

Important Update on MSME Classification and Credit Guarantee Coverage

The Ministry of Micro, Small and Medium Enterprises (MSME) has introduced significant changes effective from 1st April, 2025, aimed at enhancing the scope of MSMEs and improving financial support mechanisms. These changes are part of the Budget 2025 announcement and are expected to benefit a larger number of enterprises.

1. Revised MSME Classification Criteria: The government has updated the investment and turnover thresholds for MSME classification to include a larger number of enterprises under its ambit. The revised criteria are as follows:

- **Micro Enterprises:** Investment up to ₹2.5 crore and turnover up to ₹10 crore.
- **Small Enterprises:** Investment up to ₹25 crore and turnover up to ₹100 crore.
- **Medium Enterprises:** Investment up to ₹125 crore and turnover up to ₹500 crore.

These revised criteria aim to broaden the coverage of MSMEs, facilitating access to government schemes and support measures. For more details, please refer to the official notification.

2. Enhanced Credit Guarantee Coverage under CGTMSE: To improve credit accessibility for Micro and Small Enterprises, the government has increased the credit guarantee limit from ₹5 crore to ₹10 crore, effective from 1st April, 2025. This enhancement is expected to boost affordable credit availability, supporting MSME growth and sustainability. More details can be found in the circular.

3. Rationalization of Annual Guarantee Fee (AGF): The Annual Guarantee Fee (AGF) under the Credit Guarantee Scheme has been rationalized to reduce the financial burden on MSMEs. The revised AGF rates, applicable from 1st April, 2025, are as follows:

- **Up to ₹10 lakh:** 0.37% per annum
- **Above ₹10 lakh to ₹50 lakh:** 0.55% per annum
- **Above ₹50 lakh to ₹1 crore:** 0.60% per annum
- **Above ₹1 crore to ₹2 crore:** 0.85% per annum
- **Above ₹2 crore to ₹5 crore:** 1.00% per annum
- **Above ₹5 crore to ₹8 crore:** 1.10% per annum
- **Above ₹8 crore to ₹10 crore:** 1.20% per annum

This rationalization aims to make credit guarantees more affordable for small businesses. For more details, please refer to the official circular.

These initiatives are designed to empower the MSME sector by facilitating better access to credit and expanding the classification criteria. We encourage all MSMEs to take note of these changes and make the most of the enhanced support measures for sustainable growth.