REFORM MEASURES TO INCREASE MSME CREDIT ACCESS

Schemes to enhance credit availability and guarantee coverage, equity support, increased presence of SIDBI in MSME cluster zones, Account Aggregation Frameworks and enhanced credit assessment models have been recently introduced to make it easier for firms to access credit.

Emergency Credit Line Guarantee Scheme (ECLGS) 5.0

- ECLGS 5.0 was introduced in May 2026 to tide over short-term liquidity mismatches faced by business due to the West Asia crisis. The scheme provides guaranteed coverage to Member Lending Institutions through the National Credit Guarantee Trustee Company Ltd. For the amount in default under additional credit facility extended to eligible borrowers, including 100% guarantee coverage for MSMEs.
- For non-MSMEs and the scheduled passenger airline sector, guarantee coverage is 90%.
- The scheme will also provide a maximum additional credit flow of INR 2,55,000 Crore, to be released in tranches.
- As on July 8, 2026, 4,33,117 guarantees had been issues amounting to INR 1,61,313,36 Crore.

Equity Support to Small Industries Development Bank of India (SIDBI)

- SIDBI is expected to witness a significant increase in its risk-weighted assets (RWAs) over the next 5 years due to expansion of directed credit, digital and digitally enabled collateral-free lending, and venture debt financing for startups. Additional capital support has therefore become necessary to maintain a healthy Capital to Risk-weighted Assets Ratio (CRAR).
- Union Cabinet approved an equity infusion of INR 5,000 Crore in three tranches between FY 2025-2026 to 2027-2028.
- The first tranche of INR 3,000 Crore was released to SIDBI in March 2026.

Credit Guarantee Scheme for Micro Finance Institutions-2.0 (CGSMFI-2.0)

- The scheme, introduced in March 2026, aims to provide guarantee cover to Banks/ FIs through National Credit Guarantee Trustee Company Limited (NCGTC) against expected losses on the financial assistance extended by them to Non-Banking Financial Company-Microfinance Institutions (NBFC-MFIs) and MFIs for on lending to small borrowers.
- For better utilization of the scheme and facilitate increased credit flow to the MFI sector, Government of India has approved extension in validity of the Credit Guarantee Scheme for Microfinance Institutions-2.0 (CGSMFI-2.0) up to August 31, 2026, or till guarantees for an amount of INR 20,000 crore is issued, whichever is earlier.
- The Government of India has also approved increase in maximum loan amount capped to Large Sized NBFC-MFIs/MFIs from INR 300 crores to INR 1000 crores under the overall ceiling of 20% of Assets under Management (AUM). As on July 8, 2026, a total of 44 guarantees amounting to INR 2,250.09 crore have been issued.

Mutual Credit Guarantee Scheme for MSMEs (MCGS-MSME)

- The government has introduced Mutual Credit Guarantee Scheme for MSMEs (MCGS-MSME) in January 2025, a government-backed initiative designed to help Micro, Small, and Medium Enterprises (MSMEs) access loans to grow their businesses.
- This scheme offers a credit guarantee, making it easier for MSMEs to obtain loans, especially for purchasing essential equipment and machinery.
- The Scheme provides credit guarantee cover to lenders (Scheduled Commercial Banks, All India Financial Institutions, NBFCs) for their term loans up to INR 100 crore to MSMEs for their projects involving purchase of equipment/machinery.
- Further, the scheme has been modified to improve access to credit, with enhanced credit guarantee cover for well-run exporter MSMEs on term loans up to INR 20 crores. As on July 8, 2026, 39 guarantees amounting to Rs 413.60 crore have been issued under the scheme.

SIDBI branches in MSME clusters

- Subsequent to Union Budget Announcement 2024-25, SIDBI has opened 71 branches across India during the period of April 1, 2024, till 29.7.2026.
- SIDBI will continue to open new branches to expand its reach to serve major MSME clusters by March 31, 2027.
- The state-wise details of branches opened by SIDBI post Budget Announcement FY 2024-25 (till 29.7.2026) are as follows:

State	No of Branch Offices
Andhra Pradesh	4
Assam	1
Bihar	1
Delhi	1
Gujarat	8
Haryana	7
Karnataka	9
Kerala	1
Madhya Pradesh	3
Maharashtra	11
Odisha	2
Punjab	2
Rajasthan	3
Tamil Nadu	8
Tripura	1
Uttar Pradesh	7
West Bengal	2
Grand Total	**71**

New Credit Assessment Model for MSMEs

- A New Credit Assessment Model has been launched in March 2025 for Micro, Small & Medium Enterprises.
- This model leverages the digitally fetched and verifiable data available in the ecosystem and devises automated journeys for MSME Loan appraisal using objective decisioning for all loan applications and model-based limit assessment for both Existing to Bank (ETB) as well as New to Bank (NTB) borrowers.
- All the Public Sector Banks (PSBs) have the model live for their ETB and NTB customers.
- As on June 15, 2026, Public Sector Banks (PSBs) sanctioned 6,93,844 applications, with a total sanctioned amount of INR 99,741.53 crore, out of which INR 82,148.57 crore has been disbursed.

Credit cards for Micro Enterprises

- It was announced in the budget for FY2025-26 that a customized credit card product for micro enterprises will be introduced with a INR 5 lakh limit for micro enterprises registered on Udyam portal and in the first year, 10 lakh such cards will be issued.
- A Model Scheme was developed in consultation with Indian Bank Association and National Payments Corporation of India and has been advised for implementation by Member Lending Institutions.
- CGTMSE has issued requisite directions regarding guarantee coverage. Further, banks have started sourcing & sanctioning cards to their micro segment customers.
- The Hon'ble Finance Minister launched the issuance of 5000 Credit Cards for Micro Enterprises scheme in May 2026.

Account Aggregator (AA)

- AA framework was developed by Reserve Bank of India with the objective of seamless transmission of financial information to streamline efficiency of commercial lending processes.
- AAs are Non-Banking Financial Companies engaged in the business of providing the service of retrieving, collecting and sharing financial information pertaining to the customer.
- AA retrieves data with the explicit consent of the customer and then transfers data from Financial Information Provider (FIP) to Financial Information User (FIU).
- At present, RBI has granted Certificate of Registration to seventeen companies as AA.
- As on May 31, 2026, 1088 entities have on boarded on AA framework either as FIP, FIU or both.
- Approximately 30.80 crore accounts have been linked by users to the AA Framework with more than 750 crore successful transactions cumulatively since launch.