

FHRAI Delegates Meet MSME Minister, Submit Representation Requesting To Increase ECLGS Loan Term

India's apex hospitality Association – Federation of Hotel & Restaurant Associations of India (FHRAI) recently met with the Hon'ble Minister for Micro, Small & Medium Enterprises (MSME) – Narayan Tatu Rane and submitted a representation requesting extending the Emergency Credit Line Guarantee Scheme (ECLGS) loan term for the hospitality sector for maximum period under the current provisions. FHRAI thanked the Minister for the enhanced ECLGS limit by from INR 4.5 lakh Cr to INR 5 lakh Cr and also informed him about the measure being inadequate to mitigate the losses incurred by the hospitality sector. The Association has requested that the repayment period be either enhanced to 10 years or as per the loan repayment period of the principal loan, whichever is longer.

FHRAI has pointed out that the 6-year period is too short for the sector to reap the desired benefits of the scheme. Most beneficiaries of the scheme have already mortgaged their properties as surety against the Principal Loan. So, if the ECLGS loan is not in sync with the earlier loan, it would lead to payment defaults and high volumes of NPAs in the sector. The tenor of loans granted under ECLGS 3.0 is six years including a moratorium period of two years, whereas the same under ECLGS 1.0 is four years and under ECLGS 2.0 it is five years with one year moratorium. Many hospitality establishments have availed the loans under ECLGS 1.0 & 2.0 and the repayment period for these loans have already started in most of these cases. So, FHRAI has requested for rationalizing the norms for all ECLGS loans for the sector. FHRAI has also informed the Minister about the eligibility criteria to apply for a loan being too stringent. The cumbersome application process makes it difficult for entities to avail loans and so, has requested that the Government ease out eligibility criteria and also simplify loan application process via a single-window or single-click clearance. For making the ECLG Scheme fruitful and effective, the Association has requested that the tenure of the loan term be increased to at least 10 years or in accordance to the loan repayment period of the 'Principal Loan', whichever is longer.