

CABINET APPROVES ADDITIONAL FUNDING OF UP TO RUPEES THREE LAKH CRORE THROUGH INTRODUCTION OF EMERGENCY CREDIT LINE GUARANTEE SCHEME (ECLGS)

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has given the following approvals:

For this purpose, corpus of Rs. 41,600 crore shall be provided by Government of India spread over the current and the next three financial years.

The Cabinet also approved that the Scheme would be applicable to all loans sanctioned under GECL Facility during the period from the date of announcement of the Scheme to 31.10.2020, or till an amount of Rs 3,00,000 crore is sanctioned under the GECL, whichever is earlier.

Details:

The Emergency Credit Line Guarantee Scheme (ECLGS) has been formulated as a specific response to the unprecedented situation caused by COVID-19 and the consequent lockdown, which has severely impacted manufacturing and other activities in the MSME sector. The Scheme aims at mitigating the economic distress being faced by MSMEs by providing them additional funding of up to Rs. 3 lakh crore in the form of a fully guaranteed emergency credit line. The main objective of the Scheme is to provide an incentive to Member Lending Institutions (MLIs), i.e., Banks, Financial Institutions (FIs) and Non-Banking Financial Companies (NBFCs) to increase access to, and enable availability of additional funding facility to MSME borrowers, in view of the economic distress caused by the COVID-19 crisis, by providing them 100 per cent guarantee for any losses suffered by them due to non-repayment of the GECL funding by borrowers.

The salient features of the Scheme include -

Implementation schedule:

The Scheme would be applicable to all loans sanctioned under GECL during the period from the date of announcement of the Scheme to 31.10.2020, or till an amount of Rs three lakh crore is sanctioned under the GECL, whichever is earlier.

Impact:

The Scheme has been formulated as a specific response to the unprecedented situation caused by COVID-19 and the consequent lockdown, which has severely impacted manufacturing and other activities in the MSME sector. In view of the critical role of the MSME sector in the economy and in providing employment, the proposed Scheme is expected to provide much needed relief to the sector by incentivizing MLIs to provide additional credit of up to Rs.3 lakh crore to the sector at low cost, thereby enabling MSMEs to meet their operational liabilities and restart their businesses. By supporting MSMEs to continue functioning during the current unprecedented situation, the Scheme is also expected to have a positive impact on the economy and support its revival.

VRRK/SH

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