

**Frequently Asked Questions (FAQs) on Credit  
Guarantee Scheme for MFIs – Updated as on 04.08.2021**

**1. What is Credit Guarantee Scheme for MFIs (CGSMFI)?**

CGSMFI is a scheme to provide guarantee by National Credit Guarantee Trustee Company (NCGTC) to Member Lending Institutions (MLIs) for loans extended by them to NBFC-MFIs and MFIs in the country.

**2. What is the objective of the Scheme?**

The Scheme is a specific response to provide funding to the NBFC-MFIs/MFIs at competitive rates to enable them to extend need based financial assistance to their existing micro enterprises and to support new micro enterprises at reasonable rates.

**3. Who are the MLIs under the Scheme?**

All Scheduled Commercial Banks (SCBs) and AIFIs like SIDBI, are eligible as MLIs.

**4. What is the duration of the Scheme?**

The Scheme would be applicable to all loans sanctioned by the MLIs under CGSMFI during the period from issue of these guidelines to March 31, 2022 or till guarantees for an amount of Rs.7,500 crore are issued under CGSMFI, whichever is earlier.

**5. Which MFIs can get support under CGSMFI?**

All NBFC-MFIs/MFIs registered with one of the Self Regulatory Organisations recognized by RBI (presently MFIN & Sa-Dhan) are eligible for support under the scheme, which shall be extended by the MLIs. However, MLIs should ensure that at least 50% of the funding provided and covered under the scheme goes to lower rated NBFC-MFIs/MFIs (i.e. NBFC-MFIs/MFI rated/graded MfR 2 or below).

**6. What would be the guarantee coverage under the Scheme?**

The funding provided by the MLIs under CGSMFI shall be eligible for credit guarantee coverage by NCGTC upto 75% of the amount in default.

**7. How would the funding be extended to NBFC-MFIs/MFIs?**

The NBFC-MFIs/MFIs shall approach one of the MLI and submit an application along with such other details as may be decided by the respective MLI. After due assessment and other formalities, the MLI shall extend financial assistance to the applicant NBFC-MFIs/MFIs.

**8. What eligibility criteria should NBFC-MFIs/MFIs keep in mind while extending loans under the scheme to the ultimate borrowers?**

NBFC-MFIs/MFIs should ensure the following with regard to assistance extended to eligible small borrowers under the scheme :

- (i) 80% of the assistance received by the NBFC-MFIs/MFIs 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 by the MLIs;
- (ii) Interest rate charged on these loans is at least 2% below the maximum rate prescribed by RBI on such loans. To illustrate, if the maximum interest rate that an NBFC-MFI can charge to its eligible small borrowers works out to 22% p.a. as per the formula prescribed by RBI on such lending, then the said NBFC-MFI shall charge 20% p.a. from its eligible small borrowers under the scheme.;
- (iii) Separate account is opened for the loans extended to eligible small borrowers under the scheme;
- (iv) Assistance extended to the eligible small borrowers is as per extant guidelines of RBI;

- (v) NBFC-MFI/MFI should submit a Statutory Auditor certificate to its MLI confirming compliance with the above within 4 months from the date of disbursement of each tranche of loan by the MLI.

**9. What would be the tenor of loans extended by the MLIs and NBFC-MFIs/MFIs?**

This would be need based as per assessment. However, the tenor of NCGTC's guarantee would be for a maximum period of 3 years;

**10. What would be the procedure followed for issue of guarantee under the scheme?**

The MLI, after sanction of financial assistance to an NBFC-MFI/ MFI, shall enter the necessary details with regard to the assistance extended on NCGTC's portal for issue of guarantee, based on which automatic guarantee shall be issued.

**11. What would be the procedure followed for settlement of claims?**

The MLI shall, upon an NBFC-MFI/MFI defaulting in repayment of dues and turning NPA, shall approach NCGTC and file claim for eligible amount. The first such claim should be filed 1 year after the date of issue of guarantee or date of disbursement of tranche, whichever is later. The claim shall be restricted to 75% of the amount in default of each tranche of loan disbursed by the MLI to NBFC-MFIs/MFIs.

**12. What is the lock in period for invocation of guarantee/submission of claim?**

Lock in period for the first claim on each tranche of loan disbursed shall be 1 year from the date of issue of guarantee or date of first disbursement to NBFC-MFI/MFI, whichever is later. The second and third claims shall be made in subsequent years. Only 1 claim per year shall be entertained.

**13. How will the guaranteed amount be paid by NCGTC to the MLIs on invocation of the guarantee/submission of the claim?**

Upon submission of the claim as per details above, the eligible amount shall be paid within 30 days.

**14. I am a new micro credit borrower. Am I eligible for assistance under CGSMFI?**

Yes, provided you fulfil the conditions stipulated for such borrowers by RBI and meet the guidelines under the scheme and your lender avails assistance under the scheme.

**15. I am an existing micro loan borrower in need of additional assistance. Am I eligible under the scheme?**

Yes, subject to the maximum loan allowed to such borrowers by NBFC-MFIs/MFIs as per RBI guidelines, other eligible parameters of the scheme and your lender avails assistance under the scheme.

**16. Is there any cap on the rate at which MLIs can lend to NBFCs-MFIs/MFIs?**

The interest rate on funding provided by the MLIs to the NBFC-MFIs/MFIs shall be capped at MCLR+2% p.a.

**17. Is there any moratorium period prescribed under the Scheme for lending by the MLIs to the NBFC-MFIs and by the NBFC-MFIs/MFIs to the ultimate borrower?**

This would be as per arrangement arrived at between the MLI & NBFC-MFIs/MFIs and between the NBFC-MFIs/MFIs & the ultimate borrower.

**18. Will any guarantee fee be charged under the Scheme by NCGTC?**

No, NCGTC will not charge any guarantee fee under the Scheme.

**19. Can MLIs ask for any additional collateral of FD margin for the facility sanctioned under CGSMFI?**

This is left to the discretion of the MLI. However, guarantee shall be available only on the uncovered portion of the loan (FD margin also to be netted off).

**20. Can NBFC-MFIs/MFIs ask for any additional collateral for the facility sanctioned under CGSMFI?**

This is left to the discretion of the NBFC-MFIs/MFIs. However, guarantee shall be available only on the uncovered portion of the loan.

**21. What would be the nature of guarantee under the scheme?**

The Credit Guarantee from NCGTC would be unconditional and irrevocable.

**22. What will be the risk weight assigned to the credit extended under the scheme?**

Approval of RBI is being requested for assigning zero risk weight to the guaranteed portion of credit amount covered under the scheme.

**23. What will be the security on credit extended under CGSMFI?**

No security shall be sought by NCGTC. The MLIs may like to enter into such agreement or create such security as per their requirement.

**24. Will MLIs be required to enter into any agreement with NCGTC for the purpose of this Scheme?**

Yes, MLIs will be required to submit an Undertaking to NCGTC for the purpose of this Scheme.

**25. Who will issue detailed operational guidelines for CGSMFI, and who will have the authority to modify provisions of the Scheme/operational guidelines?**

NCGTC has issued the detailed operational guidelines for the Scheme. The Management Committee of CGSMFI fund will have the authority to approve any changes to the structure of the Scheme/ operational guidelines.

**26. Who would decide the creditworthiness of a borrower for assistance under the Scheme?**

It is for the MLI and NBFC-MFIs/MFIs to assess the creditworthiness of their borrowers.

**27. I am an NBFC-MFI/MFI having got a micro loan sanctioned under the scheme. Till which date can I avail disbursement?**

Time of 4 months has been allowed for creation of fresh assets. Hence, disbursement should be availed within this period.

**28. I am an MLI and propose to extend assistance to NBFC-MFIs/MFIs under CGSMFI. As is the usual practice, I propose to take personal guarantee of promoters. Is there any restriction on it?**

As indicated at FAQ 20, guarantee from NCGTC shall be available only on the uncovered portion of the loan (net of collateral) availed by the NBFC-MFI/MFI. Any additional comfort taken by the MLI from the promoters is to be negotiated bilaterally.

**29. I am an MFI availing loans from multiple Banks/FIs. Can I avail loans under CGSMFI from two or more MLIs registered under the scheme?**

Yes. However, please ensure that the assets created under each credit line availed under the scheme are unique and are maintained and reported separately.

**30. Rating / Grading of MfR 1 etc. is provided by CRISIL. I am an MLI having received enquiries from NBFC-MFIs/MFIs rated by CARE / ICRA / Acutie / India Ratings / Brickworks Analytics. How will I ensure that MFIs are rated MfR 2 or lower ?**

The equivalent rating / grading of various credit rating agencies in India can be taken as below while considering proposals of NBFC-MFIs/MFIs under CGSMFI.

<b>CRISIL</b>	<b>CARE/CARE Advisory</b>	<b>ICRA</b>	<b>SMERA</b>	<b>India Ratings/IRR Advisory (Fitch Group)</b>	<b>Brickworks Analytics</b>
mfR1	MFI 1	M1	M1	MF11	MF1
mfR2	MFI 2+	M2+	M2	MF12	MF2
mfR3	MFI 2	M2	M3	MF13	MF3
mfR4	MFI 3+	M3+	M4	MF14	MF4
mfR5	MFI 3	M3	M5	MF15	MF5
mfR6	MFI 4+	M4+	M6	MF16	MF6
mfR7	MFI 4	M4	M7	MF17	MF7
mfR8	MFI 5	M5	M8	MF18	MF8

*Grading of 1 denotes highest performance and 8 the lowest  
MFI grading is also offered by M-Cril which is not a rating agency.*

**31. Who can provide answers to any further queries?**

Please address your queries/suggestions to [ceo@ncqtc.in](mailto:ceo@ncqtc.in)

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