

Credit Guarantee Fund for Startups (Download PDF)

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Government is formulating a Credit Guarantee Scheme for Startups (CGSS) with a corpus contribution of INR 2000 crores for Startups to raise loans without any collateral. The proposed scheme will provide credit guarantee upto INR 500 lakhs per case inclusive of term loan, working capital, or any other instrument of assistance extended by Member Lending Institutions (MLIs)

Credit Guarantee Fund for Startups

- Provide benefit to a Startup recognized by DIPP
- Aadhaar mandatory for all resident Directors/Partners.
- Member Lending Institutions (MLIs) - Scheduled Commercial Banks and Financial Institutions, RBI registered Non-Banking Financial Companies (NBFCs), SEBI registered AIFs.
- The scheme to function under the trusteeship management of the National Credit Guarantee Trustee Company (NCGTC).
- Scheme to provide portfolio- based credit guarantee. Each portfolio shall comprise at least 10 eligible start up loans, during a particular Financial Year.
- Assistance in the form of venture debt, working capital, debentures, optionally convertible debt, etc.
- Exposure for availing credit guarantee limited to Rs. 500 lakh per eligible borrower. MLIs without any collateral security and/or third party guarantee.

- The Management Committee (MC) responsible for supervision and monitoring
- Risk Evaluation Committee (REC) to address conflict of interest

Startup Definition (As Defined by DIPP)

Startup means an entity, incorporated or registered in India:

- Not prior to seven years, however for Biotechnology Startups not prior to ten years,
- With annual turnover not exceeding INR 25 crore in any preceding financial year, and
- Working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation
- Provided that such entity is not formed by splitting up, or reconstruction, of a business already in existence. Provided also that an entity shall cease to be a Startup if its turnover for the previous financial years has exceeded INR 25 crore or it has completed 7 years and for biotechnology startups 10 years from the date of incorporation/registration. Provided further that a Startup shall be eligible for tax benefits only after it has obtained certification from the Inter-Ministerial Board, setup for such purpose.

Startup Indian Program

Flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large-scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design. The Action Plan is based on the following three pillars:

- Simplification and Handholding
- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

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