



Ministry of Finance

## Cabinet approves additional funding of up to Rupees three lakh crore through introduction of Emergency Credit Line Guarantee Scheme (ECLGS)

100 per cent credit guarantee coverage by National Credit Guarantee Trustee Company Limited (NCGTC) to Member Lending Institutions (MLIs)

Guaranteed Emergency Credit Line (GECL) facility to eligible Micro, Small and Medium Enterprise (MSME) borrowers, including interested MUDRA borrowers

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

- To enable additional funding of up to Rs. three lakh crore to eligible MSMEs and interested MUDRA borrowers by way of "Emergency Credit Line Guarantee Scheme."
- Under the Scheme, 100% guarantee coverage to be provided by National Credit Guarantee Trustee Company Limited (NCGTC) for additional funding of up to Rs. three lakh crore to eligible MSMEs and interested MUDRA. borrowers, in the form of a Guaranteed Emergency Credit Line (GECL) facility.

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 -

- i. All MSME borrower accounts with outstanding credit of up to Rs. 25 crore as on 29.2.2020 which were less than or equal to 60 days past due as on that date, i.e., regular, SMA 0 and SMA 1 accounts, and with an annual turnover of up to Rs. 100 crore would be eligible for GECL funding under the Scheme.
- ii. The amount of GECL funding to eligible MSME borrowers either in the form of additional working capital term loans (in case of banks and FIs), or additional term loans (in case of NBFCs) would be up to 20% of their entire outstanding credit up to Rs. 25 crore as on 29th February, 2020.

- iii. The entire funding provided under GECL shall be provided with a 100% credit guarantee by NCGTC to MLIs under ECLGS.
- iv. Tenor of loan under Scheme shall be four years with moratorium period of one year on the principal amount.
- v. No Guarantee Fee shall be charged by NCGTC from the Member Lending Institutions (MLIs) under the Scheme.
- vi. Interest rates under the Scheme shall be capped at 9.25% for banks and FIs, and at 14% for NBFCs.

**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.

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VRRK/SH

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