCGTC facilitates access to financing through the guarantee schemes under its management.

NCGTC is envisaged to provide credit guarantee to Member Lending Institutions (MLIs) for their loans in the areas of Education loans (to encourage more and higher education for the youth, especially those who cannot afford it); Vocational Skill Development Loans (to enhance the skill level of our workers / enable poor students to acquire skill sets for better productivity); Factored debt (to help MSMEs overcome the problems of delayed payments), loans to Micro units and Stand Up India and any other guarantee as may be decided by the Govt.



F. NCGTC PRODUCT BASKET

Business Model of NCGTC



SIDBI is implementing the Poorest State Inclusive Growth Programme (PSIG Programme), funded by UKAid from the Department for International Development (DFID), U.K. The Programme, with a duration of 6 years from April 2012, aims to improve access for poor, mainly women, to a variety of financial services in the 4 low income state viz., Bihar, Odisha, Madhya Pradesh and Uttar Pradesh. NCGTC manages two collateralized funds under the Programme.

II. NCGTC'S PRODUCTS, PURPOSE AND STATUS

A. CREDIT GUARANTEE FUND SCHEME FOR EDUCATION LOAN (CGFSEL)

OBJECTIVES : The Credit Guarantee Fund Scheme for Education Loan aims at providing guarantee support to the meritorious students for pursuing higher education in India and abroad. The main emphasis is that a meritorious student, though poor, is provided with an opportunity to pursue education with the credit guarantee support to the courses eligible as per IBA Model Education Loan Scheme for pursuing higher education in India and abroad, thus contributing towards the financial inclusions.

PRODUCT FEATURES

- Guarantees for Education Loans by the member banks of IBA up to ₹ 7.5 lakh extended without collateral and third-party guarantee. However, parents/guardians will be the joint borrowers.
- The Interest Rate charged by the Member Lending Institutions for education loans to be covered under CGFSEL should be maximum up to 2% p.a. over the MCLR.
- The Fund shall provide guarantee cover to the extent of 75% of amount in default.
- For availing the guarantee coverage, the Member Lending Institution shall pay Annual Guarantee Fee (AGF) of 0.50% p.a. of the outstanding amount as on the date of application of guarantee cover.

GAZETTE NOTIFICATION : Credit Guarantee Fund Scheme for Education Loans as notified by the Ministry of Human Resource and Development (MHRD) vide Gazette Notification dated 16th September, 2015. Gazette Notification at http://www.ncgtc.in/sites/default/files/cgfsel_gadget_notification.pdf for your reference.

Approved corpus of the Trust (₹ in crore):	3,500.00
Amount of corpus received (₹ in crore):	747.00
Guarantee Issued (No. of Loan records):	83320
Total Sanctioned Loan Amount (₹ in crore):	2,578.91
No. of MLIs registered:	30

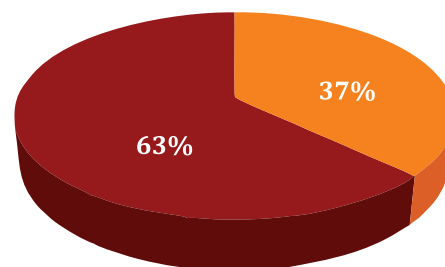


Handholding session conducted by NCGTC at IBA, Mumbai on October 2015 for CGFEL & CGFSD

1. Gender Wise

Gender	No. of Loan Records	Sanctioned Loan Amount (₹ in Crore)
Female	30849 (37%)	913.60
Male	52471 (63%)	1665.31
Grand Total	83320 (100%)	2578.91

Female Male

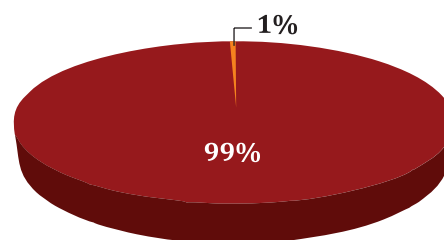


No. of Loan Records

2. Domestic / Abroad

Domestic / Abroad	No. of Loan Records	Sanctioned Loan Amount (₹ in crore)
Domestic	82365 (99%)	2517.78
Abroad	955 (1%)	61.13
Grand Total	83320 (100%)	2578.91

Domestic Abroad

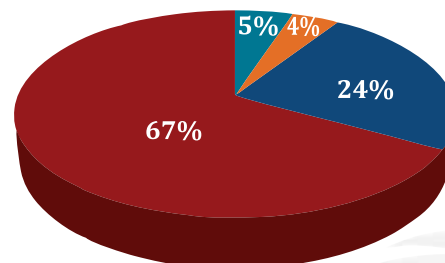


No. of Loan Records

3. Caste Category-wise

Caste Category	No. of Loan Records	Sanctioned Loan Amount (₹ in crore)
SC	4197 (5%)	113.93
ST	3457 (4%)	110.60
OBC	19956 (24%)	521.80
General	55710 (67%)	1832.58
Grand Total	83320 (100%)	2578.91

SC ST OBC General

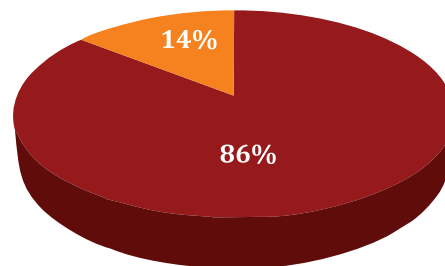


No. of Loan Records

4. Loan Size Wise

Loan Size	No. of Loan Records	Sanctioned Loan Amount (₹ in crore)
Upto ₹4 lakh	71360 (86%)	1829.06
Above ₹ 4 lakh upto ₹ 7.50 lakh	11960 (14%)	749.85
Grand Total	83320 (100%)	2578.91

■ Upto 4 Lakh ■ Above 4 Lakh upto 7.50 Lakh

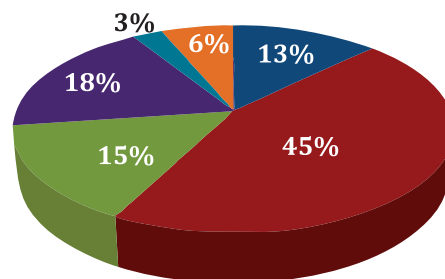


No. of Loan Records

5. Geographical Region Wise

Zone	No. of Loan Records	Sanctioned Loan Amount (₹ in crore)
North India	10619 (13%)	407.46
South India	37374 (45%)	1006.90
East India	12611 (15%)	444.61
West India	15308 (18%)	469.77
North East India	2158 (3%)	76.90
Central India	5250 (6%)	173.16
Grand Total	83320 (100%)	2578.91

■ North India ■ South India ■ East India
■ West India ■ North East India ■ Central India



No. of Loan Records

B. CREDIT GUARANTEE FUND SCHEME FOR SKILL DEVELOPMENT LOANS (CGFSSD)

OBJECTIVES : CGFSSD aims at providing guarantee loan facility to individuals who intend to take up skill development courses as per the Skilling Loan Eligibility Criteria.

PRODUCT FEATURES

- Skill Loans sanctioned on or after July 15, 2015 will be eligible for coverage under the Scheme.
- The minimum and maximum loan limit under this Scheme is ₹ 5,000/- and ₹ 1,50,000/- respectively, without any collateral security and/or third party guarantee.
- Interest charged should not be more than 1.5% over the Base Rate / MCLR.
- For availing the guarantee coverage, the Member Lending Institution shall pay Guarantee Fee of 0.125% per calendar quarter (i.e. 0.50% p.a.) on the quarter end outstanding portfolio balance (skill loans).
- The Fund shall provide guarantee cover to the extent of 75% of the amount in default.
- A lock-in period of 12 months has been stipulated from the date of commencement of guarantee cover or end of period of moratorium of interest, whichever is later.

GAZETTE NOTIFICATION : Credit Guarantee Fund Scheme for Skill Development Loans as notified by the Ministry of Skill Development and Entrepreneurship vide Gazette Notification dated 20th November, 2015. Gazette Notification at http://www.ncgtc.in/sites/default/files/cgfssd_1.pdf for your reference.

Approved corpus of the Trust (₹ in crore):	1,000.00
Amount of Corpus received (₹ in crore):	490.00
Guarantee Issued (No. of Loan records)*:	397
Amount of Loan Sanctioned (₹ in crore):	3.60
No. of MLIs registered:	22

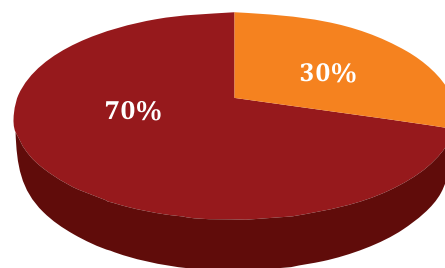


Pic courtesy: Three Skills of Disciplineship, By Charles Sanger

1. Gender Wise

Gender	No. of Loan Records	Sanctioned Loan Amount (₹ in crore)
Female	118 (30%)	1.20
Male	279 (70%)	2.40
Grand Total	397 (100%)	3.60

Female Male

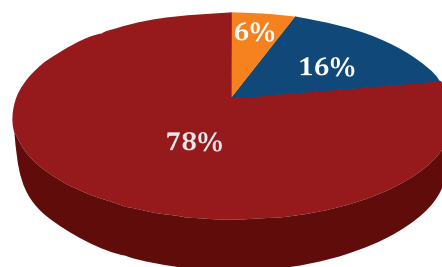


No. of Loan Records

2. Caste Category-wise

Caste Category	No. of Loan Records	Sanctioned Loan Amount (₹ in crore)
SC	23 (6%)	0.18
OBC	65 (16%)	0.56
General	309 (78%)	2.86
Grand Total	397 (100%)	3.60

SC OBC General

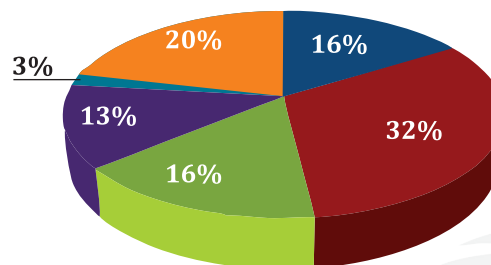


No. of Loan Records

3. Geographical Region Wise

Zone	No. of Loan Records	Sanctioned Loan Amount (₹ in crore)
North India	65 (16%)	0.76
South India	126 (32%)	1.15
East India	63 (16%)	0.57
West India	51 (13%)	0.46
North East India	11 (3%)	0.10
Central India	81 (20%)	0.56
Grand Total	397 (100%)	3.60

North India South India East India
West India North East India Central India



No. of Loan Records

C. CREDIT GUARANTEE FUND SCHEME FOR FACTORING (CGFSF)

OBJECTIVES : The objective of this fund scheme is to provide partial guarantee to factored debts and to encourage Factoring of receivables of MSMEs in India by promoting “factoring without recourse”

PRODUCT FEATURES

- The Credit Guarantee Fund Scheme for Factoring (CGFSF) shall be confined to domestic factoring of receivables of MSMEs in India.
- The exposure limit for purchaser would be upto 10% [relaxable upto 20% in case of AAA rated purchasers] of the corpus of Credit Guarantee Corpus Fund for Factoring as per the last audited figures for factoring 'without recourse' only.
- First loss of 10% of the amount in default to be borne by Factors. The remaining 90% of the amount in default will be borne by NCGTC and Factors in the ratio of 2:1 respectively.
- Guarantee Fee would be charged at 0.10% per month for “factoring with recourse” and 0.12% per month for “factoring without recourse” on the outstanding balance at the previous month end.

GAZETTE NOTIFICATION : Credit Guarantee Fund Scheme for Factoring as notified by the Ministry of Finance vide Gazette Notification dated 22nd September, 2015. Gazette Notification at http://www.ncgfc.in/sites/default/files/cgfsf_gadget_notification.pdf for your reference.

CURRENT STATUS OF THE FUND FOR CGFF

Approved Corpus of the Trust (₹ in crore):	500.00
Amount of Corpus received (₹ in crore):	425.00
No. of MLIs registered:	3

TRADE RECEIVABLES DISCOUNTING SYSTEM (TReDS)

Trade Receivable Discounting System (TReDS) is an institutional setup for the flow of finance to Micro, Small and Medium Enterprises (MSMEs), through multiple financiers at a competitive rate.

As per the Chapter II(3) of the Gazette Notification TReDS will be covered under the Credit Guarantee Scheme as and when it is in place. However, the suitable guidelines will be framed and issued by the NCGTC for guarantee coverage as and when the system is operational.

D. CREDIT GUARANTEE FUND FOR MICRO UNITS (CGFMU) - PORTFOLIO MODEL

OBJECTIVES : The objective of the fund scheme for guaranteeing payment against default in micro loans extended to eligible borrowers by Banks/NBFCs /MFIs/ other financial intermediaries, managed by the Board of NCGTC as the trustee of the Fund.



Handholding session conducted by NCGTC at IBA, Mumbai on June 2016 for CGFMU & CGFSI

PRODUCT FEATURES

- Under the scheme, Pradhan Mantri Mudra Yojana (PMMY) three categories of interventions has been named which includes:
 - Shishu : covering loans upto 50,000/- (Interest rate as stipulated by Mudra; presently not to exceed 12% p.a.).
 - Kishor : covering loans above 50,000/- and upto 5 lakh.
 - Tarun : covering loans above 5 lakh and upto 10 lakh.

Approved corpus of the Trust (₹ in crore):	3,000.00
Amount of Corpus received (₹ in crore):	2,000.00
Guarantee Issued (No. of Loan records)*:	558886
Total Sanctioned Loan Amount (₹ in crore)*:	4,867.00
No. of MLIs registered:	45

Further, overdraft facility of ₹ 5,000/- sanctioned under PMJDY accounts shall also be eligible to be covered under credit guarantee fund.

- Maximum guarantee cover available per portfolio, based on the amount in default, in respect of the credit facility extended by the lending institution. The first 5% of the amount in default will be borne by the eligible lending institution. The amount in default over and above 5% (if applicable) will be settled by the fund to the extent of 50% on pro-rata basis, subject to maximum cap of 15%.

GAZETTE NOTIFICATION : Credit Guarantee Fund for Micro Units as notified by the Ministry of Finance vide Gazette Notification dated 18th April, 2016.

Gazette Notification at <http://www.ncgtc.in/sites/default/files/cgfm-gazette-notification.pdf> for your reference.



Mrs. Meera Raghunath Jadhav received the amount 50,000/- from Dena Bank, Gangapur, Nashik for Flour Mill activities under the Shishu Category

E. CREDIT GUARANTEE FUND SCHEME FOR STAND UP INDIA (CGFSSI)

OBJECTIVES : The broad objective of the Fund would be to guarantee credit facilities of over ₹ 10 lakh & upto ₹ 100 lakh sanctioned by Scheduled Commercial Banks under the Stand Up India Scheme and other Lending Institutions.

Approved corpus of the Trust (₹ in crore):	5,000.00
Amount of Corpus received (₹ in crore):	500.00
Guarantee Issued (No. of Loan records)*:	51
Total Eligible Sanctioned Amount (₹ in crore)*:	9.64
No. of MLIs registered:	42

PRODUCT FEATURES

- Credit Guarantee Fund for Stand Up India (CGFSI) set up by Government of India with the purpose of guaranteeing assistance of above ₹ 10 lakh particularly for SC/ST/ Women (relatively excluded sections of population) for setting up Greenfield enterprises; extended by the eligible lending institution.
- Scheduled Castes (SC), Scheduled Tribes (ST) and women entrepreneurs, above 18 years of age, setting up Green Field Enterprises in non-farm sector. In case of non-individual enterprises, 51% of the shareholding and controlling stake should be held by either SC/ST and/or Women Entrepreneur.
- The Interest Rate to be charged by the Member Lending Institution should be the lowest applicable rate for the category (as per rating) and should not in any case, be more than 3% p.a. over the Base Rate + tenor premium, if any, for the loan.
- Credit facilities extended as per Stand Up India Scheme would be eligible for Credit Guarantee cover under Credit Guarantee Scheme for Stand Up India.

GAZETTE NOTIFICATION : Credit Guarantee Fund Scheme for Stand Up India as notified by the Ministry of Finance vide Gazette Notification dated 25th April,



Launch of Stand Up India by Prime Minister Shri Narendra Modi

2016. Gazette Notification at http://www.ncgtc.in/sites/default/files/cgssi_gazette_notification_0.pdf for your reference.

F. OTHER DEVELOPMENTAL INITIATIVES ACTIVITIES OF NCGTC - POOREST STATE INCLUSIVE GROWTH (PSIG)

Apart from managing govt. owned credit guarantee trusts, NCGTC has extended its management and technical support services to quasi-government institutions like SIDBI for managing different credit enhancement programmes as part of its fee based activities.

NCGTC manages two collateralized funds under the PSIG Programme:

- Risk Assurance Fund (RAF)
- Cash Collateralized Guarantee Fund (CCGF)

ABOUT POOREST STATE INCLUSIVE GROWTH (PSIG) PROGRAMME

SIDBI is implementing the Poorest States Inclusive Growth Programme (PSIG Programme), funded by UKAid from the Department for International Development (DFID), U.K. The Programme, with a duration of 6 years from April 2012, aims to improve access for poor, mainly women, to a variety of financial services in the 4 low income states viz., Bihar, Odisha, Madhya Pradesh and Uttar Pradesh.

PSIG is expected to leverage private sector financial and technical resources to reach up to 12 million direct and indirect programme participants in 4 states of Uttar Pradesh, Madhya Pradesh, Bihar and Odisha. The programme duration is 6 year starting from April 2012- March 2018, extendable upto 1 year i.e. March 2019.

OBJECTIVES : The main objective of PSIG (RAF) programme to provide risk cover to lending banks upto 20%, on overall portfolio basis, of their lending to MFIs for their operations in PSIG States.

Approved corpus of the Trust (₹ in crore):	20.00
Risk Cover Issued under (₹ in crore):	7.50

G. CREDIT GUARANTEE FUND FOR STARTUPS

OBJECTIVE : To catalyze entrepreneurship by providing credit to innovators accross all sections of society.

PROPOSED : In order to overcome traditional Indian stigma associated with failure of Startup enterprises in general and to encourage experimentation among

Startup entrepreneurs through disruptive business models, it is proposed that credit guarantee comfort would help flow of Venture Debt from the formal Banking System. Debt funding to Startups is also perceived as high risk area and to encourage Banks and other Lenders to provide Venture Debts to Startups, Credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/ SIDBI is being envisaged.

ESTIMATED FUND AS PER ACTION PLAN

As per the action plan dated January 16, 2016 a Corpus of ₹ 500 crore per year for the next four years has been estimated (i.e ₹ 2000 Crore).



III. CREDIT GUARANTEE TRUST FOR MICRO & SMALL ENTERPRISES (CGTMSE)

A. ORIGIN

Ministry of Micro, Small and Medium Enterprises (MSME), Govt. of India launched the Credit Guarantee Scheme (CGS) to strengthen credit delivery system and facilitate the flow of credit to the MSE sector without the hassles of collateral and third party guarantee. For operationalizing the scheme, Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) was set up in August 2000 with a committed corpus of ₹ 2,500 crore (to be contributed by Govt. of India and Small Industries Development Bank of India in the contribution ratio of 4:1). The main objective of the scheme is that lender should give importance to project viability and secure the credit facility purely on the primary security of the assets financed. The other objective is that lender availing guarantee facility should endeavor to give composite credit (term loan and working capital facilities from single agency) to the borrowers.

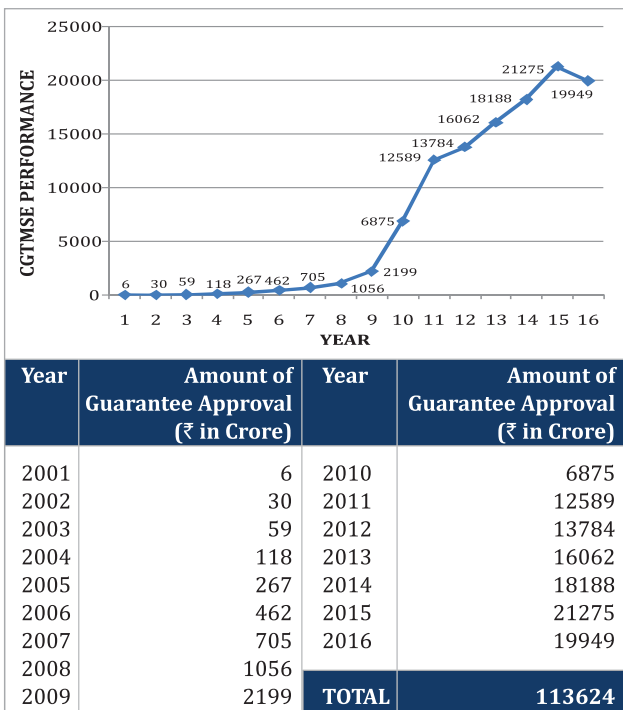
B. PRODUCT EVOLUTION

➤ CGTMSE Credit Guarantee Product has evolved over the years to become a highly market friendly matured product. The product is completely focused on its objective of facilitating MSE sector to access formal credit without collateral or third party guarantee. Over the years, there have been continuous modifications in the product to increase its effectiveness as a tool to A2F and creating ease of operations for MLIs. The modifications range from improving the bouquet of credit facilities eligible under the scheme (from fund based to non-fund based) to increasing the ceiling of the credit facilities (from ₹ 10 lakh to present ceiling of ₹ 2 crore). Further, the number and type of MLIs covered under

the scheme has also substantially increased over the years (latest addition being NBFCs). Also, some provisions (such as concessions in guarantee fees, Extent of guarantee coverage etc.) have been introduced to promote the flow of the benefits of the scheme to target socio-economic segments such as Women Entrepreneurs, Micro Enterprises and units located in the North Eastern region. Acknowledging the importance of Technology, speed and efficiency, CGTMSE has made all-out efforts to have most of the transactions under the scheme on Technology platform. Operational flexibilities have been built up over the years to suit the requirements of the MLIs. It is the technology which helps CGTMSE to approve on an average 2000 guarantee a day.

- Further, efforts are being made to make the programme more robust and risk sensitive. Towards the same, risk premium based pricing has been introduced. The Trust has also initiated other risk mitigating measures such as limiting the extent of guarantee for higher credit facilities, selective registration of MLIs etc.
- With regard to improving ease of delivery, various initiatives have also been taken like introduction of Toll free No. 1800222659, Query Module for any general/specific query, receipt of Guarantee fee through RTGS/NEFT etc.

If one needs to measure the impact of the programme, it is evident from the increasing number of guarantees issued and growing number of beneficiaries and MLIs under CGS. Recognizing the contribution made by CGTMSE so far, GoI has decided to increase the Corpus of the Trust to ₹ 7,500 crore.



C. PRODUCT PROFILE

CGTMSE has been operating on an indirect transaction based guarantee model which was till recently, a singular product for banks/FIs. Recently, it has also designed a tailor-made portfolio product for NBFCs.

D. CREDIT GUARANTEE SCHEME FOR BANK/FIs

Type of Guarantee: Transaction guarantee

Eligible credit facilities : The Trust presently guarantees collateral and third party guarantee free loans (fund based as also non-fund based) upto ₹ 2 crore extended by Scheduled Commercial Banks/RRBs/ Select SFCs and other lending institutions (such as SIDBI, NSIC, NEDFi etc) to MSEs [excluding Retail Trade, Education, Agriculture, Self Help Groups (SHGs), Training Institutions etc.]

Extent of Guarantee: The present structure of Extent of Guarantee Coverage is furnished below:

Extent of Guarantee Coverage

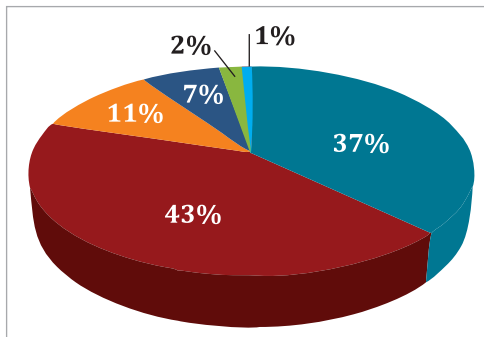
Category	Loan upto ₹ 5 lakh	Loan above ₹ 5 lakh and upto ₹ 50 lakh	Loan above ₹ 50 lakh
Micro Enterprises	85% of Amount in default (Max ₹ 4.25 lakh)	75% of Amount in default (Max ₹ 37.50 lakh)	
Women Entrepreneur/ units in North East Region (including Sikkim)/facility above ₹ 5 lakh to Micro	80% of Amount in default (Max ₹ 40 lakh)		50% of Amount in default
All other category of borrowers	80% of Amount in default (Max ₹ 37.50 lakh)		

	Guarantee fee (% p.a)	
Credit facility	Women Entrepreneur; Micro Enterprises and units in North East Region (including Sikkim)	Others
Upto ₹ 5 lakh	0.75 + Risk premium* fixed for the MLI for the year	1.00+ Risk premium fixed for the MLI for the year
Above ₹ 5 lakh and upto ₹ 2 crore	0.85 + Risk premium fixed for the MLI for the year	1.00 + Risk premium fixed for the MLI for the year

E. STATUS

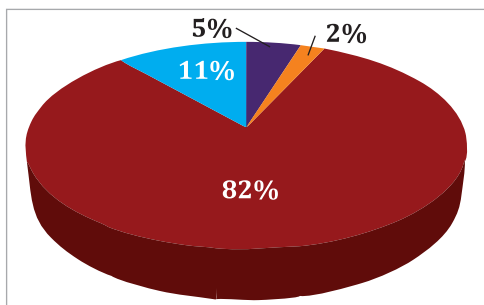
Slab Wise Report

from 01.01.2000 to 28.02.2017



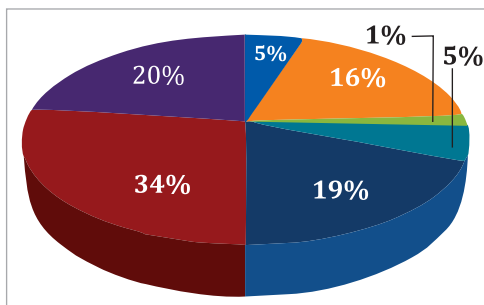
Range	No. of Proposals	Approved Amount (₹ in Crore)
0-100,000/-	1020237 (37%)	5,102.78
100,001-500,000/-	1165585 (43%)	29,759.59
500,001-10,00,000/-	290208 (11%)	22,249.37
15,00001-25,00000/-	185175 (7%)	31,954.62
25,00,001-50,00,000/-	53893 (2%)	20,396.23
50,00,001-100,00,000/-	22618 (1%)	17,358.87
TOTAL	2737716 (100%)	1,26,821.45

Category Wise Guarantee Approved Report from 01.01.2000 to 28.02.2017



Category	No. of Proposals	Approved Amount (₹ in Crore)
Schedule Caste	130578 (5%)	3,017.34
Schedule Tribe	58365 (2%)	1,953.17
General	2236893 (82%)	1,11,749.63
OBC	311880 (11%)	10,101.31
TOTAL	2737716 (100%)	1,26,821.45

Geographical Region Wise Report from 01.01.2000 to 28.02.2017



Region/State/UTs	No. of Proposals	Approved Amount (₹ in Crore)
Central India	136361 (5%)	6,941.52
East India	522204 (19%)	24,238.30
North	34913 (1%)	3,347.63
North India	556409 (20%)	24,287.73
South India	917220 (34%)	34,194.31
West India	433044 (16%)	28,958.40
North East India	137565 (5%)	4,853.56
TOTAL	2737716 (100%)	1,26,821.45

F. LATEST DEVELOPMENT

- Recognizing the important contribution made by NBFCs towards increasing credit penetration and financial inclusion in India, Hon'ble Prime Minister on December 31, 2016 announced coverage of loans extended by NBFCs to MSE sector under Credit Guarantee Scheme.
- In first week of January 2017, Government of India advised increase in the coverage of the loans covered under credit guarantee scheme from ₹ 1 crore to ₹ 2 crore and its decision to augment the corpus of the Trust from the present level of ₹ 2500 crore to ₹ 7500 crore. The increase in the corpus by ₹ 5000 crore would be entirely contributed by Govt. of India.
- CGTMSE organized a Consultation meeting with representatives of leading NBFCs at Sofitel Luxury Hotel, Bandra Kurla Complex. More than 20 representatives from leading NBFCs attended the meeting. Scheme structure was shared with the participants.
- The Trust has issued scheme guidelines for covering NBFCs under Credit Guarantee Scheme. CGTMSE Circular No. 123/2016-17 dated January 25, 2017 giving details of the Credit Guarantee Scheme for NBFCs (CGSII) has been posted at CGTMSE website www.cgtmse.in. Under CGS II CGTMSE is introducing Portfolio guarantee (as against the transaction guarantee under the present CGS). Further, the scheme envisages levying of guarantee fee and payout cap based on detailed assessment including Average Expected Losses of the MLI.
- A few NBFCs have already approached the Trust for registration as Member Lending Institution under CGSII.

G. CREDIT GUARANTEE SCHEME FOR NBFCs

PRODUCT PROFILE

Eligibility criteria for NBFCs

- Systemically important NBFC
- Profit making for last three years
- Long term bank credit rating not lower than BBB-
- MSE Lending experience of 5 years
- MSE Portfolio of at least Rs. 100 crore
- NPA level less than 5% for MSE Portfolio
- Average recovery ratio of more than 90% for last three years MSE Portfolio

Eligible Credit facilities : Collateral and Third Party Guarantee free Credit facility (fund / Non-fund based) from ₹ 10 lakh upto ₹ 200 lakh extended to MSEs. Internal rating mandatory for all cases where sanction is more than ₹ 50 lakh.

Type of Guarantee : Portfolio Guarantee

Fixing of Exposure limit, Guarantee fee and Payout cap : Based on detailed assessment of NBFC, its MSE Portfolio and Average Expected Losses.

Lock-in period : One year from the date of crystallization of the Portfolio

Claim Settlement : Half yearly

Cap on effective interest rate (inclusive of cost of guarantee) : 18% p.a

NOTES

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. In the bottom right corner, there is a decorative graphic element consisting of several overlapping, curved, light gray shapes that resemble stylized waves or clouds.

----- : Acknowledgement :-----

1. UNIDO SME Technical Working Paper Series – Ms. Anke Green; August 2003
2. Mikael Jonsson, Copenhagen Business School, 2009
3. Meyer and Nagarajan, 1996, Vogel and Andams, 1996.
4. Small Industries Development Bank of India (SIDBI)
5. Stand Up India Portal
6. Mudra Ltd.
7. Credit Guarantee Trust for Micro & Small Enterprise (www.cgtmse.in)
8. IFCI Ltd. (<https://www.ifcilttd.com>)
9. National Housing Bank (pib.nic.in)
10. Credit Guarantee Corporation of India Ltd. (ECGC)
11. Deposit Insurance and Credit Guarantee Corporation (DICGC)

Suggestions & feedback

We would appreciate your views, suggestions and feedback.
Your inputs and contributions too are welcome on : vishwas@ncgtc.in



राष्ट्रीय क्रेडिट गारंटी ट्रस्टी कंपनी लि.
**National Credit Guarantee
Trustee Company Limited**

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