

Government extends emergency credit scheme for MSMEs till 31st March, 2022

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In order to support Covid-hit MSMEs further, Centre on Wednesday announced an extension of its Emergency Credit Line Guarantee Scheme (ECLGS) till 31 March, 2022, or till guarantees for an amount of ₹4.5 lakh crore are issued under the scheme, whichever is earlier.

The Ministry of Finance also announced that the date of disbursement under the scheme has also been extended to 30 June, 2022.

'Government has been receiving demands from various Industry bodies and other stakeholders to extend the scheme to ensure continued support to eligible sectors/businesses,' the ministry said in a statement.

The government laid out the following modifications in the scheme for MSMEs:

-Existing borrowers under ECLGS 1.0 & 2.0 would be eligible for additional credit support of upto 10% of total credit outstanding as on 29.02.2020 or 31.03.2021, whichever is higher.

-Businesses who have not availed assistance under ECLGS (ECLGS 1.0 or 2.0), can avail credit support of upto 30% of their credit outstanding as on 31.03.2021.

-Businesses in sectors specified under ECLGS 3.0, who have previously not availed ECLGS, can avail credit support up to 40% of their credit outstanding as on 31.03.2021, to the maximum of Rs.200 crore per borrower;

-Incremental credit can be availed within these limits by existing ECLGS borrowers whose eligibility increased because of change in cut off date to 31.03.2021 from 29.02.2020.

-Accordingly, borrowers who have availed assistance under ECLGS and whose credit outstanding as on 31.03.2021 (excluding support under ECLGS) is higher than that on 29.02.2020 shall be eligible for incremental support within the cap stipulated under ECLGS 1.0,2.0 or 3.0.

Emergency Credit Line Guarantee Scheme (ECLGS) since its launch, has extended relief to over 1.15 crore Micro, Small and Medium Enterprises (MSMEs) and businesses. It has provided support to eligible borrowers in meeting their operational liabilities and restarting their businesses in the wake of disruptions caused by the COVID-19 pandemic.

As on 24th September 2021, loans sanctioned have crossed Rs. 2.86 lakh crore under the Scheme and out of total guarantees issued, about 95% of the guarantees issued are for loans sanctioned to Micro, Small and Medium Enterprises.

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“The modification introduced would ensure that businesses adversely impacted by the second wave of COVID -19 get enhanced collateral free liquidity . Further this provides much needed support to all the ECLGS borrowers (which mainly consist of MSME units) in time for the busy / festival season," the ministry further added.

The revised operational guidelines in this regard are being issued separately by National Credit Guarantee Trustee Company Limited (NCGTC).

“The increase in the credit support limit as a percentage of the outstanding credit is also a big positive for struggling MSMEs. MSMEs contribute more than 33% to India’s output and the support will boost sentiments in the overall economy," said YS Chakravarti, MD & CEO, Shriram City Union Finance.