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Loan Guarantee Scheme for Covid-affected Sectors (LGSCAS)

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Why in News

Recently, the Finance Minister has asked all stakeholders to conclude **Rs 50,000 crore Loan Guarantee Scheme for Covid-Affected Sectors (LGSCAS)** in non-metros in time to deal with any future third wave.

The LGSCAS scheme is **aimed at boosting medical infrastructure in the country**, specifically targeting underserved areas.

Key Points

- **About:**

- The scheme was **approved** by the government in **June 2021**.
- **Banks would provide loans for building healthcare infrastructure in non-metro cities and smaller towns** at a maximum interest rate of **7.95%**.

- **Guarantee Coverage:**

- LGSCAS provides a **guarantee of 50% for brownfield projects and 75% 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).
- For **aspirational districts**, the guarantee cover for **both brownfield expansion and greenfield projects is 75%**.
- **Guarantee duration** is up to 3 years.

Greenfield describes a completely new project that has to be executed from scratch, while a brownfield project is one that has been worked on by others.

- **Expected Benefits:**

- Will help the country in **shoring up its much-needed healthcare infrastructure** along with **creating more employment opportunities**.
- The main objective of LGSCAS is to **partially mitigate credit risk (primarily construction risk) and facilitate bank credit at lower rates of interest**.

- **Eligibility:**

Applicable to all eligible loans sanctioned up to 31st March, 2022 or till an amount of Rs. 50,000 crore is sanctioned, whichever is earlier.

Source: PIB