

# BFSI Newscast

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## Emergency Credit Line Guarantee Scheme (ECLGS) extended by 1 month

As widely anticipated, the government has extended the ECLGS scheme till November 30, 2020 or till Rs. 3 lakh crore is sanctioned under the scheme (whichever is earlier). This scheme was announced on May 12, 2020 as a measure for providing liquidity support to MSMEs under “AtmaNirbhar Bharat Abhiyan” announced by Finance Minister, Ms. Nirmala Sitharaman. The last date of the scheme was October 31, 2020 or till Rs. 3 lakh crore is sanctioned. Banks/NBFCs have sanctioned an amount of Rs. 2.03 lakh crore (~68% of total scheme limit) under the Scheme to 60.67 lakh borrowers so far, while an amount of Rs. 1.48 lakh crore has been disbursed. Interest rates for loans under the scheme are capped at ~9.25% for banks and financial institutions, and ~14% for non-banking financial companies.

### The details of ECLGS scheme are as follows:

- *Rs 3 lakh crore collateral free loans for Business include MSMEs: Emergency Credit Line to Businesses/MSMEs from Banks and NBFCs up to 20% of entire outstanding credit as on February 29, 2020.*

- **Eligibility:** *The definition has been revised with the investment limit revised upward, introduction of additional criteria of turnover and elimination of the distinction between manufacturing and services sector.*

- o Micro: 1 cr investment, 5 cr sales*

- o Small: 10 cr investment, 50 cr sales*

- o Medium: 50 cr investment, 250 cr sales*

- **Tenor:** *Four year tenor with a moratorium of 12 months on Principal repayment and interest to be capped - 100% credit guarantee cover to Banks and NBFCs on principal and interest.*

**Care’s view** - The scheme has been extended as lockdowns are opening up gradually and demand is expected to increase during the ongoing festive season. This extension is expected to provide a further opportunity to such borrowers who have not availed the scheme so far, to obtain credit under the Scheme.

The bank credit growth from May 2020 (gross bank credit - 91.08 lakh crore) to September 2020 (gross bank credit - Rs. 91.83 lakh crore) has been mainly supported by disbursements in ECLGS scheme. As on September 29, 2020, disbursements under ECLGS scheme were Rs 1.32 lakh crore, which is higher than gross bank credit growth of Rs. 0.75 lakh crore (in absolute terms from May 2020 to September 2020).

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