

# Credit Guarantee Scheme for Subordinate Debt (CGSSD)

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## About Credit Guarantee Scheme for Subordinate Debt (CGSSD)

- Under the Credit Guarantee Scheme for Subordinate Debt (CGSSD), the government will provide a subordinate debt facility to the promoters of micro, small and medium enterprises that are either distressed or classified under non-performing assets.
- In case of default, creditors giving subordinate debt are paid after primary debt is settled in full.
- The scheme will provide a guarantee cover worth Rs 20,000 crore to more than two lakh MSMEs, the Ministry of Micro, Small & Medium Enterprises said in an official release.
- The scheme will be operationalised through the Credit Guarantee Fund Trust for MSEs (CGTMSE).
- Under the CGSSD programme, the government will provide the guarantee cover to promoters who can take debt from banks to further invest in stressed MSMEs as equity.

**Ministry:** Ministry Of Micro, Small & Medium Enterprises

**Purpose of the Scheme:** To provide guarantee coverage for the CGSSD to provide Sub-Debt support in respect of restructuring of MSMEs. 90% guarantee coverage would come from scheme/ Trust and remaining 10% from the concerned promoter(s).

**Objective of the Scheme:** To provide personal loan through banks to the promoters of stressed MSMEs for infusion as equity / quasi equity in the business eligible for restructuring, as per RBI guidelines for restructuring of stressed MSME advances.

**Eligible Borrower:** Promoters of MSME units which are stressed,

viz. SMA-2, and NPA accounts as on 30.04.2020 and can become commercially viable as per the assessment of the lending institutions. The Scheme is applicable for those MSMEs whose accounts have been standard as on 31.03.2018 and have been in regular operations, either as standard accounts, or as NPA accounts during financial year 2018-19 and financial year 2019-20.

### **Tenor of Credit under the scheme**

- The tenor of sub-debt facility provided under CGSSD shall be as per the repayment schedule defined by the lender, subject to a maximum tenor of 10 years from the guarantee availment date or March 31, 2021 whichever is earlier.
- The maximum tenure for repayment will be 10 years. There will be a moratorium of 7 years (maximum) on the payment of principal. Till the 7th year, only interest will be paid.
- While the interest on the sub-debt under the scheme would be required to be serviced regularly (monthly), the principal shall be repaid within a maximum of 3 years after completion of moratorium.
- Prepayment of loan is permitted at no additional charge /penalty to the borrower.