

CREDIT GUARANTEE FUND TRUST FOR MICRO AND SMALL MEDIUM ENTERPRISES (CGTMSE) SCHEME IN PUBLIC SECTOR BANKS

AVANI T

Research Scholar, St. Xavier's College for Women, Aluva, Ernakulum, and Kerala, India

ABSTRACT

The Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS) was launched by the Government of India (GoI) to make available collateral-free credit to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme. Of all the problems faced by the MSEs, non-availability of timely and adequate credit at reasonable interest rate is one of the most important. One of the major causes for low availability of bank finance to this sector is the high risk perception of the banks in lending to MSEs and consequent insistence on collaterals which are not easily available with these enterprises. The problem is more serious for micro enterprises requiring small loans and the first generation entrepreneurs. The Ministry of Micro, Small and Medium Enterprises, Government of India and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises. The scheme was formally launched on August 30, 2000. The corpus of CGTMSE is being contributed by the GoI and SIDBI in the ratio of 4:1. The main aim of the scheme is to provide collateral free loans to MSME sector.

KEYWORDS: CGTMSE, Collateral Free Loans. MSME Sector

INTRODUCTION

MSME's are the engine of growth; it is the largest provider of employment in most countries especially of new jobs. Some times SME's are the only source of employment in poor regions and rural areas. There are around 26 million Micro and Small Enterprises in the country providing employment to an estimated 60 million persons. The MSME sector contributes about 45% of the manufacturing sector output and 40% of the nations export. Statistics from Ministry of Micro small and medium Enterprises also reflect the growth MSME in India. But the main problems faced by the MSME are non-availability of adequate credit at reasonable interest. So in order to promote such a vibrant sector, Government of India and SIDBI have introduced the Credit Guarantee Scheme. The corpus of CGTMSE is contributed by the Government of India and SIDBI to the MLI which includes Scheduled Commercial Banks in the ratio 4:1 the study aims to make an in-depth understanding of the working of Credit Guarantee Trust and how it is operated in public sector banks.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

- To study the linkage of public sector banks with CGTMSE
- To assess the deployment of credit guarantee scheme provided by public sector banks in kerala to MSME sector.

METHODOLOGY OF STUDY

The study makes use of secondary data. Data will be collected from books published by banks, annual reports of banks and CGTMSE, reports published in journals, data from libraries, internet...

Population

Public sector Banks in Kerala is taken as the population of the study.

Sample Size

For collecting data only five active participants in CGTMSE scheme has been taken like State Bank Of India, Punjab National Bank, Canara Bank, Bank Of India, Corporation Bank.

CGTMSE an Overview

CGTMSE –“Credit Guarantee Fund Trust for Micro and Small Enterprises” was introduced by Government of India in consultation with SIDBI to make available collateral free credit to the Micro and Small Enterprise sector. The scheme was first named as Credit Guarantee Fund Scheme. It was formally launched on August 30, 2000 and is operational with effect from 1st January 2000. CGTMSE has its registered office at Mumbai and Business Development Cell in New Delhi in Kolkatta. The inability of entrepreneurs to provide adequate security to banks and low recovery are often cited as major constraint in flow of investment credit to SSI units. The problem is more acute in export oriented and tiny sector enterprises. To alleviate these problems new credit insurance scheme known as CGTMSE has been introduced. As per statistics of 2012 Uttar Pradesh has sanctioned more proposal under CGTMSE. Second position has been bagged by Kerala state. The objectives of CGTMSE are 1) Shift from collateral to merit based lending 2) Act as a catalyst of entrepreneur promotion 3) Facilitate institutional credit flow to MSE Sector 4) Address growth constraint of MSE sector 5.) Enable financial inclusion or employment generation 6.) Revive confidence in credit guarantee mechanism. The institutions which are eligible under CGTMSE (MLI's) are:

- Scheduled Commercial Banks (Public sector/private sector and foreign banks for the time being included in the second schedule to the RBI Act 1930.
- RRB (Regional Rural Bank) which have been classified under ‘Sustainable Viable’ category by NABARD.
- NSIC (National Small Industries Corporation Ltd), NEDFI (North Eastern Industries Finance Corporation Ltd, SIDBI (Small Industries Development Bank Of India).

Lending institutions registered as MLI's (Member Lending Institutions) of the trust comprising of 20 public sector banks 18 private sector banks 71 RRB'S, 4 Foreign Banks, 6 SBI and its Associates and 7 other lending institutions. Government may on review of performance be able to remove any of the lending institution from the list of eligible institutions. And it shall be entitled to a guarantee unless it has entered in to an agreement with the trust in such form as may be required by the trust. The MSME sector has to approach the banks or financial institution with viable project for their credit requirements. The trust will have no direct relation with small entrepreneurs but they offer the credit through MLI's (Member Lending Institutions). MLI are expected to support only viable proposals using their commonsense and due diligence. MLI will have full trust on credit evaluation. The trust will not reevaluate the proposal sanctioned by MLI. All proposal for guarantee approval for credit facilities will have to be rated internally by the MLI and should of investment.

The credit facilities which are eligible to cover under the scheme are both term loan and working capital facility up to Rs 100 lakh per borrowing unit, extended without any collateral security or third party guarantee to a new or existing micro and small enterprises.

Another important requirement under the scheme is that credit facility should be available by the borrowing unit from a single lending institution. Any credit facility in respect of which risk are additionally covered under the scheme operated by the government or other agencies will not be eligible for coverage under the scheme. The guarantee cover under the scheme is to the extent of 75% of the sanctioned amount of the credit facility. The extend of guarantee cover is 80% for i) Micro enterprises for loans up to 5 lakh.2) MSE operated and owned by women.3) all loans in North East Region. The guarantee cover under the scheme is for the agreed tenure of the term loan. In case of working capital the guarantee cover is of 5 years. The fee payable to the trust under the scheme is one time guarantee fee of 1.5% and annual service fee of 0.75% on the credit facilities sanctioned. For loans up to Rs 5 lakh, one time guarantee fee and annual service fee is 1% and 0.5% respectively. For loan in North East Region. The one time guarantee fee is only 0.75%.Annual reports of CGTMSE revealed that during the year2000-2001, number of active MLI's was 9,it has increased to 133 during 2015-2016.And more number of proposal has been sanctioned by Canara bank during this year.

Corpus Fund of CGTMSE

The Corpus fund of the Trust is contributed by the Government of India (GoI) and Small Industries Development Bank of India (SIDBI) in the ratio of 4:1. The committed Corpus of the Trust is ` 2,500 Crore to be contributed by GoI (2,000 Crore) and SIDBI (500 Crore). During the period 2014-2015.During the period 2015 the trust received rs 93.74 crore towards corpus of which GOI contributed rs 74.99 crore while SIDBI provided rs 18.75 crore to the corpus taking the aggregate amount of individual contribution to rs 1911.29 crore and rs 477.81 crore respectively. As at March 31.2015 the total corpus of the trust was rs 2389.04 crore which formed 95.56 of the committed corpus.

THE MEMBER LENDING INSTITUTIONS INCLUDE

- **PUBLIC SECTOR BANKS (21 NOS.)**
 - Allahabad Bank
 - Andhra Bank
 - Bank of Baroda
 - Bank of India
 - Bank of Maharashtra
 - Canara Bank
 - Central Bank of India
 - Corporation Bank
 - Dena Bank
 - IDBI Bank Limited.

- Indian Bank
- Indian Overseas Bank
- Oriental Bank of Commerce
- Punjab & Sind Bank
- Punjab National Bank
- Syndicate Bank
- UCO Bank
- Union Bank of India
- United Bank of India
- Vijaya Bank
- Bharatiya Mahila Bank Ltd.
- **SBI AND ITS ASSOCIATE BANKS (6 NOS.)**
 - State Bank of India
 - State Bank of Bikaner & Jaipur
 - State Bank of Hyderabad
 - State Bank of Mysore
 - State Bank of Patiala
 - State Bank of Travancore
- **PRIVATE SECTOR BANKS (20 NOS.)**
 - Axis Bank Ltd.
 - City Union Bank
 - Development Credit Bank Ltd.
 - HDFC Bank Ltd.
 - ICICI Bank Ltd.
 - IndusInd Bank Ltd.
 - ING Vysya Bank Ltd.
 - Karnataka Bank Ltd.
 - Kotak Mahindra Bank Ltd.

- Lakshmi Vilas Bank Ltd.
- Tamilnad Mercantile Bank Ltd.
- The Dhanalakshmi Bank Ltd.
- The Federal Bank Ltd.
- The Jammu & Kashmir Bank Ltd.
- The Karur Vysya Bank Ltd
- The Nainital Bank Ltd.
- The Ratnakar Bank Ltd.
- The South Indian Bank Ltd.
- YES Bank Limited
- Catholic Syrian Banks Ltd.
- **FOREIGN BANKS (4 NOS.)**
 - Barclays Bank PLC
 - Bank of Bahrain and Kuwait
 - Deutsche Bank
 - Standard Chartered Bank

REGIONAL RURAL BANKS (73 nos)

1 Allahabad UP Gramin Bank	35 Malwa Gramin Bank
2. Pradesh Grameena Vikas Bank	36 MGB Gramin Bank
3 Andhra Pragathi Grameena Bank	37 Mizoram Rural Bank
4 Aryavart Gramin Bank	38 Nainital – Almora Kshetriya Gramin Bank
5 Assam Gramin Vikash Bank	39 Narmada Malwa Gramin Bank
6 Baitarani Gramya Bank	40 Neelachal Gramya Bank
7 Ballia Etawah Gramin Bank	41 North Malabar Gramin Bank
8 Bangiya Gramin Vikash Bank	42 Pallavan Gramin Bank
9 Baroda Gujarat Gramin Bank	43 Pandyan Grama Bank
10 Baroda Rajasthan Gramin Bank	44 Parvatiya Gramin Bank
11 Baroda Uttar Pradesh Gramin Bank	45 Pragathi Gramin Bank
12 Bihar Kshetriya Gramin Bank	46 Prathama Bank

13 Cauvery Kalpatharu Grameena Bank	47 Punjab Gramin Bank
14 Chaitanya Godavari Grameena Bank	48 Purvanchal Gramin Bank
15 Chattisgarh Gramin Bank	49 Rajasthan Gramin Bank
16 Chikmagalur-Kodagu Gramin Bank	50 Rewa Siddhi Gramin Bank
17 Deccan Gramin Bank	51 Rushikulya Gramya Bank
18 Dena Gujarat Gramin Bank	52 Samastipur Kshetriya Gramin Bank
19 Durg Rajnandgaon Gramin Bank	53 Saptagiri Grameena Bank
20 Gurgaon Gramin Bank	54 Sarva UP Gramin Bank
21 Hadoti Kshetriya Gramin Bank	55 Satpura Narmada Kshetriya Gramin Bank
22 Haryana Gramin Bank	56 Saurashtra Gramin Bank
23 Himachal Gramin Bank	57 Sharda Gramin Bank
24 Jaipur Thar Gramin Bank	58 Shreyas Gramin Bank
25 Jharkhand Gramin Bank	59 South Malabar Gramin Bank
26 Jammu & Kashmir Gramin Bank	60 Surguja Kshetriya Gramin Bank
27 Karnataka Vikas Grameena Bank	61 Sutlej Gramin Bank (SGB)
28 Kashi Gomti Samyut Gramin Bank	62 Tripura Gramin Bank
29 Krishna Grameena Bank	63 Triveni Kshetriya Gramin Bank
30 Langpi Dehangi Rural Bank	64 Uttar Bihar Gramin Bank
31 Madhya Bharat Gramin Bank	65 Uttaranchal Gramin Bank
32 Madhya Bihar Gramin Bank	66 Uttarbanga Kshetriya Gramin Bank
33 Maharashtra Godavari Gramin Bank	67 Vananchal Gramin Bank
34 Maharashtra Gramin Bank	68 Vidharbha Kshetriya Gramin Bank
	69 Vananchal Gramin Bank
	70 Vidharbha Kshetriya Gramin Bank
	71 Vidisha Bhopal Kshetriya Gramin Bank
	72 Visveshvaraya Grameena Bank
	73 Wainganga Krishna Gramin Bank

Lending Institutions (9 Nos)

- Andhra Pradesh State Financial Corporation

- Delhi Financial Corporation Corporation Ltd.
- Jammu & Kashmir Development Finance Corporation Ltd
- Kerala Financial Corporation Corporation Ltd.
- National Small Industries Corporation Ltd. 9 Export Import Bank of India
- North Eastern Development Finance
- Small Industries Development Bank of India
- The Tamil Nadu Industrial Investment

Operational Highlights of CGTMSE:

As on may 31 2016, the cumulative number of proposals from the MSME have been approved for guarantee cover for aggregate credit of rs.113500.61 crore, extended by 133 MLI's. This table shows a year wise guarantee approval growth position.

Table 1

Period	No. of Active MLIs	No. of Credit Facilities Approved	Amount of Guarantees Approved (Rs. Crore)	Cumulative Guarantees Approved (Rs. Crore)
FY 2000-01	9	951	6.06	6.06
FY 2001-02	16	2296	29.52	35.58
FY 2002-03	22	4955	58.67	94.25
FY 2003-04	29	6603	117.60	211.85
FY 2004-05	32	8451	267.46	538.62
FY 2005-06	36	16284	461.91	1000.53
FY 2006-07	40	27457	704.53	1705.06
FY 2007-08	47	30285	1055.84	2701.59
FY 2008-09	57	53708	2199.40	4824.34
FY 2009-10	85	151387	6875.11	11559.61
FY 2010-11	106	254000	12589.22	23846.01
FY 2011-12	109	243981	13783.98	37139.31
FY 2012-13	117	288537	16062.48	52600.07
FY 2013-14	117	348475	18188.12	70026.28
FY 2014-15	119	403422	21274.82	90445.90
FY 2015-16	119	513978	19949.38	108990.85
FY 2016-17	119	106634	4037.07	113500.61

Source: DC-MSME

MEMBER LENDING INSTITUTION (MLI) wise approvals in numbers and in amount in crores during the period 2014-2015 are given below:

Table 2

MLI Name	Approval In Nos.	Approval In Amount
Canara Bank	102037	3477.97
Bank Of India	49146	3423.21
State Bank Of India	44548	2672.36
United Bank	27737	796.95
Punjab National Bank	25291	1328.44

Source annual report 2014-2015

State wise approval in numbers and amount are given below. For these purpose top five states based on more number of credit guarantee approval has been taken.

Table 3

State	Approval In Number	Approval In Amount
Kerala	41624	1124.24
Maharashtra	44835	2668.70
Karnataka	39561	2248.17
Tamil Nadu	42557	1720.44
Utter Pradesh	36418	2050.09

Source annual report 2014-2015

CONCLUSIONS

From the study we came to know that the Credit guarantee trust for micro small medium enterprises is working smoothly by providing guarantee to the member lending institutions there by providing collateral free credit to the MSME Sector. Almost all banks are giving more number of credits to MSMES under the provision of the trust. Without this scheme the banks couldn't offer this much of credit to this sector.

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