GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA

UNSTARRED QUESTION NO. 1992

ANSWERED ON TUESDAY, 18th MARCH, 2025/ 27 PHALGUNA, 1946 (SAKA)

MUTUAL CREDIT GUARANTEE SCHEME FOR MSMEs

1992 SHRI SADANAND MHALU SHET TANAVADE:

Will the Minister of FINANCE be pleased to state:

(a) the eligibility criteria and implementation framework of the Mutual Credit Guarantee Scheme for MSMEs, along with details of financial institutions involved in its execution;

(b) whether Government has conducted any assessment of the impact of the scheme on MSMEs' access to credit and financial stability and if so, the key findings thereof; and

(c) the specific simplifications being introduced in the new Income Tax Act to reduce compliance burdens for small businesses and individual taxpayers, particularly in relation to taxation on MSME earnings and loan repayments?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SH. PANKAJ CHAUDHARY)

(a): Mutual Credit Guarantee Scheme for MSMEs (MCGS- MSME) has been launched for providing 60% guarantee coverage by National Credit Guarantee Trustee Company Limited (NCGTC) to Member Lending Institutions (MLIs) for credit facility upto Rs.100 crore sanctioned to eligible MSMEs under MCGS-MSME for purchase of equipment / machinery.

The eligibility criteria for borrowers under Mutual Credit Guarantee Scheme for MSMEs (MCGS-MSME) is as below:

i. It should be an MSME with valid Udyam Registration Number;

ii. It should not be an NPA with any lender;

iii. Minimum cost of equipment /machinery is 75% of project cost;

The Scheme is being implemented by National Credit Guarantee Trustee Company Limited (NCGTC), a wholly owned company of Department of Financial Services, Ministry of Finance, Government of India. The MLI shall sanction loans to eligible borrowers and then submit details of the loan account on the portal of NCGTC along with payment of fees, whereupon the MLI shall get a confirmation of loan being guaranteed under the Scheme.

The Scheduled Commercial Banks (SCBs) / All India Financial Institutions (AIFIs) and Non-Banking Finance Companies (NBFCs), shall be the eligible MLIs under the Scheme, subject to execution of an agreement by them with NCGTC.

(b): The scheme has been approved by the Government of India recently. No such assessment of the impact of the scheme on MSMEs' access to credit and financial stability has been conducted yet.

(c): Various measures pertaining to direct taxes as discussed below have been undertaken recently by the government for reducing the compliance burden for smaller businesses and individual tax payers: -

i. Provisions for presumptive taxation for businesses under Section 44 AD and Section 44 AE of the Income-tax Act, 1961 (the Act).

ii. Provisions for tax audit for businesses under Section 44 AB of the Act.

iii. Provision for reduction in compliance burden by omission of TCS on sale of specified goods under Section 206C of the Act.

iv. Rationalization of tax deducted at source (TDS) rates under various provisions of the Act.

v. Simplification of the Income-tax Act is proposed.

The new Income-tax Bill 2025 proposes to make the direct tax provisions concise, lucid, easy to read and understand. Redundant provisions have been eliminated and the drafting style of the new Bill is straightforward and clear.

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