



# Expansion of Emergency Credit Line Guarantee Scheme

## Why in News

Recently, the government has extended the **Rs. 3-lakh-crore** [Emergency Credit Line Guarantee Scheme \(ECLGS\)](#) until 30<sup>th</sup> June 2021, and also widened its scope to new sectors, including **hospitality, travel** and **tourism**.

- ECLGS was rolled out in May 2020 as part of the Centre's [Atmanirbhar package](#) in response to the [Covid-19](#) crisis.
  - The **objective was to support small businesses** struggling to meet their operational liabilities due to the imposition of a nationwide lockdown.

## Key Points

### ▪ ECLGS 1.0:

- To provide fully guaranteed and collateral free additional credit to [MSMEs](#), business enterprises, [MUDRA borrowers](#) and individual loans for business purposes to the extent of 20% of their credit outstanding as on **29<sup>th</sup> February, 2020**.
- MSMEs with up to **Rs 25. crore outstanding** and **Rs. 100 crore turnover were eligible**.
  - However, the turnover cap was removed post amendment to **ECLGS 2.0** in **November 2020**.

### ▪ ECLGS 2.0:

- The amended version focused on entities in **26 stressed sectors** identified by the [Kamath Committee](#) along with the healthcare sector with credit outstanding of more than **Rs. 50 crore** and up to **Rs. 500 crore** as of 29<sup>th</sup> February, 2020.
- The scheme also mandated borrower accounts to be less than or equal to 30 days past due as of 29<sup>th</sup> February, 2020, that is, **they should not have been classified as [SMA 1, SMA 2, or NPA](#)** by any of the lenders as of **29<sup>th</sup> February 2020**.
  - **SMAs** are **special mention accounts**, which show signs of incipient stress, that lead to the borrower defaulting in servicing the debt.
  - While **SMA-0** are accounts having payments partially or wholly overdue for **1-30 days**, **SMA-1** and **SMA-2** accounts have payments overdue for **31-60 days** and **61-90 days** respectively.
- The revised scheme also **has a five-year repayment window** up from four years in **ECLGS 1.0**.

### ▪ ECLGS 3.0:

- It involves **extending credit of up to 40% of total credit outstanding** across all lending institutions as on 29<sup>th</sup> February 2020.

- The **tenor** of loans granted under ECLGS 3.0 would be **6 years**, including a **moratorium period of 2 years**.
- Covers business enterprises in **Hospitality, Travel & Tourism, Leisure & Sporting sectors**,
  - Which had, as on **29<sup>th</sup> february 2020**,
  - Total credit outstanding not exceeding **Rs. 500 crore and overdues**, if any, were for **60 days or less**.

- **National Credit Guarantee Trustee Company** (NCGTC) is the guarantee provider under the **ECLGS scheme**.

#### **National Credit Guarantee Trustee Company Ltd**

- NCGTC is a private limited company incorporated under the Companies Act, 1956 in 2014, established by the Department of Financial Services, Ministry of Finance, as a wholly owned company of the Government of India, to act as a common trustee company for multiple credit guarantee funds.
  - Credit guarantee programmes are designed to share the lending risk of the lenders and in turn, facilitate access to finance for the prospective borrowers.

**[Source:PIB](#)**

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