

All eligible Lending Institutions

Circular No. 259/2025 – 26

Madam / Dear Sir,

**Introduction of Special Provision for Micro Credit Card (MCC) to
Micro Enterprises under Credit Guarantee Scheme – I for (Banks)
for extending Guarantee Coverage to Lending Institutions**

In order to promote financial inclusion and to address short-term liquidity needs of Micro-Enterprises it has been decided to introduce a special provision for extending guarantee coverage without insisting on primary security to lending institutions providing Micro Credit Card (MCC) to Micro Enterprises, for financing their working capital requirements/business related expenditure.

Under this Special Provision, lending institutions/credit card issuers issuing Micro Credit Cards to all Udyam registered Micro Enterprises shall be eligible for guarantee coverage. The Micro Credit Card facility shall be a revolving credit facility with a maximum credit limit of ₹5 lakh per borrower. The guarantee coverage under the Special Provision shall be 75% of amount in default or credit card limit, whichever is lower, irrespective of the category of the borrower and primary security shall not be mandatory for facilities covered under this provision. The Annual Guarantee Fee applicable under the Special Provision shall be 0.55%, irrespective of borrower category. In view of the target beneficiary segment being Micro Enterprises, no risk premium shall be levied under this Special Provision. The lock-in period applicable to guarantees issued under this Special Provision shall be 9 months from the guarantee start date.

The Special Provision for Micro Credit Card shall remain valid for a period of 3 years from the date of launch or till issuance of 10 lakh Micro Credit Cards, whichever is earlier.

The responsibility for credit appraisal, account classification, and monitoring of asset quality, including assessment of SMA status at the time of sanction, would rest with the lending institution/credit card issuer including compliance with regulatory guidelines.

The contour of the scheme is given at **Annexure I**.

All guidelines with respect to submission of application for coverage, timelines, payment of fee process, NPA marking, guarantee invocation, claim settlement, recoveries, etc., will be as per the existing guidelines of Credit Guarantee Scheme – I (for Banks) of CGTMSE.

The contents of this Circular may please be brought to the notice of all your offices.

Yours faithfully,
Sd/-

(Dhiraj Kumar)
Deputy General Manager



Introduction of Special Provision under Credit Guarantee Scheme – I: Extending Guarantee Coverage to Lending Institutions under Model Scheme for Credit Cards for Micro Enterprises

Key Features of the Special Provision:

1. **Eligible beneficiary:** All Udyam registered Micro Enterprises that have short term and adhoc Working Capital finance requirements.
2. **Eligible MLIs:** RBI-regulated Lending Institutions/ Non-Banking Financial Companies (NBFCs) issuing Credit Cards (ME-Cards) under Model Scheme for Credit Cards for Micro Enterprises.
3. **Maximum limit of Credit Card:** ₹5 lakh per borrower.
4. **Extent of guarantee coverage:** 75% of amount in default or Credit Card limit, whichever is lower, irrespective of the category of the borrower.
5. **Validity of guarantee coverage:** Guarantee coverage shall be available till 5 years from the date of issuance of this Circular.
6. **Eligibility for guarantee coverage:** Such issued cards having reference number from Jan Samarth Portal (JSP) shall be eligible for guarantee coverage.
7. **Primary Security:** Not mandatory.
8. **Annual guarantee fee rate:** 0.55% on the Credit Card limit irrespective of the category of the borrower. No Risk Premium will be levied as all beneficiaries will be Micro Enterprises.
9. **Lock-in period:** 9 months from the guarantee start date.
10. **Tenure of the Scheme:** 3 years from the date of launch or till 10 lakh Credit Cards are issued, whichever is earlier.
11. Responsibility for credit appraisal, account classification, and monitoring of asset quality, including assessment of SMA status at the time of sanction, would rest with the Lending Institutions/ Credit Card Issuers including compliance with regulatory guidelines.
12. All guidelines with respect to submission of application for coverage, timelines, payment of fee process, NPA marking, guarantee invocation, claim settlement, recoveries, etc., will be as per the existing guidelines of Credit Guarantee Scheme – I of CGTMSE.
