

NITI bats for MSME Credit Guarantee Fund overhaul, AI, skilling support

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New Delhi, 2 May

The government must reform the existing Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to make it more transparent, reduce premium rates, and raise coverage for women-led units, along with several fiscal, technological, and infrastructural interventions to enhance the competitiveness of Indian MSMEs, the NITI Aayog said in a report on Friday.

“The Trust managing the CGTMSE fund lacks regulatory authority and oversight in its operations, governance, and access to state-owned funds. The government should bring the Trust

under a regulatory authority to balance fund availability with financial discipline and support low-end entrepreneurial activities,” it said in its report titled “Enhancing Competitiveness of MSMEs in India”.

NITI Aayog's report also recommended guarantee coverage be raised to 100% for units led by women promoters

It also recommended that guarantee coverage be raised to 100 per cent for units led by women promoters to encourage women entrepreneurship. The recommendation to reduce the scheme's premium rates envisages even wider adoption by micro and small enterprises. The Credit Guarantee Fund Scheme for Micro and Small Enterprises was launched by the Centre in the year 2000 to provide collateral-free credit to the sector. CGTMSE is the trust that manages the

fund, set up jointly by the MSME ministry and Sidbi.

“The competitiveness of MSMEs extends beyond credit access; it encompasses the entire credit utilisation process. Recognising and improving services related to credit access, ensuring efficient resource allocation at the enterprise, government, and institutional levels, and creating an enabling environment based on ground-level challenges is crucial. This approach, focused on aiding sound financial decision-making and risk mitigation rather than merely offering access to a select group of formalised MSMEs, can significantly amplify the scheme's impact,” the report said.

It recommended support for MSMEs to embrace technological advancements like AI – both technological and fiscal – citing findings from a Nasscom-Meta study.

