

## Loan Guarantee Scheme For COVID Affected Sectors - LGSCAS

Loan Guarantee Scheme for COVID affected Sectors acronymed as LGSCAS is approved by the Cabinet along with various other measures to provide relief to diverse sectors affected by the 2nd wave of COVID-19 pandemic.

### Loan Guarantee Scheme For COVID Affected Sectors - Background

1. Various measures taken by the government to combat the crisis caused due to Covid-19 pandemic have been upended by the second wave of the coronavirus.
2. It has put enormous pressure on the livelihood, business sectors and most importantly the health sector.
3. The crisis urged the requirement of additional hospital beds, ICUs, diagnostic centres, oxygen facilities, telephone or internet based medical advice and supervision, testing facilities and supplies, cold chain facilities for vaccines, modern warehousing for medicines and vaccines, isolation facilities for triage, ramping up of production of ancillary supplies such as syringes and vials etc.

### Loan Guarantee Scheme For COVID Affected Sectors Overview

1. To curtail the disruption caused by the 2nd wave of [COVID-19](#), the Union Cabinet has announced the approval of the Loan Guarantee Scheme for Covid Affected Sectors (LGSCAS) on June 30th 2021.
2. Finance Minister Nirmala Sitharaman announced a Rs 1.1 lakh crore (Rs 1.1 trillion) loan guarantee scheme for Covid-affected sectors.
3. The LGSCAS scheme would provide financial guarantee cover to the tune of Rs. 50,000 crore for brownfield expansion and greenfield projects related to health and medical infrastructure.
4. The guarantee would be provided by National Credit Guarantee Trustee Company Ltd.
5. The 2nd wave of Covid-19 has hard hit the healthcare sector of the nation. The aim of the scheme is to prepare the health systems for emergency response and provide impetus for growth and employment. It will scale medical infrastructure to target underserved areas.
6. The main objective of the Loan Guarantee Scheme for Covid Affected Sectors is to partially mitigate credit risk (primarily construction risk) and facilitate bank credit at lower rates of interest.
7. Along with the approval of the LGSCAS scheme, the Cabinet has also approved additional funding up to Rs. 1,50,000 crore under the [Emergency Credit Line Guarantee Scheme \(ECLGS\)](#).
  - The overall cap of the admissible guarantee will be raised from Rs 3 lakh crore to Rs 4.5 lakh crore,
  - It is a continuing scheme and would be applicable to all eligible loans sanctioned under Guaranteed Emergency Credit Line (GECL) till 30th September 2021, or till an amount of INR 4,50,000 crore is sanctioned under the GECL, whichever is earlier.

- ECLGS 1, 2 and 3 have resulted in credit disbursement of Rs 2.69 lakh crore to 1.1 crore units by 12 PSUs, 25 private sector banks and 31 NBFCs.
  - The Emergency Credit Line Guarantee Scheme was approved in May 2020 as a part of the [Atma Nirbhar](#) Bharat package.
  - Under the ECLGS, all loans sanctioned under the Guaranteed Emergency Credit Line (GECL) facility will be provided with additional credit.
8. Not just this, the Finance Minister has also announced various other measures to provide relief to Covid hit sectors which includes - free travel visas to 5 lakh international travellers, extension of existing schemes such as Atmanirbhar Bharat Rozgar Yojana and Pradhan Mantri Gareeb Kalyan Anna Yojana and subsidies to fertiliser sector.
9. Further, a new credit guarantee scheme was announced to facilitate loans to 25 lakh persons through [Micro Finance](#) institutions (MFIs).
- A guarantee will be provided to SCBs for loans to new or existing NBFC-MFIs for lending up to Rs 1.25 lakh to approximately 25 lakh small borrowers.
  - Under this scheme, Loans from banks to be capped at MCLR plus 2%.

## Loan Guarantee Scheme for Covid Affected Sectors - Features

1. LGSCAS would provide a guarantee of 50 percent for brownfield projects and 75 per cent to greenfield projects for loans sanctioned up to Rs.100 crore, set up at urban or rural locations other than 8 Metropolitan Tier 1 cities (Class X cities).
2. The interest rate for the loans would be capped at 7.95 per cent. The normal interest rate without the guarantee cover is 10-11 per cent.
3. The maximum loan amount under the newly announced scheme would be Rs 100 crore and the duration of guarantee would be up to three years.
4. For aspirational districts, the guarantee cover would be 75 per cent for both new projects and expansion.
5. loans worth Rs 60,000 crore would be allowed for sectors other than health at an interest rate capped at 8.25 per cent per annum.

## Other Initiatives by Government to Combat COVID

1. [Mission Covid Suraksha](#) - The Government of India has sanctioned Rs.900 crores for the Phase I of the Mission COVID Suraksha, for a period of 12 months. Complete focus on the preclinical and clinical development of the vaccine is to be taken care of, for quick release and to restrict any further spread of the Novel coronavirus in the country.
2. [CAWACH – Centre for Augmenting WAR With COVID-19 Health Crisis](#) - DST has approved the setting up of CAWACH to scout, evaluate and support the innovations and startups that address COVID-19 challenges. The CAWACH's mandate will be to extend timely support to potential startups by way of the requisite financial assistance and fund deployment.
3. [mRNA vaccine](#) - The mRNA (messenger RNA) is one such vaccine that injects pieces of mRNA into human cells in order to get them to produce pathogen antigens. India's mRNA-based

Covid-19 vaccine candidate-HGCO19 has received additional government funding for its clinical studies.

4. [COVID-19 Shri Shakti Challenge](#) - The Shri Shakti Challenge is a MyGov initiative, in collaboration with UN Women. It is a part of the Government's campaign 'COVID-19 Solution Challenge' and aims at promoting and encouraging women entrepreneurs and awarding women-led startups. The Shri Shakti Challenge brought many women to the forefront of Indian entrepreneurship and gave them a platform to share their expertise and knowledge to curb the situation of COVID-19 in the country.
5. [Air Travel Bubble](#) - Government of all the Nations is implementing the 'Travel Bubble' or 'Air Bubble' agreement between the countries to alleviate a large number of quarantine and COVID-19 testing rules in arrival destinations.
6. [Aarogya Setu App](#) - The Government of India launched 'Aarogya Setu,' an app to track the cases of COVID-19 and alert the citizens of the country to keep safe.
7. [PM CARES Fund](#) - The Prime Minister's Citizen Assistance and Relief in Emergency Situation Fund is a dedicated national fund created to combat the dreadful contingencies like COVID-19 pandemic in India. The primary objective of this fund is to deal with forthcoming emergencies or distress situations.