

Emergency Credit Line Guarantee Scheme (ECLGS)

(Ministry of Finance)

June 10, 2022

Introduction

Emergency Credit Line Guarantee Scheme (ECLGS) was [launched in May 2020](#) as part of the Aatmanirbhar Bharat Abhiyaan. The aim was to support eligible Micro, Small and Medium Enterprises (MSMEs) and other eligible business enterprises in meeting their operational liabilities and restarting their businesses in the context of the disruption caused by the COVID-19 pandemic.

ECLGS covers all the sectors of the economy and 100% guarantee is provided to Member Lending Institutions (MLIs) in respect of the credit facility extended by them under the scheme to eligible borrowers. The structure of the scheme allows easy access to credit as the lenders offer pre-approved loans based on borrower's existing credit outstanding and there is no fresh appraisal undertaken by lenders since additional credit is sanctioned over and above the credit facilities already assessed. Further, the interest rate is also capped with a view to lower the cost of credit and loans are sanctioned without any processing charges, pre-payment charges and guarantee fee.¹

Background

ECLGS was formulated as a specific response to the unprecedented situation caused by COVID-19 and the consequent lockdown, which had severely impacted manufacturing and other activities in the MSME sector. The Scheme aimed at mitigating the economic distress being faced by MSMEs by providing them **additional funding of up to Rs. 3 lakh crores in the form of a fully guaranteed emergency credit line.**



¹

<https://pib.gov.in/PressReleasePage.aspx?PRID=1808249#:~:text=The%20Minister%20stated%20that%20the,context%20of%20the%20disruption%20caused>

Objective

The main objective of the Scheme was 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 Guaranteed Emergency Credit Line (GECL) funding by borrowers.

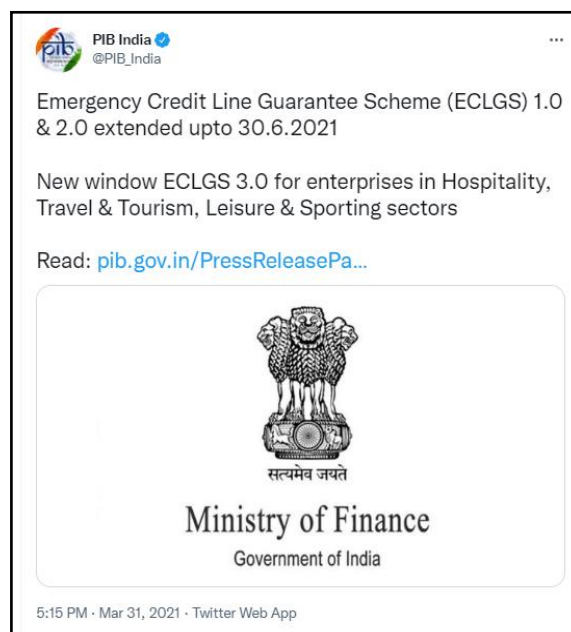
Initial Features of the Scheme:

- 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 (Special Mention Account) and SMA 1 accounts, and with an **annual turnover of up to Rs. 100 crore** was eligible for GECL funding under the Scheme.
- 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) was up to 20% of their entire outstanding credit up to Rs. 25 crore as on 29 February, 2020.
- The entire funding provided under GECL was provided with a 100% credit guarantee by National Credit Guarantee Trustee Company Limited (NCGTC) to MLIs under ECLGS.
- Tenor of loan under Scheme was four years with moratorium period of one year on the principal amount.
- No Guarantee Fee was to be charged by NCGTC from the Member Lending Institutions (MLIs) under the Scheme.
- Interest rates under the Scheme were capped at 9.25% for banks and FIs, and at 14% for NBFCs.

Expansion of the Scheme

On November 2, 2020, the Union Government had extended the Emergency Credit Line Guarantee Scheme (ECLGS) by one month till November 30, 2020,² or till such time that an amount of Rs. 3 lakh crore is sanctioned under the Scheme, whichever was earlier, in view of the opening up of various sectors in the economy.

In recognition of the continuing adverse impact of COVID-19 pandemic on certain service sectors, the Government extended the scope of ECLGS to cover business enterprises in Hospitality, Travel & Tourism, Leisure & Sporting sectors.³



² <https://pib.gov.in/PressReleasePage.aspx?PRID=1669449>

³ <https://pib.gov.in/PressReleasePage.aspx?PRID=1708709>

The scheme has been introduced in phases, the eligibility criteria for availing credit are as follows:⁴

- **For ECLGS 1.0:** MSME units, Business Enterprises, Mudra Borrower and individual loans for business purpose having **loan outstanding up to Rs.50 crore** and days past due up to 60 days as on 29.02.2020.
- **For ECLGS 2.0:** Borrower belonging to 26 stressed sectors identified by Kamath Committee & Healthcare sector having **loan outstanding above Rs.50 crore and up to Rs.500 crore** and days past due up to 60 days as on 29.02.2020.
- **For ECLGS 3.0:** Borrower belonging to Hospitality, Travel & Tourism, Leisure & Sporting and Civil Aviation sector having days past due up to 60 days as on 29.02.2020.
- **For ECLGS 4.0:** Existing Hospitals/Nursing Homes/Clinics/Medical Colleges/units engaged in manufacturing of liquid oxygen, oxygen cylinders etc. having credit facility with a lending institution with days past due up to 90 days as on March 31, 2021.

Further, the validity of ECLGS i.e. ECLGS 1.0, ECLGS 2.0 & ECLGS 3.0 were extended up to 30.06.2021⁵ or till guarantees for an amount of Rs. 3 lakh crores were issued. Last date of disbursement under the scheme was extended to 30.09.2021.

On September 29, 2021, following demands from various Industry bodies and other stakeholders to extend the scheme to ensure continued support to eligible sectors/businesses, Government had decided to extend the timeline of ECLGS till 31.03.2022⁶ or till guarantees for an amount of Rs. 4.5 lakh crore were issued under the scheme, whichever was earlier. Further, the last date of disbursement under the scheme also was extended to 30.06. 2022.

Modifications were made in the scheme to support businesses impacted by the second wave of COVID-19. The details of the same can be found [here](#).

Scope of ECLGS further enhanced in Budget 2022-23

- Giving effect to Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman's announcement in Union Budget 2022-23, the National Credit Guarantee Trustee Company Limited (NCGTC) on March 30, 2022 extended the Emergency Credit Line Guarantee Scheme (ECLGS) beyond March 2022, till March 2023.⁷
- Following up on the suggestions received in the post Budget consultations held by the finance minister on February 25, 2022 with the Travel,

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Emergency Credit Line Guarantee Scheme (ECLGS) to be extended up to March 2023

Government to roll out “raising and accelerating msme performance” (ramp) programme with outlay of 6,000 crore

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ACCELERATING GROWTH OF MSME

- Interlinking Udyam, E-Shram, NCS, ASEEM Portals
- Extending ECLGS with focus on Hospitality & Related Enterprises
- Revamping CGTMSE with additional credit of 2 lakh crore
- Rolling out of RAMP Programme: Raising & Accelerating MSME Performance with outlay of 6000 crore over 5 years

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⁴ <https://pib.gov.in/PressReleasePage.aspx?PRID=1742684>

⁵ <https://pib.gov.in/PressReleasePage.aspx?PRID=1708709>

⁶ <https://pib.gov.in/PressReleasePage.aspx?PRID=1759251>

⁷ <https://pib.gov.in/PressReleasePage.aspx?PRID=1811580>

Tourism and Hospitality sector and the Civil Aviation sector delegation, NCGTC also issued modifications to the operational guidelines for ECLGS 3.0.⁸

Facts and Figures

- As informed by the National Credit Guarantee Trustee Company Limited, the agency which operates the Emergency Credit Line Guarantee Scheme (ECLGS), as on 11.3.2022, a total of 117.87 lakh businesses have been supported with 100% guaranteed collateral free loans under ECLGS of which about 95.21% were MSMEs.
- As on 25.3.2022, loans sanctioned under ECLGS have crossed ₹ 3.19 lakh crore, and about 95% of the guarantees issued are for loans sanctioned to Micro, Small and Medium Enterprises.

Twitter References

- https://twitter.com/PIB_India/status/1275359361037025280?s=20&t=eFwa15NeGvRj6pVn5pzzZQ
- https://twitter.com/PIB_India/status/1377225427433840645?s=20&t=eFwa15NeGvRj6pVn5pzzZQ
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References

- PIB Press Release on [More than 95% MSMEs benefitted under ECLGS](#) dated March 22, 2022.
- PIB Press Release on [Scope of Emergency Credit Line Guarantee Scheme \(ECLGS\) enhanced and validity extended till 31.3.2023](#) dated March 30, 2022.
- PIB Press Release on [Cabinet approves additional funding of up to Rupees three lakh crore through introduction of Emergency Credit Line Guarantee Scheme \(ECLGS\)](#) dated May 20, 2020.
- PIB Press Release on [Government extends Emergency Credit Line Guarantee Scheme by one month](#) dated November 2, 2020.
- PIB Press Release on [ECLGS' scope expanded and scheme extended till 31.03.2022](#) dated September 29, 2021.
- PIB Press Release on [Government Schemes for MSMEs & NBFCs creating significant impact](#) dated June 23, 2020.
- PIB Press Release on [Emergency Credit Line Guarantee Scheme \(ECLGS\) 1.0 & 2.0 extended upto 30.6.2021](#) dated March 31, 2021.
- PIB Press Release on [Emergency Credit Line Guarantee Scheme](#) dated Aug 5, 2021.

Further reading

- https://www.bankofindia.co.in/pdf/FAQs_on_ECLGS.pdf
- <https://www.icicibank.com/business-banking/finance/emergency-credit-line.page>
- <https://www.thehindu.com/business/budget/eccls-scheme-to-be-extended-till-mar-2023-fm/article38357796.ece>
- <https://economictimes.indiatimes.com/news/economy/policy/govt-weighs-extension-of-emergency-credit-scheme/articleshow/89007616.cms>

AG/HP/RC/PPD/JA

⁸ <https://pib.gov.in/PressReleasePage.aspx?PRID=1811580>