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Sub: Modifications in Mutual Credit Guarantee Scheme (MCGS-MSME)

Dear Madam / Sir,

The Ministry of Finance, vide Press Release dated 21st March 2026 ([copy enclosed](#)), has announced modifications to the Mutual Credit Guarantee Scheme for MSMEs (MCGS-MSME), originally launched in January 2025. The revised scheme is aligned with the Union Budget 2025-26 which aims to improve credit access for MSMEs and boost manufacturing and export potential.

Key Features of the Scheme:

The Scheme offers a guaranteed cover of up to 60% by the National Credit Guarantee Trustee Company Limited (NCGTC) to Member Lending Institutions for credit facility up to Rs. 100 crores sanctioned to eligible MSMEs for purchase equipment / machinery.

The new policy has included service sector MSMEs in the eligibility criteria, reduced compliance, and enhanced ease of financing.

Key Highlights of the Modified Scheme

- Upfront Contribution: 5% contribution, refundable at 1% per year from the 4th year onwards, subject to satisfactory loan performance.
- Eligibility: Service sector MSMEs are now included.
- Project Cost: Machinery/equipment requirement reduced to 60% of project cost (earlier 75%).
- Guarantee Tenure: Valid for 10 years.

Special Provisions for Exporter MSMEs

- Eligibility: Profitable MSMEs with at least 25% export turnover in each of the last 3 Financial years and satisfying certain export realisation conditions.
- Loan Limit: Up to Rs.20 crore.

· Upfront Contribution: 2% of loan (max Rs.40 lakh); 1% refunded in the 4th & 5th year of the guaranteed period.

· Guarantee Coverage: 75% of default amount.

· Guarantee Fee: Nil in the first year; 0.50% p.a. thereafter on outstanding loan.

Major Impact

· Economic Contribution: MSMEs account for 30% of India's GDP and over 45% of total exports.

· Employment Generation: Provide employment to more than 35 crore people.

You are requested to please make a note of these changes and explore the scheme benefits for your business expansion and modernisation plans.

The detailed modified scheme is available on the Portal of NCGTC (www.ncgtc.in)

Regards,

Dr. Siddhartha Rajagopal
Executive Director

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