

# Emergency credit line guarantee scheme 1.0 and 2.0

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In news

Government extends the credit guarantee scheme to the health sector and 26 other sectors identified by the Kamath Committee.

Who are eligible under new scheme

**Entities with outstanding credit above Rs 50 crore and not exceeding Rs 500 crore** as on February 29, 2020, which were less than or equal to 30 days past due as on February 29, 2020 are eligible under ECLGS 2.0

Objective of the scheme

The Scheme is a specific response to the unprecedented situation COVID-19. It seeks to provide much needed relief to the MSME sector by incentivizing Member Lending Institutions (MLIs), to provide additional credit of up to Rs. 3 lakh crore at low cost, thereby enabling MSMEs to meet their operational liabilities and restart their businesses.

**About Emergency credit line guarantee scheme 2.0 (ECLGS 2.0)**

This scheme was announced by the government earlier this month as part of the Rs 2.65 lakh crore Atmanirbhar Bharat 3.0 package.

The ECLGS 2.0 will provide 100% guaranteed collateral-free additional credit at capped interest rates to entities in the 26 stressed sectors, plus the health sector

**Five year term:** The loans provided under ECLGS 2.0 will have a five-year tenor, with a 12-month moratorium on repayment of

principal

**Additional funding:** As per the new scheme, these entities or borrower accounts will be eligible for additional funding up to 20 per cent (which could be fund based or non-fund based or both) of their total outstanding credit (fund based only) as a collateral free Guaranteed Emergency Credit Line (GECL), which would be fully guaranteed by National Credit Guarantee Trustee Company Ltd (NCGTC)

**Extending ECLGS 1.0:** In addition to ECLGS 2.0, where no annual turnover ceiling has been prescribed, it has also been decided to extend ECLGS 1.0 to entities under ECLGS which had a total credit outstanding (fund-based only) of up to Rs 50 crore as on February 29, 2020, but were previously ineligible owing to their annual turnover exceeding Rs 250 crore.

**Applicability:** The scheme would be applicable to all loans sanctioned under ECLGS during the period from the date of issue of these guidelines by NCGTC to March 31, 2021 or till guarantees for an amount of Rs 3 lakh crore crore is sanctioned under the ECLGS (taking into account both ECLGS 1.0 and 2.0), whichever is earlier.

**Contributing to economic revival:** New scheme, while providing an incentive to Member Lending Institutions (MLIs) to enable availability of additional funding facility to the eligible borrowers, both MSMEs/business enterprises and identified sectors that supports MSMEs, will go a long way in contributing to economic revival, protecting jobs, and create conducive environment for employment generation

### **Emergency credit line guarantee scheme 1.0(ECLGS 1.0)**

The ECLGS was announced as part of the Atma Nirbhar Bharat Package (ANBP) to provide fully guaranteed and collateral-free additional credit to MSMEs, business enterprises, individual loans for business purposes, and MUDRA borrowers, to the extent of 20 percent of their credit outstanding as on

29.2.2020.

### Key features of the 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. 3 lakh crore to eligible MSMEs and interested MUDRA borrowers.
- Loans provided to Business Enterprises/MSMEs constituted as Proprietorship, Partnership, registered company, trusts and Limited Liability Partnerships (LLPs) are eligible under the Scheme.
- The credit is provided in the form of a Guaranteed Emergency Credit Line (GECL) facility.
- The Scheme was applicable to all loans sanctioned under GECL Facility during the period from the date of announcement of the Scheme to 31.10.2020.