

India enhances credit guarantee to revive pandemic-hit hospitality sector

MUMBAI, Aug. 17 (Xinhua) -- India has enhanced the limit of the Emergency Credit Line Guarantee Scheme (ECLGS) by 6.3 billion U.S. dollars to 62.9 billion U.S. dollars, with the additional amount being allotted exclusively for the hospitality sector, a statement by the state-owned Press Information Bureau (PIB) said Wednesday.

The ECLGS was introduced in May 2020 by the Indian government to provide 100 percent guarantee coverage to financial lending institutions, enabling them to provide credit to business enterprises hit by the COVID-19 pandemic.

So far, loans worth 46.2 billion dollars have been sanctioned under the ECLGS, which is applicable till March 2023.

The hotel sector of Asia's third largest economy was worst-hit during the pandemic as the segment revenue contracted by 47 percent in April-June 2020 due to a 77 percent decline in occupancy, as per the state-owned National Statistical Office data shared in August 2020.

Welcoming the government move, Vijay Kalantri, chairman of MVIRDC World Trade Center Mumbai -- an international trade promotion organization, said, "The hospitality sector, that bore the maximum brunt during pandemic-led disruption, required the much needed liquidity support and an increase of flow of credit."

The hospitality sector contributes over 6 percent to the Indian economy and 8 percent to the total employment, accounting for hardly 0.5 percent of the outstanding non-food bank credit as of June 2022, according to Kalantri.

Stating the rationale for the enhanced guarantee, the PIB statement said that 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 a 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, the statement said. ■