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ECLGS 5.0 — ₹18,100 Crore Emergency Credit Scheme for MSMEs and Airlines Amid West Asia Crisis

7 May 2026 · **ECONOMY** · **GS3**

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ECLGS 5.0 — ₹18,100 Crore Emergency Credit Scheme for MSMEs and Airlines Amid West Asia Crisis

7 May 2026 · 3 min read · 1 tag

WHY IN NEWS

The **Union Cabinet** (chaired by PM Modi) approved **Emergency Credit Line Guarantee Scheme (ECLGS) 5.0** on May 5, 2026, with a **corpus of ₹18,100 crore**, enabling an additional credit flow of **₹2.55 lakh crore**. The scheme targets MSMEs and airlines facing financial stress due to the **ongoing West Asia (Middle East) conflict** — which has disrupted supply chains, raised fuel prices, and reduced air traffic volumes on key international routes.

ECLGS 5.0 — KEY PARAMETERS

PARAMETER	DETAIL
Corpus (guarantee fund)	₹18,100 crore
Additional credit enabled	₹2.55 lakh crore
Target beneficiaries	MSMEs + Airlines
Guarantee coverage — MSMEs	100%
Guarantee coverage — airlines	100% (capped at ₹1,500 crore per borrower)
Airlines earmarked	₹5,000 crore
Loan term — MSMEs	5 years; 1-year moratorium
Loan term — Airlines	7 years; 2-year moratorium
Max borrowing per entity	Up to 20% of peak working capital (Q1 FY2026); max ₹100 crore
Scheme open until	March 31, 2027
Administering body	National Credit Guarantee Trustee Company (NCGTC)

WHY MSMEs AND AIRLINES?

MSMEs

The **West Asia conflict** (ongoing since late 2025) has disrupted:

- **Crude oil prices** — rising sharply, increasing raw material and transport costs
- **Strait of Hormuz** trade flows — affecting ~20% of global oil shipments
- **Export markets** — West Asia is a major destination for Indian MSME exports (textiles, gems, engineering goods)
- **Supply chains** — Red Sea shipping disruptions forcing longer routes via Cape of Good Hope (+10–14 days, +20–25% costs)

India's **6.3 crore MSMEs** contribute ~30% of GDP and ~45% of exports. Liquidity crunch during geopolitical disruptions has historically caused MSME failures.

Airlines

Indian carriers — particularly **IndiGo** and **Air India** — face:

- **Higher ATF (aviation turbine fuel) prices** — directly tied to crude oil spike
- **Route closures** over conflict zones (Strait of Hormuz / Gulf airspace)
- **Demand softening** on Middle East routes (major Indian traffic corridor)
- **Higher leasing costs** — aircraft leased in USD; rupee depreciation pressures balance sheets

ECLGS — HISTORY AND CONTEXT

VERSION	YEAR	CONTEXT	CORPUS
ECLGS 1.0	2020	COVID-19 pandemic	₹3 lakh crore
ECLGS 2.0	2020	Extended to specific sectors (hospitality, healthcare)	Additional ₹1.5 lakh crore
ECLGS 3.0	2021	Hospitality, travel, leisure sectors	Additional capacity
ECLGS 4.0	2022	Civil aviation sector specifically	₹1,500 crore
ECLGS 5.0	2026	West Asia conflict — MSMEs + airlines	₹18,100 crore

ECLGS was first launched in May 2020 as part of the **Atmanirbhar Bharat Abhiyan** economic package. The scheme operates through:

- ① Government contributes corpus to **NCGTC**
- ② NCGTC provides guarantee to banks/NBFCs
- ③ Banks lend to MSMEs without requiring collateral beyond the guarantee

MSME SECTOR — KEY DATA

PARAMETER	VALUE
Total MSMEs in India	~6.3 crore (63 million)
MSME contribution to GDP	~30%
MSME contribution to exports	~45%
Employment	~11 crore workers
Definition — Micro	Investment ≤₹1 crore; Turnover ≤₹5 crore
Definition — Small	Investment ≤₹10 crore; Turnover ≤₹50 crore
Definition — Medium	Investment ≤₹50 crore; Turnover ≤₹250 crore
Nodal Ministry	Ministry of MSME (Micro, Small and Medium Enterprises)
Key schemes	PMEGP, Udyam Registration, ONDC for MSMEs, RAMP

UPSC RELEVANCE

PAPER	ANGLE
GS3 — Economy	MSME sector, credit guarantee schemes, ECLGS, ATF, West Asia economic impact
GS2 — Governance	NCGTC, Union Cabinet role in economic intervention, scheme design
GS3 — Economy	Geopolitical disruption → domestic economic policy response

Mains Keywords: ECLGS 5.0, NCGTC, MSME credit guarantee, West Asia conflict economic impact, Strait of Hormuz, ATF prices, Atmanirbhar Bharat, credit moratorium, aviation sector stress, supply chain disruption

Prelims Facts Corner

ITEM	FACT
ECLGS 5.0 corpus	₹18,100 crore
Credit flow enabled	₹2.55 lakh crore
MSME guarantee	100%
Airlines earmarked	₹5,000 crore ; 100% guarantee (capped ₹1,500 cr/borrower); 7-year loan, 2-year moratorium
Scheme validity	Until March 31, 2027
Administering body	NCGTC (National Credit Guarantee Trustee Company)
ECLGS launched	May 2020 (COVID-19 / Atmanirbhar Bharat)
Trigger for ECLGS 5.0	West Asia conflict — oil price spike + supply chain disruption
MSME GDP share	~30%; employment: ~11 crore workers
Max borrowing	20% of peak working capital; max ₹100 crore per entity

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