

FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: 022 21029898/9820035553 • E-mail: [directorgeneral@fidcindia.org.in](mailto:directorgeneral@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)

July 19, 2023

Shri Sandeep Varma,  
Chief Executive Officer  
Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)  
1st Floor, SIDBI, Swavalamban Bhavan,  
C-11, G-Block, BKC, Bandra (East), Mumbai 400 051

**SUB: REPRESENTATION FOR EXTENDING THE BENEFIT OF ENHANCED INTEREST RATE CAP UNDER CGS-II SCHEME TO CREDIT GUARANTEE SCHEME FOR CO-LENDING (CGSCL)**

**Ref: Circular issued by Credit guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) bearing reference no. 226/ 2023–24 dated May 19, 2023, on Non-Banking Finance Companies (NBFCs) Scheme Modification**

Dear Sir,

**Finance Industry Development Council (FIDC)** is a representative body of NBFCs that provide loans among other sectors to MSMEs for asset creation and business expansion. Over the past several years, FIDC has espoused the cause of effective last mile credit delivery to MSMEs and financial inclusion.

We welcome the recent circular no. 226/2023-24 dated May 19, 2023 of the CGTMSE (“the Trust”) whereby the Trust has eased the cap on interest rates for eligibility for CGTMSE guarantee cover under the CGS-II scheme from 18% p.a. to 25% p.a., thus fulfilling a long-standing demand of NBFCs. We thank the Trust for this measure which we believe, would enable us to reach out to more deserving MSMEs and extend credit delivery.



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Of late, NBFCs and banks have been partnering with one another through the RBI scheme for **co-lending** to MSMEs, thus expanding the market further. FIDC believes that the co-lending model would play a significant role in providing much needed credit to the MSME sector. The Trust has also extended the guarantee cover for such loans under its circular dated February 25, 2022 by issuing CGCSL.

**We request the Trust to kindly extend the aforesaid relaxation of the interest rate cap to 25% p.a. to loans offered under the co-lending arrangement as well.**

We believe this will facilitate the lenders to further leverage the benefit of the underlying credit guarantee and pass on better terms to the MSMEs and increase the credit reach to underserved MSMEs. We also believe this shall enable both banks and NBFCs in ramping up their business under co-lending arrangements which shall help the lenders to further the intention behind issuing the CGCSL by better catering the MSME sector.

We request your kind consideration.

Thanking you,

Regards

**For Finance Industry Development Council**

**MAHESH THAKKER  
DIRECTOR GENERAL  
9820035553**



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