

**Credit Guarantee Scheme to MSMEs**

895. SHRI DEVENDER GOUD T.: Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) whether it is a fact that RBI has constituted a Working Group to review the Credit Guarantee Scheme to MSMEs;

(b) if so, the details of the review made;

(c) what action has been taken on the recommendations of the Working Group; and

(d) how the Ministry is planning to propagate and implement not to accept collateral security for loans up to ₹ 10 lakhs?

THE MINISTER OF STATE OF THE MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES (SHRI K.H. MUNIYAPPA): (a) Yes, Sir. The Reserve Bank of India (RBI) had constituted a Working Group to review the Credit Guarantee Scheme for Micro and Small Enterprises and to suggest measures to enhance its usage. The Working Group submitted its Report in March, 2010.

(b) and (c) The important recommendations made by the Working Group relate to increasing the limit of collateral free loan to Rs.10 lakh, levying a composite guarantee fee of 1% per annum, increasing the claim lodgment period to two years and waiving of legal proceedings as pre-condition for invoking guarantee for credit facilities up to Rs.50,000/. Based on the recommendations of the Working Group, the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) has brought in suitable modifications in the Credit Guarantee Scheme which are applicable to credit facilities sanctioned by Member Lending Institutions (MLIs) of CGTMSE on or after January 01, 2013.

(d) RBI has issued instructions to the banks to extend collateral free loans to MSE borrowers below the ten lakh limit.

**Problems of MSMEs relating to high cost of loans**

896. SHRI PALVAI GOVARDHAN REDDY: Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) whether the Ministry would addressed the problems of Micro, Small and Medium Enterprises (MSMEs) relating to access, timeliness and high cost of loans;