

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA

UN-STARRED QUESTION NO. 2831

ANSWERED ON 7th AUGUST, 2023/ 16 SRAVANA, 1945 (SAKA)

‘Emergency Credit Line Guarantee Scheme’

2831. SHRI S. VENKATESAN:

Will the Minister of FINANCE be pleased to state:

- (a) whether it has come to the notice of the Government that there is demand from MSMEs in Textile sector to extend moratorium for one year on the repayment of short term loans under the Emergency Credit Line Guarantee Scheme (ECLGS) provided after the Covid outbreak which now places an additional burden on the sector;
- (b) if so, the action taken by the Government to consider the demand positively;
- (c) whether the Government propose restructure the existing loans to six-year term loans;
- (d) whether the Government is also proposes to reduce the rate of interest on new loans for the above sector; and
- (e) whether the Government will consider extension of time for Cash credit limits for procuring cotton from 3 to 8 months?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(DR. BHAGWAT KARAD)

(a) and (b): In the wake of Covid-19 pandemic, Emergency Credit Line Guarantee Scheme (ECLGS) was launched in May, 2020 as part of Aatmanirbhar Bharat Abhiyaan to support eligible Micro, Small and Medium Enterprises (MSMEs) and business enterprises to ease their liquidity position. The Scheme provided for collateral free loans to existing eligible borrowers with 100% guarantee in respect of the eligible amount as per the Scheme guidelines.

In view of the evolving situations in the light of Covid waves, its overall impact on the economy and the suggestions received from different stakeholders from various sectors including textile, the scope of the scheme had been extended in the form of additional credit and eligible borrowers from time to time. The scheme was valid till 31.3.2023.

As reported in Economic Survey 2022-23, a much-improved financial health of well-capitalized public sector banks has positioned them better to increase the credit supply. Further, as per Reserve Bank of India (RBI) Annual Report 2022-23, the onset of a fresh lending cycle since the second half of 2021-22 gained momentum during 2022-23, resulting in double digit credit growth encompassing all major sectors. In this background, the ECLGS scheme, which was introduced as a one-time measure to meet the credit needs of MSMEs arising due to Covid-19 pandemic was not extended beyond 31.3.2023.

However, the lenders under the scheme are free to consider any request for modification in the terms of loans under the scheme as per their Board approved policies, within broad regulatory framework.

(c) As regards restructuring of advances / loans, banks are free to resolve the stress in their borrower accounts as per their board approved policies subject to RBI's extant prudential framework for resolution of stressed assets.

(d) and (e) Credit related matters have been deregulated and banks have been advised to frame loan policies duly vetted by their Board, within the broad regulatory guidelines. In a deregulated credit environment, banks are allowed to decide the rate of interest on loans and structure the Cash Credit limit based on their own risk appetites, cash flow projections and other commercial considerations as per their Board approved policies, within broad regulatory framework.
