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Government Extends Credit Guarantee Scheme for MFIs; Industry Expects Higher Uptake

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The Microfinance Institutions Network (MFIN) has expressed confidence that demand for the Government's Credit Guarantee Scheme for Microfinance Institutions 2.0 (CGSMFI-2.0) will increase following the extension of the scheme's validity till 31 August 2026.

The scheme aims to strengthen liquidity in the microfinance sector and improve credit flow to small borrowers.

The Government has extended the validity of CGSMFI-2.0 from its earlier deadline of 30 June 2026 to 31 August 2026, or until guarantees worth ₹20,000 crore are issued, whichever is earlier.

Under the scheme, the National Credit Guarantee Trustee Company (NCGTC) provides guarantee cover to banks and financial institutions for loans extended to NBFC-MFIs and other microfinance institutions for onward lending to small borrowers.

The Government has also increased the maximum loan limit for large MFIs from ₹300 crore to ₹1,000 crore, subject to an overall ceiling of 20% of Assets Under Management (AUM).



According to MFIN, the extension will:

Provide additional time for implementation.

Encourage greater participation by banks and financial institutions.

Improve funding availability for small and medium MFIs.

Strengthen credit flow to underserved borrowers.

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As of June 2026, loans worth about ₹770 crore had already been sanctioned under the scheme.

Additional Key Facts

Credit Guarantee Scheme for Microfinance Institutions 2.0 (CGSMFI-2.0)

Launched on 20 March 2026.

Implemented through the National Credit Guarantee Trustee Company (NCGTC).

Designed to facilitate credit flow of up to ₹20,000 crore to the microfinance sector.

Covers financial assistance provided by banks and financial institutions to MFIs for on-lending to eligible borrowers.

Guarantee Coverage under the Scheme

80% of default amount for small MFIs.

75% for medium MFIs.

70% for large MFIs.

About MFIN

MFIN stands for Microfinance Institutions Network.

It is the Self-Regulatory Organization (SRO) recognized by the RBI for the microfinance sector.

Represents NBFC-MFIs and promotes responsible lending practices.

About NCGTC

Full form: National Credit Guarantee Trustee Company Limited.

Established by the Government of India.

Provides credit guarantee mechanisms to facilitate lending in priority sectors.

Exam Focus Points (Quick Revision Notes):

Scheme ? Credit Guarantee Scheme for Microfinance Institutions 2.0 (CGSMFI-2.0)

Implementing Agency ? National Credit Guarantee Trustee Company (NCGTC)

Validity Extended Till ? 31 August 2026

Total Guarantee Corpus ? ₹20,000 Crore

Loans Sanctioned So Far ? ₹770 Crore

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Industry Body ? Microfinance Institutions Network (MFIN)

Maximum Loan Limit for Large MFIs ? Increased to ₹1,000 Crore

Objective ? Improve credit flow and liquidity in the microfinance sector

Beneficiaries ? Small borrowers through MFIs