

# COLLATERAL-FREE CREDIT: BREAKING BARRIERS OF GROWTH WITH CGTMSE

THE CREDIT GUARANTEE FUND TRUST FOR MICRO AND SMALL ENTERPRISES (CGTMSE) IS A SCHEME ESTABLISHED BY THE GOVERNMENT OF INDIA AND THE SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI). ITS PURPOSE IS TO PROVIDE COLLATERAL-FREE CREDIT TO THE MICRO AND SMALL ENTERPRISE (MSE) SECTOR BY OFFERING A GUARANTEE TO LENDERS. THIS REDUCES THE RISK FOR BANKS, ENCOURAGING THEM TO PROVIDE FINANCING TO ELIGIBLE ENTREPRENEURS.

## KEY FEATURES OF THE CGTMSE SCHEME

- **COLLATERAL-FREE LOANS:** NO NEED FOR COLLATERAL SECURITY OR THIRD-PARTY GUARANTEES.
- **ELIGIBLE ENTITIES:** NEW & EXISTING MSES IN MANUFACTURING AND SERVICES (INCLUDING RETAIL TRADE).
- **ELIGIBLE LENDERS:** SCHEDULED COMMERCIAL BANKS, SELECT REGIONAL RURAL BANKS, AND FINANCIAL INSTITUTIONS.
- **LOAN COVERAGE:** AS OF APRIL 1, 2025, CREDIT FACILITIES UP TO ₹10 CRORE (TERM LOANS + WORKING CAPITAL).
- **HYBRID SECURITY:** ALLOWS PARTIAL COLLATERAL; REMAINING PORTION COVERED UNDER CGTMSE.
- **GUARANTEE FEE:** ANNUAL FEE PAID BY LENDERS, BASED ON LOAN SIZE AND OTHER FACTORS.

## HOW IT WORKS

1. **APPLICATION:** MSE APPLIES TO A PARTICIPATING BANK/FI.
2. **EVALUATION:** LENDER ASSESSES PROPOSAL AND SANCTIONS LOAN.
3. **GUARANTEE COVER:** LENDER APPLIES TO CGTMSE FOR COVERAGE.
4. **FEE PAYMENT:** GUARANTEE FEE PAID BY THE LENDER.
5. **DISBURSEMENT:** LOAN RELEASED TO THE MSE.
6. **DEFAULT PROTECTION:** IF DEFAULT OCCURS, CGTMSE COMPENSATES THE LENDER FOR A LARGE PORTION OF DUES.

## BENEFITS FOR MSES

- **CREDIT ACCESS:** ENABLES ENTREPRENEURS WITHOUT COLLATERAL TO SECURE LOANS.
- **BUSINESS GROWTH:** SUPPORTS EXPANSION, MODERNIZATION, AND TECH ADOPTION.
- **ENTREPRENEURSHIP BOOST:** ENCOURAGES FIRST-TIME ENTREPRENEURS, TURNING JOB-SEEKERS INTO JOB-CREATORS.

CGTMSE EMPOWERS MSES WITH EASIER ACCESS TO FINANCE, DRIVING INNOVATION, COMPETITIVENESS, AND INCLUSIVE GROWTH.