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October 18, 2022

Shri Anurag Jain, IAS
Secretary
Department for Promotion of Industry and Internal Trade

Subject: MAIT Recommendations on Credit Guarantee Scheme

Respected Sir,

Greetings from MAIT!

This bears reference to the 'Credit Guarantee Scheme for Startups (CGSS)' for the purpose of providing credit guarantees to loans extended by Member Institutions (MIs) to finance eligible borrowers being Startups as defined in the Gazette Notification issued by the DPIIT vide notification number F.No. P-38015/2/2020-Startup India dated October 6, 2022.

Sir, first and foremost, on behalf of the industry, we thank DPIIT for bringing out this Scheme to finance Startups which would help provide the much-needed collateral free debt funding to Startups. The Scheme will definitely help the MSME start-ups in the electronics H/w space to overcome funding issues; however, MAIT believes that DPIIT should consider **extending the Credit Guarantee scheme to MSMEs also along with the Startups** so that there is wider benefit of this Scheme for the existing MSMEs as well.

Coming back to some observations about the current scheme; they are listed as below: -

1. **No requirement of Additional Collaterals:** The Member Institutions (MIs) should not be allowed to take any collateral from the borrower since a substantial portion is covered by the guarantee. They may utmost insist on a say, 20% - 25% infusion by the promoter as their share and promoters should give personal guarantee.
2. **Limiting Collaterals to Assets purchased under the Scheme:** The collateral should be limited to the assets that would be purchased under this scheme or assets of the project including current assets, if they avail working capital finance. Any additional property belonging to the promoters should not be asked for as this will go against the spirit of the scheme and act as a dampener.
3. **Sub 10% loan interest rates:** The loan interest rates should be below 10% considering almost low risk for banks which will boost electronics manufacturing in alignment with Gol's objective of Make-in-India.
4. **Minimal Flat Processing fee** rather than percentage of loan amount should be exercised.
5. **Credit guarantee fee basis credit rating:** Credit Guarantee fee should be based upon the credit rating of the party and on older and performing loans it needs to be reduced.
6. Bank should not be allowed to charge any other charge as a handling fee.

Look forward to your favorable consideration of these suggestions.

With regards,

Col. AA Jafri, Retd.
Acting Director General – MAIT

CC: Shri Bidyut Bihari Swain, IAS, Secretary, Ministry of Micro, Small & Medium Enterprises

CC: Shri Sunil Barthwal, IAS, Secretary, Ministry of Commerce & Industry

CC: Shri Alkesh Kumar Sharma, IAS, Secretary, Ministry of Electronics & IT