

# 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.