

What is Emergency Credit Line Guarantee Scheme (ECLGS)?

Emergency Credit Line Guarantee Scheme provides 100% guaranteed loans to eligible MSMEs. The scheme basically provides credit guarantee for the loans taken by MSMEs from banks and NBFCs with conditionalities.

The ECLGS with an outlay of Rs 3 lakh crore is the biggest fiscal scheme of the Rs 20-lakh crore Aatmanirbhar Bharat Abhiyan package announced by Finance Minister Nirmala Sitharaman in May 2020.

What is Emergency Credit Line Guarantee Scheme (ECLGS)

ECLGS for MSMEs provides 100 per cent guarantee coverage for loans by MSMEs for additional working capital term loans (in case of banks and financial institutions) and additional term loans (in case of NBFCs) up to 20 per cent of their entire outstanding credit up to Rs 25 crore as on February 29, 2020.

Who provides the guarantee?

The credit facility is guaranteed by the National Credit Guarantee Trustee Company (NCGTC). It gives the guarantee to Member Lending Institutions (MLIs) up to Rs. 3 lakh crores to eligible MSMEs.

Who are the MLIs under the Scheme?

All Scheduled Commercial Banks are eligible as MLIs. NBFCs which have been in operation for at least 2 years as on 29.2.2020, and Financial Institutions are also be eligible as MLIs under the Scheme.

Who are the eligible MSMEs?

For the scheme, the eligible MSMEs include MSMEs/ Business Enterprises which are constituted as Proprietorships, Partnerships, Registered Companies, Trusts and Limited Liability Partnerships (LLPs), besides interested borrowers under Pradhan Mantri Mudra Yojana (PMMY). In terms of loan size following are the eligibility criteria for MSMEs:

- All MSMEs with combined outstanding loans across of up to Rs. 25 crore as on 29.2.2020, and annual turnover of up to Rs 100 crores in financial year 2019-20.
- Loan accounts classified as NPA or SMA-2 as on 29.2.2020 will not be eligible under the Scheme.
- The MSME must be GST registered and this will not apply to those MSMEs that are not required to obtain GST registration.
- In case accounts for FY 2019-20 are yet to be audited/finalized, the MLI may rely upon the borrower's declaration of turnover.

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What is the validity of the scheme?

The Scheme will be available up to Oct 31, 2020 or on reaching the threshold disbursement of total fund of Rs. 3 lakh crore stipulated by the Government of India under Emergency Credit Line Guarantee Scheme (ECLGS). The loan is to be provided at a concessional rate of 9.25 per cent

Does PMMY beneficiaries eligible for ECLGS?

Loans under PMMY extended on or before February 29, 2020 and reported on the MUDRA portal are also eligible under the Scheme.

As per the July 10th, data, all the 12 public sector banks (PSBs), 22 private sector banks and 21 non-banking financial companies (NBFCs) have provided loans to the MSMEs under the scheme.

