Ministry of Finance

# Government modifies Mutual Credit Guarantee Scheme to Support MSME Manufacturers and Exporters in line with Budget 2025-26

## Modifications expand coverage, reduce compliance burden, and provide targetted incentives for exporter MSMEs

## Loans up to ₹100 crore for purchase of Plant and Machinery / Equipment eligible for guarantee coverage

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Mutual Credit Guarantee Scheme for MSMEs (MCGS- MSME) was launched in January 2025. The scheme provides 60% guarantee coverage by National Credit Guarantee Trustee Company Limited (NCGTC) to Member Lending Institutions (MLIs) for credit facility upto ₹ 100 crore sanctioned to eligible Micro, Small and Medium Enterprises (MSMEs) under MCGS-MSME for purchase of equipment/ machinery.

Based on the feedback received from the MSMEs and lending institutions, some modifications have been done.

Modifications in the existing "MCGS–MSME" scheme:

- Upfront Contribution: 5% Upfront contribution made refundable, 1% each from 4th year onwards, subject to satisfactory performance of loan account.
- Eligibility: Service Sector MSMEs also included in the Scheme.
- Minimum project cost towards Machinery / Equipment: Cost of equipment/ machinery reduced upto 60% of project cost (from earlier 75%).
- Guarantee Tenure: Guarantee to expire after 10 years.

Special provisions have been incorporated in the scheme for exporters:

- Eligible exporters: Profitable units having exported at least 25% of their sales turnover in each of previous 3 financial years and satisfying certain export realisation conditions.
- Guaranteed Loan Amount: ₹20 crore.
- Upfront Contribution: 2% of loan amount (Max ₹40 Lacs); 1% each refundable in 4$^{th}$ and 5$^{th}$ year of the guarantee period.
- Guarantee Coverage: 75% of the amount in default.
- Guarantee Fee: First year: Nil; Thereafter, every year: 0.50% of loan outstanding.

Details of the modified scheme are available on www.ncgtc.in (NCGTC website).

<u>Major Impact</u>

MSMEs contribute around 30% to the GDP and over 45% to the exports of India and give employment to more than 35 crore workers. Achieving the vision of "Viksit Bharat 2047" requires strong, globally competitive, and sustainable MSMEs. The modifications in MCGS-MSME scheme are expected to facilitate increased availability of credit for purchase of Plant and Machinery / Equipment by MSMEs, including exporter MSMEs, and give a major boost to manufacturing and export sector in India.

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