

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE**

LOK SABHA

**UNSTARRED QUESTION NO. 3504.
TO BE ANSWERED ON WEDNESDAY, THE 22ND MARCH, 2023.**

LOANS TO STARTUPS

**3504. SHRI DIBYENDU ADHIKARI:
SHRI KALYAN BANERJEE:**

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

वाणिज्य एवं उद्योग मंत्री

- (a) whether it is a fact that in terms of sanction of loans to startups and new MSME enterprises, banks are not prompt to release collateral free funds;
- (b) whether it is a fact that in 2022 as many as eight Indian startups folded their operations after they failed to raise capital;
- (c) if so, whether it is compulsory to have recognition from incubator/accelerator for startups to get loan under CGSS therefor and if so, the details thereof; and
- (d) the details of conditions of collateral free debt funding to new enterprises and time frame for approval and sanction process instructions given to banks for promotion of industry and internal trade in the country?

ANSWER

वाणिज्य एवं उद्योग मंत्रालय में राज्य मंत्री (श्री सोम प्रकाश)

**THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY
(SHRI SOM PARKASH)**

- (a): Commercial banks and financial institutions extend loans to businesses or an individuals based on risks identification and estimation, and other factors which help in assessing the probability of the credit risk occurrence or possible losses, in compliance with regulations set forth by the Reserve Bank of India in this regard. To cover such instances or probability of defaults of repayment of loan by the borrowers, the banks as per their risk assessment insist on collateral security against the loan extended by them.

To provide for an appropriate risk cover and comfort to financial institutions including banks for enabling collateral free lending to the MSMEs and startups, the Government is implementing Schemes such as Credit Guarantee Scheme (CGS) for Micro and Small Enterprises, Emergency Credit Line Guarantee Scheme (ECLGS), and Credit Guarantee Scheme for Startups (CGSS). Under these Schemes, the Government provides guarantee to Member Lending Institutions in respect of the credit facility by them to the eligible borrowers encouraging banks and other financial institutions to provide collateral free funding to MSMEs and startups.

(b) to (d): The information pertaining to folding up of operations of startups is not centrally maintained.

The Government has notified the establishment of the Credit Guarantee Scheme for Startups (CGSS) for providing credit guarantees to loans extended by Scheduled Commercial Banks, Non-Banking Financial Companies and Securities and Exchange Board of India (SEBI) registered Alternative Investment Funds (AIFs). CGSS is aimed at providing credit guarantee up to a specified limit against loans extended by Member Institutions (MIs) to finance eligible borrowers viz. entities recognised as 'startups' by the Department for Promotion of Industry and Internal Trade (DPIIT). With the objective of mobilising capital for Indian startups, CGSS will complement the existing Schemes under Startup India initiative viz. Fund of Funds for Startups and Startup India Seed Fund Scheme.

The credit guarantee cover under CGSS is transaction based and umbrella based. In respect of transaction-based guarantee cover, the guarantee cover is obtained by the MIs on single eligible borrower basis. Transaction based guarantees promotes lending by Banks/ Non-Banking Financial Companies (NBFCs) to eligible startups. The umbrella-based guarantee cover provides guarantee to Venture Debt Funds (VDFs) registered under AIF regulations of SEBI, in view of the nature of funds raised by them and debt funding provided by them.

The operational guidelines, eligibility criteria(s), details of guarantee cover and other aspects are detailed out in the notification of CGSS uploaded on the website of the Department which may be seen at the link

https://dpiit.gov.in/sites/default/files/notification_CGSS_20March2023.pdf .
