

## Extension of ECLGS

### Why in news?

In the Budget 2022 the Emergency Credit Line Guarantee Scheme (ECLGS) was extended to cover the next fiscal as well, with expanded guarantee cover of Rs 5 lakh crore.

### What is ECLGS?

- This Scheme was announced as part of the Atma Nirbhar Bharat Package in 2020
- **Objective** - To help businesses including MSMEs to meet their operational liabilities and resume businesses after the COVID-19 crisis.
- Under the scheme, borrowers could avail additional credit of up to 20% of their overall outstanding credit as on February 29, 2020.
- Government provides Member Lending Institutions (MLIs), 100% guarantee against any losses suffered by them due to non-repayment of the ECLGS funding by borrowers.
- **Target Group And Eligibility Criteria** - The eligibility criteria for availing credit under ECLGS are,

Scheme	Target Group	Eligibility Criteria
ECLGS 1.0	<ul style="list-style-type: none"> <li>• MSME units</li> <li>• Business Enterprises,</li> <li>• Mudra Borrower</li> <li>• Individual loans for business purpose</li> </ul>	Loan having credit facility <ul style="list-style-type: none"> <li>• outstanding upto Rs.50 crore</li> <li>• days past due upto 60 days as on 29.02.2020.</li> </ul>
ECLGS 2.0	Borrower belonging to <ul style="list-style-type: none"> <li>• 26 stressed sectors identified by Kamath Committee</li> <li>• Healthcare sector</li> </ul>	Loan having credit facility <ul style="list-style-type: none"> <li>• outstanding above Rs.50 crore and upto Rs.500 crore</li> <li>• 30 days past due.</li> <li>• Not classified as SMA1, SMA2 and NPA</li> </ul>
ECLGS 3.0	Borrower belonging to <ul style="list-style-type: none"> <li>• Hospitality</li> <li>• Travel &amp; Tourism</li> <li>• Leisure &amp; Sporting</li> <li>• Civil Aviation sector</li> </ul>	Loan having credit facility <ul style="list-style-type: none"> <li>• days past due upto 60 days.</li> </ul>
ECLGS 4.0	<ul style="list-style-type: none"> <li>• Hospitals/Nursing Homes/Clinics</li> <li>• Medical Colleges</li> <li>• units engaged in manufacturing of liquid oxygen,</li> </ul>	Loans having credit facility with <ul style="list-style-type: none"> <li>• days past due upto 90 days.</li> </ul>

- ECLGS is a demand driven scheme. So sanctions/disbursements are made by lending institutions based on assessment of borrower's requirement and their eligibility.
- The overall ceiling initially announced for ECLGS was Rs 3 lakh crore which was later enhanced to Rs 4.5 lakh crore.

- ECLGS is under the Department of Financial Services (DFS), the operational domain of Ministry of Finance.
- **Interest** - To ensure easy repayment Government has capped the interest rate under ECLGS scheme at
  - 9.25% for Banks and Financial Institutions and
  - 14% for Non-Banking Financial Institutions.
- This scheme also offers a one year moratorium on payment of principle component.

### What is a Special mention Account (SMA)?

- In order to manage bad loans RBI classified the debt owed to customer groups into three categories under SMAs or Special Mention Accounts.
- SMA-0 is category of loan where principal and interest has remained outstanding for a period of 30 days after the payment due date.
- SMA-1 is a category in which overdue is for a period of more than 30 days to 60 days.
- SMA-2 is where the overdue tenure is between 61 days to less than 90 days.

### Why ECLGS has been extended?

- Recently ECLGS for small businesses has been extended for one more year, up to March 2023.
- Its guarantee cover will be expanded by Rs. 50,000 crore (500 billion) to Rs 5 lakh crores (5.0 trillion).
- The additional amount is being earmarked exclusively for the hospitality and related enterprises.
- So far the ECLGS has provided much-needed additional credit to more than 130 lakh MSMEs.
- This has helped them mitigate the adverse impact of the pandemic.
- The extension has been made since the hospitality and related services, especially those by micro and small enterprises, are yet to regain their pre-pandemic level of business.

### What will be the benefits?

- Banks can provide additional loans to existing borrowers without asking for extra collateral.
- MSMEs impacted by intermittent lockdowns in states get funding to stay afloat.
- Sanctions and disbursements under the facility are relatively faster due to fully guaranteed by the government against credit losses.
- Companies from hospitality, travel and tourism as well as leisure and sporting sectors are expected to benefit from the relaxation in the scheme.
- Hotels, restaurants, canteens, caterers, marriage halls, tour operators, as well as amusement parks and theatres can avail the facility.

### Reference

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