Annexure I

Credit Guarantee Scheme for Microfinance Institutions- 2.0 (CGSMFI-2.0) Operational Guidelines (Updated on 29th July 2026)

I. Name of the Scheme

The Scheme shall be named as 'Credit Guarantee Scheme for Microfinance Institutions – 2.0 (CGSMFI-2.0)', hereinafter referred as the 'Scheme'.

II. Purpose of the Scheme

To provide guarantee coverage to eligible Member Lending Institutions (MLIs) for financial assistance extended by them to Non-Banking Financial Company Microfinance Institutions (NBFC-MFI) and MFIs for on-lending to existing or new small borrowers within the regulatory definition of micro finance as prescribed by RBI from time to time.

III. Date of commencement and duration

The Scheme shall come into force from **20.03.2026** and shall cover all loans sanctioned by the MLIs to NBFC-MFIs/MFIs upto 31.08.2026 or till guarantees for an amount of Rs 20,000 crore are issued by NCGTC, whichever earlier.

IV. Definitions For the purposes of this Scheme –

- **"Amount in Default"** means the amount (principal + interest) outstanding as on the date of NPA or on the date of claim, whichever is lower.

- **"Eligible small borrower"** means existing or new small borrower within the regulatory definition of micro finance as prescribed by RBI from time to time.

- **"Eligible Lending Institution(s)"** - Scheduled Commercial Banks (SCBs) and such other institutions or All India Financial Institutions (AIFIs) or MUDRA Ltd. and as may be decided from time to time.

- **"Incremental Lending"** means fresh loans given by NBFC-MFIs/MFIs to the eligible small borrowers on or after the date of issue of these operational guidelines. This would not include loans utilised for repayment of earlier loans.

- **"Member Lending Institution(s)"**– Such of the eligible lending institutions who submit a duly executed Undertaking as prescribed by NCGTC for the purpose of the Scheme.

- **"NBFC-MFIs/MFIs"** shall be classified as Small Size, Medium Size and Large Size based on AUM as per details below:

Type	AUM
Small Size	Less than Rs. 500 crore
Medium Size	Rs.500 crore to less than Rs. 2000 crore
Large Size	Rs. 2000 crore or more

- **"Non-Performing Assets"** means an asset classified as nonperforming based on the instructions and guidelines issued by the Reserve Bank of India from time to time.

- **"Tenure of guarantee cover"** means the maximum period of guarantee cover.

V. Basic Features and Modus Operandi of the Scheme

1. The MLIs shall provide funding to the MFIs or NBFC-MFIs, as per their assessment, for on-lending to eligible small borrowers;

2. The interest rate on the loans sanctioned by MLIs to NBFC-MFIs/MFIs is capped at External Benchmark Lending Rate (EBLR) or 1 Year MCLR + 2% per annum. Further, MLIs shall ensure that the interest rate on loans by NBFC-MFIs/MFIs to small borrowers is capped at 1% below the average rate of their lending in past 6 months.

3. Such funding can be one time or in tranches, based on assessment by the MLI. Entire disbursement should be ensured by the MLI to the MFI/NBFCMFI within 3 months of the sanction;

4. Maximum tenure of loan will be 3 years (1-year moratorium plus 2 years for loan repayment). 15% of CGSMFI 2.0 fund i.e. Rs. 3,000 crore may be reserved/ earmarked for small and medium MFIs. NCGTC to ensure that maximum loan to large size MFIs may be capped at 85% of CGSMFI 2.0 fund i.e. Rs. 17,000 crore. The maximum amount of loan which can be sanctioned by MLIs to NBFC- MFIs/MFIs shall be capped at 20% of the Assets Under Management (AUM) of respective NBFC-MFI/MFI subject to maximum of ₹100 crore to Small size, ₹200 crore to Medium size and ₹1000 crore to large size NBFC-MFIs/MFIs.

5. Upon sanction, the MLI shall approach NCGTC for Guarantee cover, which shall be an automatic approval process;

6. The repayment period of the loan shall be for a maximum period of 3 years (1 year moratorium plus 2 years for loan repayment).

7. The funding provided by the MLIs shall be guaranteed by NCGTC to the extent of guarantee cover at 70% to Large NBFC-MFIs/MFIs, 75% to Medium NBFC-MFIs/MFIs & 80% to Small NBFC-MFIs/MFIs of the amount in default for a maximum period of 3 years.

8. The funding so provided by the MLIs to the NBFC-MFIs/MFIs shall be utilized for on-lending to eligible small borrowers.

9. MLIs should monitor MFIs/NBFC-MFIs supported under the Scheme and ensure that:
   (i) The financial assistance is utilized for creation of fresh loan assets. These assets should be created within a period of 3 months from the date of disbursement of each tranche of loans;
   (ii) The funds are utilized as per the objective and there is no diversion of funds;
   (iii) Interest rate charged by the NBFC-MFIs/MFIs on these loans is at least 1% below the average rate of their lending in past 6 months;
   (iv) Loan from the NBFC-MFIs/MFIs to the ultimate borrower to be within the regulatory definition of micro finance as prescribed by RBI from time to time.
   (v) A separate account is opened for credit facility extended to the eligible small borrowers under the Scheme;
   (vi) Financial assistance extended to the borrowers is as per extant guidelines of RBI;
   (vii) Statutory Auditor certificate is obtained from the respective MFI/NBFC- MFI confirming compliance with the above within 6 months from the date of disbursement of each tranche of loan by the MLI;

10. MLI shall obtain Bureau (any of the four Credit Bureaus) report of the incremental lending covered under the scheme for compliance with 9(i) above on a quarterly basis and make it available to NCGTC;

11. MLI shall ensure to obtain Statutory Auditor certificate from respective NBFC-MFI/MFI as indicated at 9(vii) above and submit a Management Certificate signed by a duly authorized person certifying compliance with the guidelines of the scheme. If required, NCGTC may also call for Statutory Auditor certificate from the MLI regarding compliance with the scheme guidelines.

12. Upon NBFC-MFIs/MFIs getting classified as NPA in the books of an MLI, the respective MLI shall submit claim on an annual basis (once every year) in respect of amount in default.

13. MLIs shall pay to NCGTC Guarantee Fee at 0.5% of the sanction amount (first year) and outstanding amount (thereafter).

VI. Other Responsibilities of MLIs under the Scheme

1. All interested and eligible lending institutions are required to submit an Undertaking to NCGTC for the purpose of this Scheme for registration as MLI.
2. MLI would need to collect from respective NBFC-MFI/MFI the details of loan assets created, on a quarterly basis, and submit the same to NCGTC;
3. Lock in period for the first claim against each tranche of loan sanctioned by the MLI shall be 1 year from the date of issue of guarantee or last date of disbursement out of the sanctioned amount, whichever is later. The second and third claim shall be made in subsequent years. Only 1 claim per year shall be entertained.
4. Claims would be settled based on declaration by the MLI by way of submission of a Management Certificate with overall cap as specified.
5. MLIs shall provide requisite data / information to NCGTC or DFS or its constituents, as it may require from time to time.
6. MLIs shall enable communication of the Scheme by highlighting the Scheme details on their website and linking to Scheme webpage.
7. MLIs shall closely monitor the performance of the MFIs/NBFC-MFIs supported under the scheme.
8. MLIs shall ensure that the guarantee claim in respect of the funding extended to MFIs/NBFC-MFIs under the scheme is lodged with the NCGTC in the form and in the manner and within such time as may be specified by the NCGTC in this behalf.
9. The payment of guarantee claim by the NCGTC to the MLI does not in any way take away the responsibility of the MLI to recover the entire outstanding amount of the credit from the borrower through the MFIs/NBFC-MFIs. The MLI shall exercise all the necessary precautions and maintain its recourse to the borrower for entire amount of credit facility owed by it and initiate all necessary actions for recovery of the outstanding amount, including such action as may be advised by the NCGTC.
10. The MLIs shall comply with such directions as may be issued by the NCGTC from time to time for facilitating recoveries in the guaranteed account, or safeguarding its interest as a guarantor, as the NCGTC may deem fit and the MLI shall be bound to comply with such directions.

    The MLI shall, in respect of any guaranteed account, exercise the same diligence in recovering the dues, and safeguarding the interest of the NCGTC in all the ways open to it as it might have exercised in the normal course if no guarantee had been furnished by the NCGTC. The MLI shall, in particular, refrain from any act of omission or commission, either before or subsequent

to invocation of guarantee, which may adversely affect the interest of the NCGTC as the guarantor.

VII. Modifications in the Scheme

Any changes to the structure of the Scheme, including but not limited to the eligibility criteria, guarantee fee, rate of interest and tenor of credit facilities under the Scheme, shall be decided by the Management Committee for the Fund.

VIII. The scheme guidelines may be read along with the FAQs uploaded on the website from time to time.

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