

Ministry of Micro, Small and Medium Enterprises (MSMEs) launches another funding scheme to help the distressed MSME sector

The Scheme will provide Rs. 20,000 crore of guarantee cover to two lakh MSMEs.

This is a sub-debt facility to the promoters of those operational MSMEs which are distressed or NPA

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Minister of MSME, Shri Nitin Gadkari today launched the Credit Guarantee Scheme for Sub-ordinate Debt (CGSSD) which is also called “Distressed Assets Fund–Sub-ordinate Debt for MSMEs”.

As per the Scheme, the guarantee cover worth Rs. 20,000 crores will be provided to the promoters who can take debt from the banks to further invest in their stressed MSMEs as equity.

It was being felt that the biggest challenge for stressed MSMEs was in getting capital either in the form of debt or equity. Therefore, as part of Atmanirbhar Bharat package, on 13th May, 2020, Finance Minister had announced this scheme of sub-ordinate Debt to the promoters of operational but stressed MSMEs. After completion of necessary formalities including approval of CCEA and consultation with Finance Ministry, SIDBI and RBI among others, the scheme was formally launched today by Shri Gadakari from Nagpur.

The highlights of the scheme are:

- This Scheme seeks to extend support to the promoter(s) of the operational MSMEs which are stressed and have become NPA as on 30th April, 2020;
- Promoter(s) of the MSMEs will be given credit equal to 15% of their stake (equity plus debt) or Rs. 75 lakh whichever is lower;
- Promoter(s) in turn will infuse this amount in the MSME unit as equity and thereby enhance the liquidity and maintain debt-equity ratio;
- 90% guarantee coverage for this sub-debt will be given under the Scheme and 10% would come from the concerned promoters;

- There will be a moratorium of 7 years on payment of principal whereas maximum tenor for repayment will be 10 years.

It is expected that this scheme would provide much required support to around 2 lakh MSMEs and will help in reviving the economic activity in and through this sector. It will also help in protecting the livelihoods and jobs of millions of people who depend on them. Promoter(s) of MSMEs meeting the eligibility criteria may approach any scheduled commercial banks to avail benefit under the scheme. The scheme will be operationalised through Credit Guarantee Fund Trust for MSEs (CGTMSE). Necessary guidelines alongwith answers to possible FAQs have been issued today and made public in this regard.

On this occasion, Shri Nitin Gadkari thanked the Prime Minister and Finance Minister for this Scheme. He also thanked the officials of Department of Expenditure, Department of Financial Services and Governor of RBI for supporting this innovative Scheme of the Ministry.
