Government Extends Validity of Credit Guarantee Scheme for Microfinance Institutions-2.0 (CGSMFI-2.0), Increases Loan Limits under the scheme

Loans totalling to ₹770 crore have been sanctioned under CGSMFI-2.0, Scheme aims to provide credit guarantee support through NCGTC to strengthen lending to MFIs and facilitate increased credit flow of up to ₹20,000 crore to NBFC-MFIs

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The Government of India has approved extension in validity of the Credit Guarantee Scheme for Microfinance Institutions-2.0 (CGSMFI-2.0) upto 31.8.2026 or till guarantees for an amount of ₹20,000 crore are issued, whichever is earlier. The Government of India has also approved increase in maximum loan amount capped to Large Sized NBFC-MFIs/MFIs from ₹300 crores to ₹1000 crores under the overall ceiling of 20% of Assets under Management (AUM).

Impact:

Extension in validity and increase in maximum loan amount capped to Large Sized NBFC-MFIs/MFIs is expected to result in better utilisation of the scheme and facilitate increased credit flow to the MFI sector.

Background:

Central Government introduced CGSMFI-2.0 scheme on March 20, 2026. The scheme aims to provide guarantee cover to Banks/ FIs through National Credit Guarantee Trustee Company Limited (NCGTC) against expected losses on the financial assistance extended by them to Non-Banking Financial Company-Microfinance Institutions (NBFC-MFIs) and MFIs for on lending to small borrowers. As on date, loans totalling to ₹770 crore have been sanctioned under the scheme.

Salient features of the scheme:

- Eligible borrowers: Existing or new small borrowers within the regulatory definition of micro finance as prescribed by RBI from time to time.
- Guarantee coverage: 80% of amount in default for small, 75% for medium and 70% for large NBFC-MFIs/ MFIs.
- Guarantee Fee: 0.50% p.a., on sanctioned amount (1st year) & outstanding amount (thereafter).
- Interest Rate: Capped at EBLR or MCLR + 2% p.a., on loans by MLIs to NBFC-MFIs or MFIs. While on-lending to small borrowers, these MFIs/NBFC-MFIs shall cap the interest rate at 1% below the average rate of lending in past 6 months.

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NB/AD

(रिलीज़ आईडी: 2271200) आगंतुक पटल : 895

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