

Credit Guarantee Fund Trust Scheme for Micro and Small Enterprises (MSE) : An Evaluation

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Abstract

The main objective of the CGTMSE scheme is that banks can grant credit facilities to micro and small enterprises without the fear of non-repayment by the borrowers. CGTMSE scheme is the end solution for MSEs from providing collateral security for their loans and advances. Through this scheme both MSEs and Banks are benefited. The scheme helps banks in increasing the flow of credit to MSEs since the Trust gives guarantee to banks for MSE loans. So, it is considered very essential to evaluate the performance of CGTMSE scheme since its inception. In addition, there may be challenges or problems faced by banks during the course of the implementation. Hence the study had been taken up. The study results showed that there is a slow growth in terms of number of member lending institutions registered with CGT, number of credit facilities approved and, in the amount guaranteed during the study period.

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Keywords : Credit Guarantee, Fund Trust, MSME, CGTME, Banks, MSE, CGT, NABARD, EXIM, India.

I. Introduction

THE MOST PRESSING issues confronting MSEs is the lack of timely and enough finance at a reasonable rate of interest. The banks' high-risk perception in lending to MSEs is one of the key reasons for the limited availability of bank finance in this sector. That makes banks to prioritize collaterals that are not readily available with these businesses. The challenge is particularly acute for first-generation entrepreneurs who require small loans.

A crucial necessity for fostering first-generation entrepreneurship in India is the availability of bank loans with no collateral. The CGTMSE scheme was developed by the MSME Ministry to assist millions of first-

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- More awareness about the CGTMSE scheme among bank employees and public is very essential.
- The borrowers should change their attitude from not to repay the loan amount.

VI. Conclusion

The study was taken up with an objective of assessing the operational performance of the CGTMSE scheme since its introduction. The study results showed that there is a slow growth in terms of number of member lending institutions registered with CGT, number of credit facilities approved and in the amount guaranteed during the study period. Even though the scheme was introduced for the good cause and objective, still it is less popularized among micro and small enterprises. Moreover, the intention and attitude of the beneficiaries have to be changed because they try to misuse the fund. Real beneficiaries are to be identified by the government agencies. The success of the scheme is in the hands of the genuine borrowers only. And claim settlement procedures are still to be simplified and made quicker so that bankers will not hesitate to implement the scheme.

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