Credit Guarantee Fund for Factoring (CGFF)

Ministry: Ministry of Micro, Small and Medium Enterprises (MSME)

1.Eligibility Criteria

- Must be a **Micro or Small Enterprise (MSE)** under the MSMED Act, 2006
- Engaged in:
  - Manufacturing
  - Services
  - Trading

a) Facility Requirements:

- Must avail **factoring facility (receivables financing)**
  - Includes recourse and non-recourse factoring
- Facility must be **collateral-free**
- Must not be covered under any other **government guarantee/insurance scheme**

b) Lender Requirement:

- Financing must be through:
  - Scheduled Commercial Banks
  - NBFCs
  - Registered Member Lending Institutions (MLIs)

c) Compliance Conditions:

- Borrower must **not be a defaulter**
- Loan account must **not be classified as NPA**

2. Benefits

a) Credit Guarantee Support:

- Up to **90% guarantee coverage** on default amount
- Remaining **10% risk borne by lender/factor**

b) Financial Advantages:

- Enables **collateral-free invoice financing**
- Improves **working capital and cash flow**
- Facilitates **faster credit approval**

c) Business Impact:

- Reduces risk for lenders
- Enhances **credit access for MSMEs**
- Supports **business growth and liquidity management**

3. How to Apply

- Must be a **registered MSME**

Process:

- Approach:
  - Banks
  - NBFC-Factors
  - Other registered MLIs
- Apply for **factoring facility**
- Lender:
  - Evaluates application
  - Submits proposal under CGFF via NCGTC portal
- Guarantee coverage activated upon approval

Cost:

- Guarantee fee:
  - **0.10% per month** (with recourse)
  - **0.12% per month** (without recourse)

4. Documents Required

- Signed undertaking/agreement with NCGTC
- Board resolution (for companies/entities)
- Company/registration documents

a) Operational Documents:

- Details of factored receivables/debt
- Transaction information (submitted within specified timeline)

Official Website

https://cgtmse.in