



## **Extension of Financial assistance to registered NBFC-MFI/MFIs under Credit Guarantee Scheme for MFIs (CGSM)**

### **Background of the scheme:**

As per the Ministry of Finance, GOI press conference announcement made on June 28, 2021, the government launched a scheme which aims to benefit the smallest of the borrowers who are served by the network of Micro Finance Institutions. The scheme is named as "Credit Guarantee Scheme for Micro Finance Institutions".

### **Purpose of the scheme:**

To provide guarantee by NCGTC to eligible lending institutions for the funding provided by them to NBFC-MFIs or MFIs for on lending to eligible small borrowers in the context of Covid-19 pandemic.

**Eligibility:** All NBFC-MFI/MFIs registered with one or more Self-Regulatory Organizations recognized by RBI (presently MFIN and SA-Dhan) are eligible for support under the scheme.

**Duration of the scheme:** The scheme shall cover funding as per the guidelines issued by NCGTC and shall cover funding provided by the MLI to MFIs/NBFC-MFIs till March 31, 2022 or till guarantees for an amount of Rs.7,500 crore are issued.

**Approach:** The NBFC-MFI/MFIs shall approach the bank and submit an application along with other details as required by the bank. After the assessment of the client, the bank shall extend financial assistance for the same.

### **Details for interested clients under the scheme:**

The funding would be based on Bank's internal assessment criteria, under the guidelines of the scheme.

The loan amount to be disbursed in tranches as decided internally and Interest rate on such funding by MLIs shall be capped at 1 year Marginal Cost Based Lending Rate (MCLR) + 2% per annum.

At least 80% of the loan received is utilized for creation of fresh loan assets. These assets should be created within a period of 4 months from the date of disbursement of each tranche of loans. Assistance extended to the borrowers should be as per extant guidelines of RBI.

Interest rate charged on these loans by the NBFC-MFI/MFIs should be at least 2% below the maximum rate prescribed by RBI on such loans. A separate account is opened for credit facility extended to the eligible small borrowers under the Scheme.

Submission of a Statutory Auditor certificate to the bank is required confirming compliance with the above parameters within 4 months from the date of disbursement of each tranche of loan disbursed by the bank.

Other assessment criteria apart from scheme details remain as per Banks internal policy and any changes made thereafter.