Tourism sector hit as banks deny loans

Kochi: The guaranteed emergency credit line (GECL) was a scheme announced with much fanfare by the central government to help small businesses in the MSME sector to tide over the Covid-19 crisis. But tourism entrepreneurs in the state who approached banks are being turned away saying hospitality sector is in the negative list.

"I approached a premium private sector bank with a request for a GECL loan but they refused it. This is despite the fact that 30% of the loan is pre-approved loan and the central government stands guarantee to it," says George Scaria, director, Incoming Tours. The loan is attractive for MSMEs as it has a one-year moratorium and interest of 4.99% which will help them meet salary bills and revive the business.

In their reply furnished via email, the bank informed Scaria, who is also, president, Tourism Professionals Club, that his "current working capital facility has failed to meet some of the aforesaid parameters of ECLGS along with guidelines defined by YES Bank Limited for offering said WCCL (working capital term loan)").

"When you approach the banks, they say the hospitality sector is in the danger zone and therefore there is no loan eligibility. There are a lot of complaints about loans being denied," says Abraham George, member, national tourism advisory board.

Finance minister Nirmala Sitharaman had recently stated that banks cannot refuse credits to MSMEs covered under the emergency credit line guarantee scheme, but no banks in the state are honouring this, said Scaria.

"Tourism is in a negative list as per RBI. Not a single bank has given loans under the scheme. They are saying that they don’t know when the tourism sector is going to open and they fear they will also lose the additional 20%. The loans are given in the first place for surviving the crisis but they don’t seem to understand that," says E M Najeeb, president, Confederation of Kerala Tourism Industry.

Credit under GECL would be up to 20% of the borrower’s total outstanding credit up to Rs 25 crore, excluding off-balance sheet and non-fund based exposures.