

# CII in tie-up with UN arm to help SMEs get loans

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The Confederation of Indian Industry (Southern Region) (CII-SR) and United Nations Industrial Development Organisation (UNIDO) have signed a memorandum of understanding (MoU) in Chennai to promote Mutual Credit Guarantee Scheme (MCGS) to help micro, small and medium enterprises in auto components, leather and footwear industries secure bank loans without collateral security.

UNIDO has also opened an Investment and Technology Promotion Office (ITPO) at the CII southern region headquarters in Chennai to promote foreign direct investment, transfer of technology and SME development through various activities such as creating sub-contracting exchange for small and medium enterprises and matchmaking the buyers with sellers.

At a seminar on "Mutual Credit Guarantee Schemes - The Italian Experience—Growth through Cooperation, organised by the Confederation in association with UNIDO, Alejandro Vera, advisor, UNIDO TIP, said the core objective of UNIDO's SME initiatives is to promote business through partnerships. UNIDO aims to bring private equity to small and medium enterprises, besides reducing the gap between banks and small units. As a technical cooperation agency, UNIDO, would promote MCGS, which is a key component of UNIDO's three-year consolidated project for MSME development in India.

According to him, since



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micro, small and medium enterprises do not have easy access to bank loans without collateral security, they can form a Mutual Credit Guarantee Agency (MGA), which will in turn provide guarantee for bank loans availed by its members.

The advantages of mutual credit guarantee for the bankers include: increased comfort level, reduced risk and cost. UNIDO is partnering with Unionfidi, an Italian mutual credit guarantee agency, to replicate Italy's success in mutual credit guarantee schemes in India.

In his address, Bruno Valanzuolo, Chief Technical Advisor, Consolidated Project for SME Development in India, UNIDO, said that the Organisation would strive to disseminate information about cluster best practices, MCGS and identify training needs of SMEs in forming MGAs. He said that mutual credit guarantee schemes represent new tools for MSME sector to better access to formal credits.