

Cabinet approves enhancement in the corpus of Emergency Credit Line Guarantee Scheme for increasing the limit of admissible guarantees

Hospitality and related sectors to get a boost

Loans worth about Rs. 3.67 Lakh crore have been sanctioned under ECLGS

Posted On: 17 AUG 2022 3:19PM by PIB Delhi

The Union Cabinet, chaired by the Prime Minister, Shri Narendra Modi has approved the enhancement in the limit of Emergency Credit Line Guarantee Scheme (ECLGS) by Rs 50,000 crore from Rs. 4.5 Lakh crore to Rs. 5 Lakh crore, with the additional amount being earmarked exclusively for enterprises in hospitality and related sectors. The increase has been done on account of the severe disruptions caused by COVID-19 pandemic on hospitality and related enterprises.

Implementation schedule:

ECLGS is a continuing scheme. The additional amount of Rs. 50,000 crore would be made applicable to enterprises in hospitality and related sectors till validity of the scheme which is 31.3.2023.

Impact:

ECLGS is an already operational scheme and on account of the disruptions caused by the COVID 19 pandemic on hospitality and related sectors, Government has specifically earmarked an amount of Rs. 50,000 crore for enterprises in these sectors. The enhancement is expected to provide much needed relief to enterprises in these sectors by incentivizing lending institutions to provide additional credit of up to Rs. 50,000 crore at low cost, thereby enabling these business enterprises to meet their operational liabilities and continue their businesses.

Loans of about Rs. 3.67 Lakh crore have been sanctioned under ECLGS till 5.8.2022.

Background:

The ongoing pandemic has adversely impacted contact-intensive sectors, especially the hospitality and related sectors more severely. While other sectors were back faster on the path of recovery, demand continued to be subdued for these sectors for longer period, suggesting the need for suitable interventions for their sustenance and recovery. Further, given their high employment intensity and their direct and indirect linkages with other sectors, their revival is also necessary for supporting overall economic recovery. Recognising this, in Union Budget 2022-23, it was announced to extend validity of ECLGS upto March, 2023 and increase in the limit of guaranteed cover of ECLGS by Rs. 50,000 crore to total cover of Rs. 5 Lakh core, with the additional amount being earmarked exclusively for the enterprises in hospitality and related sectors.

With high immunization levels, progressive roll-back of restrictions and overall economic recovery, conditions are in place for sustained growth in demand for these sectors as well. This additional guarantee cover is expected to support the recovery of these sectors as well. This additional guarantee cover is expected to support the recovery of these sectors.

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(Release ID: 1852527)