CGFMU extended five years: Mudra loan guarantee till March 2031

Published: 12 November 2026 | Prelims: economy



Original symbolic illustration: pcsmantra.com

12 November 2026: The Union Cabinet on 11 November 2026 approved continuation of the Credit Guarantee Fund for Micro Units (CGFMU) for five more years, till March 2031. The Rs 5,000 crore corpus will facilitate loans worth Rs 12.6 lakh crore.

- Launch: January 2016; reduces banks' default risk by giving guarantee cover to loans under the Pradhan Mantri Mudra Yojana (PMMY).
- Operation: Guarantee coverage to lending institutions through the National Credit Guarantee Trustee Company Ltd (NCGTC).
- Coverage: PMMY loans up to Rs 20 lakh; overdraft up to Rs 10,000 on Pradhan Mantri Jan Dhan Yojana accounts; portfolio loans of Rs 10-20 lakh to Self-Help Groups (SHGs).
- Period: Applies to all loans given under PMMY during the Sixteenth Finance Commission cycle (2026-27 to 2030-31).
- Till September 2026, more than 60.36 crore loans worth Rs 43.34 lakh crore have been sanctioned under PMMY (since its April 2015 launch).
- The government's case: collateral-free loans have created a new generation of entrepreneurs who earlier could not borrow from formal banking.
- Briefing: Information and Broadcasting Minister Ashwini Vaishnaw; the Cabinet meeting was chaired by Prime Minister Narendra Modi.
- Syllabus link: General Studies - Indian Economy (financial inclusion, MSME credit, guarantee-fund mechanism).
- Key: CGFMU = January 2016, run by NCGTC; extension till March 2031; corpus Rs 5,000 crore; target loans Rs 12.6 lakh crore.

Possible confusion: CGFMU (Mudra/micro units) and CGTMSE (MSME guarantee) are separate funds - do not mix them up.

Q1: Till when has the Cabinet extended CGFMU?

(a) March 2028(b) March 2030(c) March 2031(d) March 2036

Answer and explanation: (c) By the 11 November 2026 Cabinet decision, CGFMU will continue for five years till March 2031.

Q2: Which institution operates CGFMU?

(a) SIDBI(b) NABARD(c) NCGTC(d) RBI

Answer and explanation: (c) The National Credit Guarantee Trustee Company Ltd (NCGTC) provides guarantee cover to lending institutions.

Q3: Which of these is NOT covered by CGFMU?

(a) PMMY loans up to Rs 20 lakh(b) Overdraft up to Rs 10,000 on PMJDY accounts(c) SHG portfolio loans of Rs 10-20 lakh(d) Corporate loans up to Rs 1 crore

Answer and explanation: (d) Corporate loans are not covered; coverage is limited to Mudra loans (up to Rs 20 lakh), Jan Dhan overdrafts and SHG portfolio loans.

The Hindu - Government extends micro credit guarantee scheme for five years

PCSMANTRA.COM