

MSMEs, airlines get ₹2.55 trillion credit lifeline amid West Asia crisis

Cabinet approves ECLGS 5.0 with an outlay of ₹18,000 crore

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The Union Cabinet, chaired by Prime Minister Narendra Modi, on Tuesday approved the fifth edition of the Emergency Credit Line Guarantee Scheme (ECLGS 5.0), with an outlay of ₹18,100 crore, to support micro, small and medium enterprises (MSMEs), airlines and other businesses in meeting working capital needs as costs rise amid the ongoing West Asia crisis.

First launched in May 2020 amid the Covid pandemic, the scheme's latest version is expected to unlock additional credit flow of ₹2.55 trillion, including a

What's in the scheme



ILLUSTRATION:
BINAY SINHA

₹5,000 crore carve-out for the aviation sector.

Modi said the approval to ECLGS 5.0 by the Cabinet underscored the government's intent to shield businesses, especially MSMEs, from global turbulence. "Our focus remains on empower-

Eligibility:

■ MSMEs, non-MSMEs, and scheduled passenger airlines with standard accounts and existing working capital (WC) as on March 31, 2026

Guarantee cover:

■ 100% for MSMEs; 90% for non-MSMEs and airlines

Support limit:

■ MSMEs/non-MSMEs:

Up to 20% of peak WC (Q4FY26), max ₹100 cr
■ Airlines: Up to 100%, maximum ₹1,500 cr

Tenor:

■ Airlines: 7 years (2-year moratorium)
■ Others: 5 years (1-year moratorium)

Scheme validity:

■ From NCGTC notification date to March 31, 2027

ing enterprises, sustaining growth momentum and safeguarding livelihoods," he said in a post on X.

The scheme is designed to help firms sustain operations, protect jobs and stabilise supply chains. "The proposed credit guarantee

scheme is a major step to help businesses, particularly MSMEs and airline sector, to ensure their additional working capital needs, are catered by the banks & FIs (financial institutions)," the government said in a press statement. Turn to Page 6 ▶

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Govt okays two semicon units worth ₹4,000 cr

The Union Cabinet on Tuesday approved two semiconductor projects worth nearly ₹4,000 crore under the first phase of the India Semiconductor Mission, Union Electronics and Information Technology Minister Ashwini Vaishnaw said.

Proposal to increase SC judges to 38 gets approval

The Cabinet cleared a proposal to increase the strength of the Supreme Court from the present 34 judges to 38, including the Chief Justice. A Bill will be brought in the next Parliament session to raise this strength by four.

■ Cotton mission to double yields in 5 years cleared

■ Cabinet approves ₹1.5K cr ship repair facility in Gujarat

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“By providing timely liquidity, the scheme will sustain the businesses and prevent job losses. It will also promote uninterrupted domestic production and maintain the resilience of the ecosystem,” the statement added.

Under the scheme, banks will be able to extend additional loans backed by a government guarantee, covering 100 per cent of losses for MSMEs and 90 per cent for larger firms and airlines via the National Credit Guarantee Trustee Company Limited (NCGTC). This is intended to lower lending risk while easing short-term liquidity constraints.

Eligible businesses can get additional loans of up to 20 per cent of their peak working capital utilisation in the March quarter of FY26, capped at ₹100 crore. Airlines, facing acute financial stress, are permitted to borrow up to 100 per cent of their requirement, subject to a ceiling of ₹1,500 crore per borrower and certain conditions.

Loan tenures vary, too: Five years for most sectors, including a one-year moratorium, and seven years for airlines, with a two-year moratorium. The government guarantee will remain valid throughout the loan duration. The scheme will apply to loans sanctioned from the date of NCGTC notification until March 31, 2027.

The latest scheme follows a warning from the Federation of Indian Airlines (FIA) to the civil aviation ministry last week, flagging an existential crisis in the sector. “The airline industry in India is under extreme stress and is on the verge of closing down or of stopping its operations,” FIA stated. “The dire condition of the aviation sector has been exacerbated by the West Asia war and the exorbitant increase in the price of aviation turbine fuel (ATF).”

FIA also talked about the impact on airline viability, noting that operations have become “completely unviable and resulting in significant losses for the aviation sector in April 2026”.

Industry pressures have intensified as Pakistan’s airspace remains closed to Indian carriers following Operation Sindoor last May, while the West Asia conflict has forced longer flight paths on key international routes, sharply increasing fuel consumption. Aviation executives said the government’s intervention would offer some respite, particularly to financially weaker carriers such as SpiceJet. However, they cautioned that structural issues persist. “A bigger relief to the airlines would be controlling the crack spread (margins) of oil marketing companies (OMCs), which has jumped higher than even the global crude oil prices themselves,” an executive said.

Fuel costs have surged, with airlines burning more ATF per international flight even as prices rise. Typically accounting for around 40 per cent of operating costs, ATF now represents between 50 per cent and 60 per cent, according to industry estimates.

The squeeze has prompted carriers to scale back international operations. The Air India group has led the pullback: Air India Express reduced weekly international flights from 959 last May to 451 this year, a 53 per cent drop, while Air India cut 288 weekly departures to 881, according to aviation analytics firm Cirum. On a year-on-year basis, SpiceJet has cut over 60 per cent of its international operations, operating 70 weekly flights compared to 176 a year ago. Market leader IndiGo has also reduced its international frequency by 150 flights to 1,687 per week.