



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2009-10/449

RPCD.SME & NFS. BC.No. 79 /06.02.31/2009-10

May 6, 2010

The Chairman/ Managing Director
All Scheduled Commercial Banks
(Including Regional Rural Banks and Local Area Banks)

Dear Sir

**Working Group to Review the Credit Guarantee Scheme for Micro and Small Enterprises (MSEs)
– Collateral free loans to MSEs**

As you are aware, a Working Group was constituted by the Reserve Bank of India to review the Credit Guarantee Scheme (CGS) of the Credit Guarantee Fund Trust for Micro and Small Enterprises (Chairman: Shri V.K. Sharma, Executive Director, RBI) and suggest measures to enhance its usage. The Report of the Working Group was released on March 6, 2010, which is available on our website (www.rbi.org.in). The Working Group has, inter alia, recommended that

"the limit for collateral free loans to the MSE sector be increased from the present level of Rs. 5 lakh to Rs.10 lakh and it be made mandatory for banks. Banks, in turn, can take cover for the collateral free credit facilities under CGS. In order to upscale the CGS, it is necessary to create widespread awareness about the key features and benefits of the Scheme. As the branch level functionaries have a predilection to lend against collaterals, the Group recommends that the Chief Executive Officers (CEOs) of banks assume complete and total ownership in the matter of strongly encouraging the branch level functionaries to avail of the CGS cover, including making performance in this regard a criterion in the evaluation of their field staff."

The above recommendations have been accepted by the Reserve Bank of India. Accordingly, in modification of our circular RPCD.SME & NFS.BC.No. 16/ 06.02.31 (P)/ 2009-10 dated August 24, 2009, banks are mandated not to accept collateral security in the case of loans upto Rs 10 lakh extended to units in the MSE sector.

2. Banks may also strongly encourage their branch level functionaries to avail of the CGS cover, including making performance in this regard a criterion in the evaluation of their field staff.
3. You are requested to issue suitable instructions to your branches/ controlling offices for meticulous and strict compliance in this regard.
4. Please acknowledge receipt.

Yours faithfully

(R.C. Sarangi)
Chief General Manager

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हिंदी आसान है, इसका प्रयोग क्वडाइए