Mutual Credit Guarantee Scheme

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Mutual Credit Guarantee Scheme Latest News

The Government has modified the Mutual Credit Guarantee Scheme (MCGS) to support Micro, Small and Medium Enterprises (MSME) Manufacturers and Exporters in line with Budget 2025-26.

About Mutual Credit Guarantee Scheme

- It provides **60 % guarantee coverage** by **National Credit Guarantee Trustee Company Limited (NCGTC)** to Member Lending Institutions for credit facilities up **to 100 crore** rupees **sanctioned to eligible MSMEs** under MCGS-MSME for purchase of equipment and machinery.

Salient Features of Mutual Credit Guarantee Scheme

- **Target:** Borrower should be an MSME with valid **Udyam Registration Number;**
- The eligibility criteria have also been **expanded to service sector MSMEs.**
- The **minimum project cost requirement** towards machinery and equipment has been reduced to **60 per cent from the earlier 75 per cent.**

- The **5% upfront contribution** has been **made refundable**, with one per cent returned each year from the fourth year onwards, **subject to satisfactory loan performance.**
- The credit **guarantee would expire after 10 years**, as compared to the unspecified period in the earlier scheme.
- It is applicable to all loans sanctioned under MCGS-MSME during the period **of 4 years** or till cumulative guarantee of **Rs. 7 lakh crore are** issued, whichever is earlier.
- **Eligible exporters**
    - Profitable units having **exported at least 25% of their sales turnover** in each of previous 3 financial years
    - **Guaranteed loan** amount is **pegged at ₹20 crore,** and upfront contribution is 2% of the loan amount, a **maximum of ₹40 lakh,** with 1% each refundable in the **4th and 5th year** of the guarantee period.

Source: News On Air
