

## UPSC Preparation

### Emergency Credit Line Guarantee Scheme (ECLGS)

The Union Cabinet, led by Prime Minister Narendra Modi, approved the Emergency Credit Line Guarantee Scheme (ECLGS). The scheme was launched as a part of the Atma Nirbhar Bharat package for the Micro, Small, and Medium Enterprises ([MSME](#)) borrowers to mitigate the distress caused by the COVID-19 pandemic.

The scheme was initially announced in May 2020 and then over a period of time, the Finance Ministry has expanded the scope of the ECLGS. Recently (May 2021), ECLGS 4.0 has been introduced which provides 100 percent guarantee cover to loans up to Rs.2 crore to hospitals/nursing homes/clinics/medical colleges for setting up on-site oxygen generation plants, interest rate capped at 7.5%.

### Emergency Credit Line Guarantee Scheme – Key Points

The Union Cabinet approved the Emergency Credit Line Guarantee Scheme in May 2020 and allowed additional funding of up to Rs.3 lakh crores to different sectors, especially Micro, Small, and Medium Enterprises (MSME) and MUDRA borrowers.

The scheme is a part of the [AtmaNirbhar Bharat Abhiyan](#) which was launched by Prime Minister Narendra Modi to make India a self-dependent country.

Under the ECLGS, all loans sanctioned under the Guaranteed Emergency Credit Line (GECL) facility will be provided with additional credit. However, there are two specifications:

- The scheme would be applicable for loans sanctioned from the date of announcement of the scheme to October 31, 2020, [**Now September 3, 2021**] OR
- Guarantees for an amount of Rs.3 lakh crore are issued (whichever happens first)
- Disbursement is permitted up to December 31, 2021.

UPSC aspirants can also get the [List of Government Schemes in India](#) at the linked article and learn more about the various schemes launched in the interest of the citizens of the country.

### Objectives of Emergency Credit Line Guarantee Scheme (ECLGS)

While the country was fighting the [COVID-19](#) pandemic, major losses were faced by the MSMEs in the manufacturing and other sectors. To overcome this loss, the Government introduced the Emergency Credit Line Guarantee Scheme.

Discussed below are the major objectives of ECLGS:

- As per this scheme, 100% guarantee coverage is to be provided by National Credit Guarantee Trustee Company Limited (NCGTC) to the Member Lending Institutions (MLI), Banks, Financial Institutions, and Non-Banking Financial Companies (NBFC)
- It would increase access to, and enable the availability of additional funding facilities to MSME and MUDRA borrowers

- The Scheme aims at mitigating the economic distress faced by MSMEs by providing them additional funding in the form of a fully guaranteed emergency credit line
- It shall also provide credit to the sector at a low cost, thereby enabling the small sector businesses to meet their operational liabilities and restart their manufacturing and work

Once the proper functioning of the MSMEs in India starts off normally, it will benefit India economically and socially. This is one of the major reasons why the Government introduced this scheme during the unprecedented situation of a pandemic.

Aspirants willing to learn more about [Pradhan Mantri Mudra Yojana \(PMMY\)](#) or the Micro Units Development and Refinance Agency (MUDRA), can visit the linked article.

## Who is eligible under the ECLG Scheme?

As per the eligibility criteria released in May 2020 with the launch of the Emergency Credit Line Guarantee Scheme, the following criteria had to be met to be applicable for a loan under the scheme:

1. Enterprises with a turnover of up to Rs. 250 crores (FY 2019-20) with outstanding loans up to Rs. 50 crores, as of February 29, 2020
2. GECL credit provided will be up to 20% of the borrower's total outstanding credit as of February 29, 2020.
3. The maximum amount of loan that can be availed under the scheme is Rs. 5 crore

## Tenor & Interest Rates under ECGLS

- The loan tenure is for 4 years and the moratorium period of 1 year on the principal amount is also applicable [**Now the loan tenure is 5 years**]
- Interest rates under ECGLS have also been capped:
  - 9.25% for Banks and Financial Institutions
  - 14% for Non-Banking Financial Companies
- The National Credit Guarantee Trustee Company Ltd (NCGTC) is not allowed to charge any Guarantee Fee from the Member Lending Institutions that are included under this scheme

Also, read – [What is Line of Credit?](#)

## ECGLS 4.0 – Expansion of the Scheme

On 31st May 2021, the Indian government notified the expansion of the ECLGS. Under the version of ECLGS 4.0:

- 100 percent guarantee cover is being provided to hospitals/nursing homes/clinics/medical colleges for loans of up to Rs 2 crores at an interest rate of 7.5 percent. It is given for setting up on-site oxygen generation plants.
- The eligible borrowers who earlier had a loan tenure of four years can now avail of a loan tenure of five years.
- Additional ECLGS assistance of up to 10% of the outstanding as of February 29, 2020, to borrowers covered under ECLGS 1.0

- The Rs. 500 crore loan ceiling under ECLGS 3.0 is being discontinued.
- The maximum additional ECLGS assistance to each borrower is being limited to 40% or Rs.200 crore, whichever is lower.
- Civil aviation sector is an eligible borrower under ECLGS 3.0.

### **About ECLGS 2.0**

The scheme was announced in November 2020 as a part of the Atma Nirbhar Bharat 3.0 package. This is the revised scheme where the credit limits have been increased and the sectors involved have also been expanded.

Some key points that need to be noted with respect to ECLGS 2.0 have been discussed below:

- The Emergency Credit Line Guarantee Scheme has been expanded to 27 new sectors, including the health sector
- These 27 sectors have been identified by the Kamath Committee for one time debt restructuring. Power, construction, textiles, real estate, tourism are few among the many sectors identified
- Individual beneficiaries for both, professional and self-employed people have also been included in the scheme
- The credit limit has been revised to Rs.250 crores with outstanding loans up to Rs. 50 crore, as of February 29, 2020
- There also has been an expansion in the limit of loan which can be sanctioned. The maximum amount which can be availed under ECLGS 2.0 is Rs. 10 crore
- The tenor has been upgraded to 5 years with a 1-year moratorium on repayment of principal

### **About National Credit Guarantee Trustee Company Limited**

- NCGTC or the National Credit Guarantee Trustee Company Limited was registered under the Companies Act, 1956 in 2014
- It is a wholly-owned company of the Government of India
- It was established by the Department of Financial Services, Ministry of Finance
- The main role of the Organisation is to design credit guarantee programs, to share the risk of lending among the lenders, and facilitate financial access to a prospective borrower

Conclusively, to revive the economy of the country which faced major disturbances due to the COVID lockdown, the Government of India decided to take charge of making the country self-dependent. And, the Emergency Credit Line Guarantee Scheme is one of those initiatives.