



NCGTC No. 2876 / CGFMU / MLI / Communication

September 24, 2020

All Member Lending Institutions (MLIs)

Dear Sir,

**Mudra Loans under Credit Guarantee Fund for Micro Units (CGFMU)**  
**Amendments in the scheme – Impetus for enhancing coverage**

At the outset let me take this opportunity to thank you for the co-operation and support extended by your institution for the coverage of Mudra Loans under the guarantee cover extended by Credit Guarantee Fund for Micro Units. Ever since the launch of the scheme in 2016 the Member Lending Institutions (MLIs) have propagated this CGFMU scheme in right earnest which has not only given confidence to the sanctioning authority but also the requisite comfort to the loan applicant to avail assistance under the Mudra Scheme thereby resulting in its increased acceptance amongst the beneficiaries.

The implementation of the guarantee cover under CGFMU scheme has given us a lot of learnings and taking forward these learnings the delegated authority has since carried out various amendments in the scheme. These amendments have been duly covered and updated under modifications in Gazette Notification which is hosted on the NCGTC website under product and services under CGFMU scheme which was also circulated vide NCGTC Ref no: 2748/NCGTC/20-21 April 09, 2020. The frequently asked questions have also since been updated for ready reference. The major highlights of the said Gazette Notification dated April 16, 2020 are being produced below for ready reference and for easy dissemination of information both amongst the Member Lending Institutions and the ultimate beneficiaries.

1. **Greater quantum of coverage under Guarantee Cover.** : "Guarantee Cover" means maximum cover available per portfolio, based on the amount in default, in respect of the credit facility extended by the lending institution. The first 3% of the amount in default will be borne by the eligible lending institution. The amount in default over and above 3% (if applicable) will be settled by the fund to the extent of 75% on pro-rata basis, subject to the receipt of an Auditors' certificate confirming eligible claim amount.

The above modifications imply that the first loss (to be borne by MLIs ) have been reduced from 5% to 3% of the Amount in Default. The second loss (to be borne by the CGFMU ) has been increased from 50% to 75% of the amount in default. This would certainly help in providing greater confidence to the sanctioning authority by covering the loan under the guarantee cover extended by CGFMU.

2. **Inclusion of Self Help Groups (SHGs) with loan amount from Rs 10 Lakhs to Rs 20 Lakhs spectrum** : "Self Help Groups (SHGs)" – As may be defined from time to time and including, but not limited to, SHGs as defined by NABARD under two schemes of GoI – Deendayal Antodaya Yojana National Rural Livelihood Mission or DAY-NRLM/SRLM and National Urban Livelihood Mission or NULM

हम हिन्दी में पत्राचार का स्वागत करते हैं।

नेशनल क्रेडिट गारंटी ट्रस्टी कंपनी लिमिटेड  
(वित्त मंत्रालय, भारत सरकार)

**NATIONAL CREDIT GUARANTEE TRUSTEE COMPANY LTD.®**  
(Ministry of Finance, Government of India)

Loans sanctioned to Self Help Groups (SHGs) between Rs.10 lakh and Rs. 20 lakh during FY 2020-21 and thereafter would also be eligible for coverage under CGFMU, irrespective of the availability of group guarantee of SHG members, from the date of this notification. In respect of this category, first loss guarantee shall be Nil and second loss guarantee shall be 75%.

The above modifications imply that MLIs would now be able to cover SHGs in the loan bracket of Rs 10 Lakhs to Rs 20 Lakhs there by providing greater scope and coverage for the implementation of the scheme. With this amendment the new spectrum of SHGs opens up for coverage for the MLIs. Further, the extent second loss (to be borne by CGFMU ) has been enhanced to 75% of the amount in default with no provision for first loss ( which is borne by the MLIs)

3. Reduced Guarantee Fee :

- (i) Guarantee fee for SHG -The Guarantee fee would be charged at 0.25% p.a. during first year and 0.50% p.a.in subsequent years. The guarantee fee will be charged on outstanding balance at the time of sanction (on pro rata basis) and thereafter on annual basis for renewals.
- (ii) Guarantee fee for Micro units in Aspirational Districts - The Guarantee fee would be charged against guarantee cover for micro loans located in the Aspirational Districts at lower fees of 0.5% p.a. (on prorata basis for first year) for guarantees availed on the portfolios of FY 2020-21 & FY 2021-22. This shall be reviewed at the end of two years.

The above modifications imply that the scheme has introduced additional incentive for coverage of the Mudra Loans under CGFMU scheme in the form of reduced guarantee fee for the MLIs. The above reduced guarantee fee is applicable for the Mudra loans sanctioned on or after April 01, 2020 under the SHG module and also for Mudra loans sanctioned in the 124 aspirational districts in the country as identified by the Government of India.

In view of the above modifications / amendments in the scheme we request you to please arrange for dissemination of information amongst all the stakeholders including your staff and the ultimate beneficiaries so that the benefits can be leveraged to reach out to the intended beneficiaries in an effective manner.

Thanking You

Yours faithfully,

  
Deputy General Manager