Cabinet approves continuation of Credit Guarantee Fund for Micro Units

Provides credit guarantee for loans extended under Pradhan Mantri Mudra Yojana

Approval for corpus of Rs.5,000 crore facilitating PMMY loans amounting to Rs.12.6 lakh crore

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The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has approved thecontinuation of Credit Guarantee Fund for Micro Units (CGFMU) for a period of five years upto 31.03.2031. The scheme provides credit guarantee coverage to the Lending Institutions through National Credit Guarantee Trustee Company Limited (NCGTC) against default risk.

As on September 2026, more than 60.36 crore loans amounting to Rs.43.34 lakhs crore have been sanctioned by lending institutions since launch of PM Mudra Scheme. CGFMU which was launched in January 2016 has acted as a major catalyst in enabling the growth of PMMY loans in the country.

Salient features of the Scheme:

- The purpose of the fund is to provide guarantee to Lending Institutions (LIs) for the following credit facilities:
- Loans extended to eligible micro enterprises under Pradhan Mantri Mudra Yojana (PMMY) upto Rs.20 lakh;
- Overdraft of upto Rs.10,000 provided by banks under Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts; and
- Loans granted to Self Help Group (SHG) where portfolio is between Rs.10 lakh to Rs.20 lakh.
- Guarantee coverage: Linked to the disbursement amount in case of working capital limits and outstanding amount for term loan accounts to reflect the actual risk exposure of LIs.
- Guarantee Fee: Decrease in guarantee fee from @1% p.a. to @ 0.75% p.a. No change for SHG; continue to pay guarantee fee of 0.25% for the first year and 0.50% in subsequent years.
- Duration of the Scheme: The Scheme would be applicable to all loans extended under PMMY during the XVIth Finance Commission Cycle i.e. FY 2026-27 to FY

2030-31.

Impact:

- Collateral free loans under Pradhan Mantri Mudra Yojana has created a whole new generation of entrepreneurs who previously could not avail loans from formal banking system.
- The extension of CGFMU scheme will enable loans of Rs.12.6 lakh crore over next 5 years
- The scheme will act as a catalyst to young aspiring entrepreneurs to set up and grow their business.

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MJPS

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