

SCHEME FOR REIMBURSEMENT OF ONE TIME GUARANTEE FEE AND ANNUAL SERVICE FEE REMTTED UNDER CGTMSE

Introduction:-

Entrepreneurs in the State face much difficulty in starting a venture as they are not able to access bank credit because of their inability to provide adequate collateral security to the money lending agencies. Availability of bank credit without the hassles of collaterals / third party guarantees has been a major source of support to the first generation entrepreneurs to realise their dream of setting up a of their own Micro and Small Enterprise (MSE). Keeping this objective in view, Ministry of Micro, Small & Medium Enterprises (MSME), Government of India launched Credit Guarantee Scheme (CGS) so as to strengthen credit delivery system and facilitate flow of credit to the MSE sector. To operationalise the scheme, Government of India and SIDBI set up the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). Under the Credit Guarantee scheme (CGS), the Trust covers credit facilities extended by Member Lending Institution(s) to a single eligible borrower in the Micro and Small Enterprises sector for credit facility (i) not exceeding Rs. 50 lakh (Regional Rural Banks/Financial Institutions) and (ii) not exceeding Rs.100 lakh (Scheduled Commercial Banks and select Financial Institutions) by way of term loan and/or working capital facilities on or after entering into an agreement with the Trust, without any collateral security and\or third party guarantees or such amount as may be decided by the Trust from time to time. The Credit Guarantee scheme (CGS) seeks to reassure the lender that, in the event of a MSE unit, which availed collateral free credit facilities, fails to discharge its liabilities to the lender, the Guarantee Trust would make good the loss incurred by the lender up to 75 / 80/ 85 per cent of the credit facility. Under this scheme the lending institution from where the entrepreneur availed assistance, has to be pay to

the Trust a onetime guarantee fee and annual service fee. The amount equivalent to the guarantee fee and/or the service fee payable by the eligible lending institution may be recovered by it, at its discretion from the eligible borrower.

Kerala has got a distinction of having the maximum number of units of MSME covered under the Guarantee scheme of CGTMSME. During the third quarter of the financial year 2010-11 banks in Kerala sanctioned an amount of Rs.147.96 crores in 5120 cases under CGTMSME coverage. While analyzing this figure it can be ascertained that the average loan sanctioned under this scheme to a unit is only Rs.2.89 lakhs whereas the maximum loan allowable is Rs.100 lakhs. This shows that only the very small enterprises are getting the benefits under the scheme and most of the enterprises who require a big amount as loan are not getting the assistance. While discussing the point in the SLBC it was clarified that such units are not willing to take the facility as they have to pay a big amount as guarantee fee both the one time fee and the annual service fee. This proposal is to assist micro and small enterprises to avail loan under CGTMSME by providing the guarantee fee including the annual fee to be paid by them.

Objective:-

This scheme intends to reimburse the one time Guarantee fee and the annual service fee remitted by enterprises to avail collateral free loan from banks and other financial institutions under Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). This will increase the flow of credit to MSME sector.

Target Group:-

All Micro, Small and Medium Enterprises in the State which has filed EM Part I or Part II as the case may be and has availed collateral free loan from banks and other financial institutions under Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) are eligible for this assistance subject to the condition that the loan lending institution had recovered the one time Guarantee fee and the annual service fee from the entrepreneur/enterprise.

One Time Guarantee Fee:-

Under the Credit Guarantee scheme (CGS) a One-time guarantee fee at specified rate currently 1.00% in the case of credit facility upto Rs. 5 Lakh and 1.5% in the case of credit facility above Rs. 5 Lakh of the credit facility sanctioned (comprising term loan and / or working capital facility) shall be paid upfront to the Trust by the institution availing of the guarantee within 30 days from the date of first disbursement of credit facility (not applicable for Working capital) or 30 days from the date of Demand Advice (CGDAN) of guarantee fee whichever is later or such date as specified by the Trust.

Annual Service Fee:-

Under the Credit Guarantee scheme (CGS) the annual service fee at specified rate (currently 0.50% in the case of credit facility upto Rs. 5 Lakh and 0.75% in the case of credit facility above Rs. 5 Lakh) on pro-rata basis for the first and last year and in full for the intervening years on the credit facility sanctioned (comprising term loan and / or working capital facility) shall be paid by the lending institution within 60 days ie. on or before May 31, of every year.

Assistance under the scheme:-

The State Government shall reimburse to eligible Micro, Small and Medium Enterprises the amount equivalent to the onetime Guarantee fee and annual service fee recovered from it by the credit lending institution while availing collateral free loan under Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) on or after 01.04.2011. The assistance for onetime Guarantee fee shall be limited to a maximum of Rs. 1.50 lakhs per enterprise. The total annual service fee shall be limited to a maximum of Rs. 75,000/-per enterprise. There will not be any bar, if an enterprise avails additional separate loans under the Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and applies for this assistance.

Identification and Selection of beneficiary:-

Any micro/small/medium enterprise within the State which had filed EM as per MSMED Act 2006 with the concerned District Industries Centres and has availed collateral free loan from banks under Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) on or after 01.04.2011 shall be eligible for the assistance. Such enterprises shall submit application in the prescribed form for reimbursement of one time Guarantee fee and the annual service fee before the General Manager, District Industries Centres concerned along with required documents mentioned in the application viz. loan sanction letter of the financial institution, proof from the financial institution that the onetime Guarantee fee and the annual service fee has been recovered from the enterprise. The General Manager, District Industries Centre shall process the application and sanction reimbursement of the same to the enterprise and will be disbursed through the concerned Bank branch/financial institution.

Fund Requirement:-

An amount of Rs.25 lakhs is required to implement the scheme during the current financial year. This will be met from the fund provided in the head of account 2851-00-102-84 State Investment Subsidy Scheme in the current year's budget.

Implementing agencies:-

The agency to implement the Scheme shall be the Directorate of Industries & Commerce through the District Industries Centres.

Monitoring:-

The scheme will be monitored by the Directorate of Industries & Commerce. The working of the units shall be monitored by the Industries Extension Officers/Assistant District Officers under the Taluk Industries Offices.