

ECLGS prevented 12% of MSME loans from turning bad: SBI report

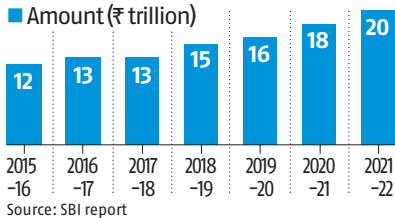
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Around 12 per cent (₹2.2 trillion) of the outstanding MSME credit has been saved from slipping into bad loans because of the Emergency Credit Line Guarantee Scheme (ECLGS) launched by the Centre during the pandemic, thus saving 16.5 million jobs till November 2022, according to estimates by State Bank of India.

“Of the 1.46 million MSME (Micro, Small and Medium Enterprises) accounts that have been saved due to ECLGS, almost 93.8 per cent were in the micro and small category. The trading sector (kirana shops, etc.) has benefitted the most, followed by food processing, textiles and commercial real estate,” the report by the Economic Research Department of SBI said.

CREDIT FLOWS TO MSMEs



A similar report by SBI released in January 2022 claimed MSME loan accounts worth ₹1.8 trillion (14 per cent) were saved from turning bad during the period till November 2021, preventing 15 million workers from becoming jobless.

ECLGS was launched in May 2020 to support eligible MSMEs and business enterprises in meeting their operational

liabilities and restarting their businesses. Under the scheme, 100 per cent credit guarantee is extended to the lending institutions for loans extended by them under the scheme to eligible borrowers. The admissible guarantee limit under the scheme has been raised from ₹4.5 trillion to ₹5 trillion.

The MSME units are becoming larger with the rise in economic activity, raising their ability to raise capital through (non-bank) debt markets. “Beginning FY22, there is evidence of MSME units getting bigger with several units crossing the threshold of ₹250 crore turnover and turning mid-sized corporates by the new definition of MSME units. This reveals integration of MSME units with a larger value chain as production-linked incentive activity is getting momentum,” the report said.