



Credit Guarantee Fund for Startups

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Government is formulating a Credit Guarantee Scheme for Startups (CGSS) with a corpus contribution of INR 2000 crores that will enable Startups to raise loans without any collateral for their business purposes. The proposed scheme will provide credit guarantee upto INR 500 lakhs per case inclusive of term loan, working capital or any other instrument of assistance extended by Member Lending Institutions (MLIs) to finance an eligible borrower i.e. a Startup recognized by Department of Industrial Policy and Promotion (DIPP).

The main norms and preconditions of the CGSS are as follows:

- Scheme will provide benefit to a Startup recognized by DIPP as per Gazette Notifications issued from time to time.
- For all resident Directors/Partners, Aadhaar shall be mandatory and for non-resident directors/partners, the passport number shall be a mandatory part of KYC norms.
- Member Lending Institutions (MLIs) under the scheme can be Scheduled Commercial Banks and Financial Institutions, RBI registered Non-Banking Financial Companies (NBFCs), SEBI registered AIFs, etc.
- The scheme will function under the trusteeship management of the National Credit Guarantee Trustee Company (NCGTC).
- Scheme shall provide portfolio- based credit guarantee. Each portfolio shall comprise at least 10 eligible start up loans, during a particular Financial Year.
- Coverage would be extended to the portfolio and the portfolio loss would be reckoned against the “net cash losses” during the portfolio life.
- Instruments of assistance could be in the form of Venture debt, working capital, debentures, Optionally Convertible debt, etc.
- MLIs may provide loans to up to any amount required by an eligible borrower. However, under the scheme the exposure for availing credit guarantee shall be limited to Rs.500 lakh per eligible borrower. Such loan will be extended by MLIs without any collateral security and/or third party guarantee.
- The Management Committee(MC) shall be responsible for the overall supervision and monitoring of the Credit Guarantee Scheme for startups.
- A Risk Evaluation Committee (REC) shall also be formed to address conflict of interest issues.

This information was given by the Commerce and Industry Minister Smt. Nirmala Sitharaman in a written reply in Rajya Sabha today

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