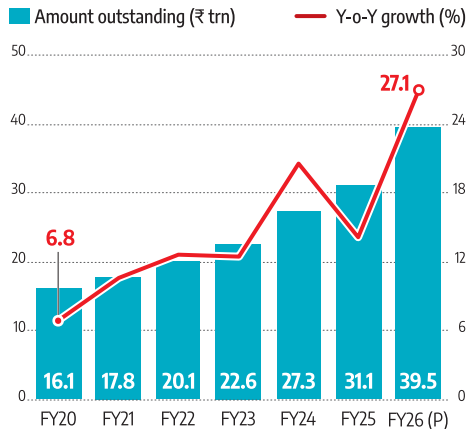


Banks expect MSME credit spurt from ECLGS 5.0 amid war shadow on growth

The MSME loanbook

Bank credit to the MSME sector



Source: SBI Research

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The Centre's Emergency Credit Line Guarantee Scheme (ECLGS) 5.0, announced on Tuesday, is expected to support fresh bank lending to the micro, small and medium enterprises (MSMEs) sector while containing asset-quality risks, at a time when the war in West Asia has disrupted supply chains, threatening to derail growth as well as credit demand in the segment.

Indian banks relied heavily on MSMEs to drive credit growth in FY26, and were bracing for stress in the segment in FY27 due to the West Asia situation. The government expects the new scheme to facilitate additional credit flow of about Rs 2.55 trillion, in-

cluding ₹5,000 crore for airlines.

"As per rough estimates, since the scheme was announced only last night, additional borrowing could be in the range of ₹12,000-15,000 crore because of this support," Indian Bank MD and CEO Binod Kumar said. "However, not all borrowers may opt for it. Even in the past, several strong borrowers did not avail themselves of the scheme. Those who can survive on their own may choose not to go for it, although the interest rate and other terms are attractive," Kumar said.

Amitava Chatterjee, MD & CEO, J&K Bank, termed ECLGS 5.0 a proactive measure from the government that could more than double the lender's credit growth in the segment over last year.

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benefit from the backing of the group, which itself requires banking resources as it expands into new sectors like paints and jewellery. Any bank would want the group as a client. With Kumar Mangalam Birla back as (non-executive) chairman, banks should derive some comfort around promoter backing,” said Vivekanand Subbaraman, research analyst at Ambit Capital, adding that the government, as the largest shareholder, also has a strong interest in preventing the sector from becoming a duopoly.

An executive at another large public sector bank said lenders are not particularly concerned about AGR dues in the near term. “In our calculations, we are not treating AGR as an immediate pressure point. While it exists, the 10-year horizon provides sufficient cushion,” the executive said.

Instead, lenders are more focused on spectrum-related issues. Although spectrum is a key asset, recent court rulings

have made it non-chargeable for banks, limiting its usefulness as collateral. Over the next decade, spectrum dues and capital expenditure requirements are expected to remain central to lender concerns.

Analysts say the AGR relief improves near-term cash flows but significant challenges remain.

Years of underinvestment, according to Axis Capital, have left the telecom operator trailing rivals such as Bharti Airtel and Reliance Jio, though the planned ₹45,000 crore capex over FY27-FY29 could help narrow the gap, subject to successful debt financing.

Bank of America noted that the AGR relief could facilitate a potential ₹25,000 crore debt raise along with a ₹10,000 crore equipment financing facility. Based on vendor interactions, it estimates that a capital infusion of \$6-8 billion may ultimately be required to support meaningful 4G expansion and a competitive 5G rollout.

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“I would say it is a very good step and will benefit the entire banking industry. We are an MSME-focused bank, so for us, this will definitely provide strong support. In fact, my team has made a rough estimate that our [loan] growth [to MSMEs] could rise to 20-22 per cent specifically because of this credit guarantee,” Chatterjee told Business Standard.

This is significantly higher than FY26, when the bank had recorded a subdued growth of 8-9 per cent in credit flows to MSMEs due to uncertainties in the business environment in the aftermath of Pahalgam terror attack.

According to SBI Research, the intervention will provide liquidity support, protect jobs, sustain supply chains and strengthen the resilience of the Indian economy. It estimates that nearly 110 million MSME accounts — around 45 per cent of the total MSME portfolio —

could benefit from the scheme, with average additional credit flow per account estimated at ₹2-2.3 lakh.

The aviation sector is also expected to benefit significantly. SBI Research said full disbursement of ₹5,000 crore to airlines would amount to nearly 9.5 per cent of the ₹526 billion outstanding credit to the sector as of March 2026.

Brokerage Equirus Securities said the scheme was likely to support credit growth while containing downside risks by limiting slippages and credit costs on a quarter-on-quarter basis. The sovereign-backed guarantee structure, it said, meaningfully de-risks incremental exposure, particularly in vulnerable segments.

Bank lending to MSMEs has risen sharply in recent years, aided by regulatory support measures. MSME credit grew by around 27 per cent year-on-year in FY26, taking

the segment's share in total bank credit to 18.5 per cent.

Major lenders, including State Bank of India, HDFC Bank, ICICI Bank, Axis Bank and Kotak Mahindra Bank, have between 15 and 20 per cent of their loan books exposed to MSMEs.

Micro enterprises accounted for nearly 83 per cent of beneficiaries by count, while banks accounted for around 86 per cent of total guaranteed disbursements. Sector-wise utilisation was led by trade at around 21 per cent and services at 19 per cent, followed by textiles at 8 per cent and food processing at 6 per cent, according to Equirus Securities.

According to Suresh Ganapathy of Macquarie

Research, ECLGS has had a strong track record and supported both MSMEs and the broader financial system. The scheme acted as a key liquidity backstop during and after the Covid-19 pandemic, providing ₹3.61 trillion in guarantees and ₹2.82 trillion in disbursements by its conclusion on March 31, 2023. It is credited with saving around 1.46 million MSME units from closure and protecting an estimated 15 million jobs by preventing a cascade of defaults in the credit-constrained small business sector.

ECLGS was originally introduced to cushion the economic shock from the Covid-19 pandemic, alongside a regulatory standstill that froze days-past-due movement.

TSMC widens weight gap with India in MSCI EM

After peaking at 20 per cent in 2024, its weighting has declined sharply, with the market underperforming the MSCIEM by more than 50 percentage points.

Foreign brokerages remain overweight on Taiwan and South Korea, because of their central role in the AI supply chain and relatively more attractive valuations. India, by contrast, has increasingly shifted to a consensus 'underweight'.

The dominance of TSMC has also revived concerns over concentration risk within the benchmark. Acadian Asset Management flagged the issue

in a December note, pointing out: “TSMC now has the largest weighting held by any single company in MSCI's EM index over the past 30 years. Consequently, the benchmark has become more concentrated than ever, more so than even during the runup of Chinese mega-caps after the Covid (pandemic).”

The top 10 constituents of the MSCI EM now account for 34.64 per cent of the index. India's HDFC Bank and Reliance Industries remain among them, though each carries a weighting of just 0.8 per cent.

As global campuses land, a churn may sweep India's academic talent pool

Public institutions may see limited immediate impact on salaries, as compensation is governed by Central Pay Commission structures. The eighth Pay Commission, constituted in November 2025, is expected to review pay scales, with typical increases in the range of 15-30 per cent, Tomar said, adding that these revisions are

largely driven by macroeconomic factors.

Executives note that compensation structures are also evolving beyond fixed pay. “As the ecosystem evolves, faculty compensation is expected to become more structured and competitive, particularly for professionals with strong academic and industry back-