

Economy

1. Emergency Credit Line Guarantee Scheme

Why in News?

- The government has extended the ₹3-lakh-crore emergency credit line guarantee scheme by another three months and also widened its scope to new sectors, including hospitality, travel and tourism.

About

- Aim** → The scheme was launched as part of the Aatmanirbhar Bharat Abhiyan package announced **in May 2020 to mitigate the distress** caused by coronavirus-induced lockdown, **by providing credit** to different sectors, especially Micro, Small and Medium Enterprises (MSMEs).
- Guarantee** → **100% guarantee coverage** is being provided **by the National Credit Guarantee Trustee Company**, whereas Banks and Non Banking Financial Companies (NBFCs) provide loans.
- The credit will be provided in the form of a **Guaranteed Emergency Credit Line (GECL) facility**.
- No Guarantee Fee** shall be **charged by NCGTC** from the Member Lending Institutions (MLIs) under the Scheme.
- Interest Rates** → Interest rates under the Scheme shall be **capped at 9.25% for banks and FIs**, and at **14% for NBFCs**.
- Eligibility** → Borrowers with credit outstanding **up to Rs. 50 crore** as **on 29th February, 2020**, and with an annual **turnover of up to Rs. 250 crore** are **eligible** under the Scheme.
- On **1st August 2020**, the government **widened the scope** of the **Rs. 3 lakh crore-ECLGS scheme** by doubling the upper ceiling of loans outstanding and including certain loans given to professionals like doctors, lawyers and chartered accountants for business purposes under its ambit.
- Benefits of the scheme** → The scheme is expected to **provide credit to the sector at a low cost**, thereby enabling MSMEs to **meet their operational liabilities** and **restart their businesses**.

📌 National Credit Guarantee Trustee Company

- It was set up in **2014** as a private limited company by the Department of Financial Services, **Ministry of Finance** under the **Indian Companies Act, 1956**.
- Purpose** → To act as a **common trustee company** to manage and operate various credit guarantee trust funds.

2. Inflation targeting

Why in News?

- The Centre has decided to retain the inflation target of 4%, with a tolerance band of +/- 2 percentage points for the Monetary Policy Committee of the RBI for the coming five years.

About

- It is a **central banking policy** that revolves around **adjusting monetary policy** to **achieve a specified annual rate of inflation**.
- The principle of inflation targeting is based on the belief that **long-term economic growth** is **best achieved by maintaining price stability**, and price stability is achieved by controlling inflation.