SBI RESEARCH
ECOWRAP

ECLGS 5.0 COULD POTENTIALLY BENEFIT AN ELIGIBLE 1.1 CRORE MSME ACCOUNTS WITH INCREMENTAL CREDIT FLOW OF ~ RS 2.3 LAKH PER ACCOUNT, WITH AIRLINES SECTOR BENEFITTING THE MOST: MSME SECTOR HAS HOLD UP SIGNIFICANTLY POST COVID

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As a timely intervention to provide additional credit facility (to enable businesses to tide over the challenges arising from the West Asia conflict), the Union Cabinet has approved Emergency Credit Line Guarantee Scheme (ECLGS) 5.0. Existing standard MSMEs (100% guarantee) and non-MSMEs (including airline sector 90% guarantee) with existing working capital limits are eligible for the scheme. The quantum of support is additional credit up to 20% of peak working capital utilised during Q4 FY26 (capped at Rs 100 crore). For airlines up to 100% (capped at Rs 1,500 crore per borrower). Government targeted total additional credit flow of Rs 2.55 lakh crore (including Rs 5,000 crore for airlines).

SBI Research had earlier indicated (in its exhaustive research dated 06-Jan-22) that post pandemic ECLGS is not only a scheme to shield MSMEs from the disruptions, it also improves the overall financial health of the MSMEs. The scheme has positive ramifications on multiple pivots (NPA and employment saving), encouraging exploring feasibility of similar structure to provide holistic support to MSME sector in anchoring the economy.

We expect ECLGS 5.0 has same positive ramifications. This timely intervention will ensure liquidity support, protect jobs, sustain supply chains, and strengthen the resilience of Indian economy. Our preliminary estimates indicate that ~1.1 crore MSME accounts (~45% of total MSME portfolio) will be eligible to get benefit from the scheme with per account an average additional credit flow of Rs 2 to 2.3 lakh).

The ECLGS 5.0 is particularly going to benefit the aviation sector. The impact of war in Middle East is twofold on aviation sector. First is the increase in cost of ATF, which on average accounts for 30-40% of the operating costs. Second is the impact on passenger traffic that has reduced due to greater uncertainty and higher prices. But depending upon the metro city, this escalation is in the range of 35% to 52%. In this context, the outstanding bank credit for aviation sector as of March 2026 is Rs 526 billion and it registered a growth of 14% yoy in March 2026. **At full disbursement of Rs 5000 crore for the aviation sector the proposed measure will be 9.5% of Rs 526 billon.**

Post the implementation of the ECLGS, bank credit to the MSME has risen sharply. **In FY26, MSME credit grew by ~27% (estimated) and taking the share of MSME credit to 18.5% in total bank credit. Moreover, their asset quality remained sound with the gross NPA ratio showing further improvement.**

ECLGS 5.0 TARGETS TOTAL ADDITIONAL CREDIT FLOW OF RS 2.55 LAKH CRORE

- Union Cabinet has approved Emergency Credit Line Guarantee Scheme (ECLGS) 5.0. Existing standard MSMEs (100% guarantee) and non-MSMEs (including airline sector 90% guarantee) with existing working capital limits are eligible for the scheme.
- The quantum of support is additional credit up to 20% of peak working capital utilised during Q4 FY26 (capped at Rs 100 crore). For airlines up to 100% (capped at Rs 1,500 crore per borrower).
- Launched first as a relief measure during COVID-19, ECLGS (1.0 to 4.0) is a huge success so far with 1.2 crore guarantees issued of Rs 3.7 lakh crore.

Emergency Credit Line Guarantee Scheme (ECLGS)
As on 31.03.2023 (i.e. end of Scheme)

Versions	Total Guarantees Issued	Total Amount of Guarantees Issued (Rs Cr)	MSMEs	
			Guarantees Issued	Amount of Guarantees Issued (Rs Cr)
ECLGS 1.0 and 1.0 Extension	11,934,963	277,009	11,364,507	218,440
ECLGS 2.0 and 2.0 Extension	7,664	75,659	2,439	18,357
ECLGS 3.0 and 3.0 Extension	9,983	15,349	8,878	5,890
ECLGS 4.0	105	91	95	82
Total	**11,952,715**	**368,108**	**11,375,919**	**242,769**

Source: DFS

- State-wise data indicate that while West Bengal received most number of guarantees (in volume ~18%), Maharashtra topped the list in terms of value (14% share).

IMPACT OF ECLGS 1.0 TO 4.0

- ECLGS is not only a scheme to shield MSMEs from the disruptions, it also improves the overall financial health of the MSMEs. Our earlier research results (SPECIAL REORT dated 06-Jan-22) for ECLGS (1.0 to 4.0) are several, going by the positive ramifications on multiple pivots, encouraging exploring feasibility of similar structure to provide holistic support to MSME sector in anchoring the economy.
- As per the aforesaid research, at least 13.5 lakh MSMEs (93.7% of which are in Micro and Small category) accounts were saved due to ECLG scheme (including the 2 lakh restructured accounts eligible for ECLG credit). In absolute terms, MSME loan accounts worth Rs 1.8 lakh crore (including Rs 12,000 crore of restructured) have improved during the period. This means that around 14% of the outstanding MSME credit (including 2% of restructured) has been saved from slipping into NPA because of the ECLG scheme. If such units slipped into NPA, then 1.5 crore workers would have become unemployed.
- **With the support of the ECLGS, the gross NPA of MSME declined to 3.3% in Sep'25, compared to 11.0% in March 2020.**

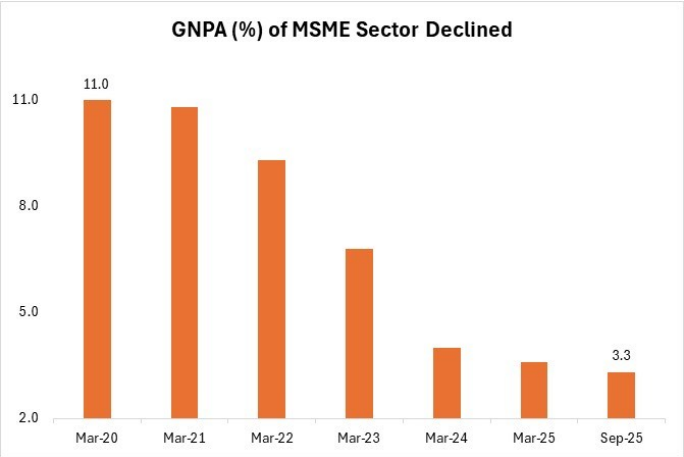
IMPACT OF ECLGS 5.0

- Though, it is too early to said about the expected results of the ECLGS 5.0, however, based on the earlier experiences, overall the schemes seems reasonably credible, proactive and sufficient to tide over the transient West Asia crisis. Further, the timely intervention will ensure liquidity support, protect jobs, sustain supply chains, and strengthen the resilience of Indian economy.
- **Still our preliminary estimates indicate that ~1.1 crore MSME accounts (45% of total MSME portfolio) are eligible to get benefit from the scheme with per account on an average additional credit flow of (Rs 2 to 2.3 lakh).**

STATE WISE MSMEs LOANS GUARANTEED UNDER ECLGS AS ON 31-1-2023

State	No of Loans Guaranteed	Loan Amount Guaranteed (Rs crore)	Share (Number)	Share (Amount)
Andhra Pradesh	238,835	9,232	2%	4%
Assam	544,632	3,013	5%	1%
Bihar	783,615	3,960	7%	2%
Chhattisgarh	192,634	4,087	2%	2%
Delhi	93,672	12,422	1%	5%
Gujarat	347,592	24,022	3%	10%
Haryana	190,812	9,981	2%	4%
Himachal Pradesh	48,544	1,829	0%	1%
Jammu & Kashmir	34,358	1,236	0%	1%
Jharkhand	294,716	3,413	3%	1%
Karnataka	871,099	15,765	8%	7%
Kerala	529,710	8,405	5%	4%
Madhya Pradesh	548,468	7,971	5%	3%
Maharashtra	971,628	33,440	9%	14%
Orissa	925,611	5,388	8%	2%
Punjab	204,733	8,318	2%	3%
Rajasthan	525,681	13,468	5%	6%
Tamilnadu	873,362	26,660	8%	11%
Telangana	118,435	9,511	1%	4%
Uttar Pradesh	786,697	16,839	7%	7%
Uttarakhand	70,005	2,755	1%	1%
West Bengal	2,007,453	13,640	18%	6%
Remainig States & UTs	150,962	3,793	1%	2%

Source: PIB (National Credit Guarantee Trustee Company Limited (NCGTC)



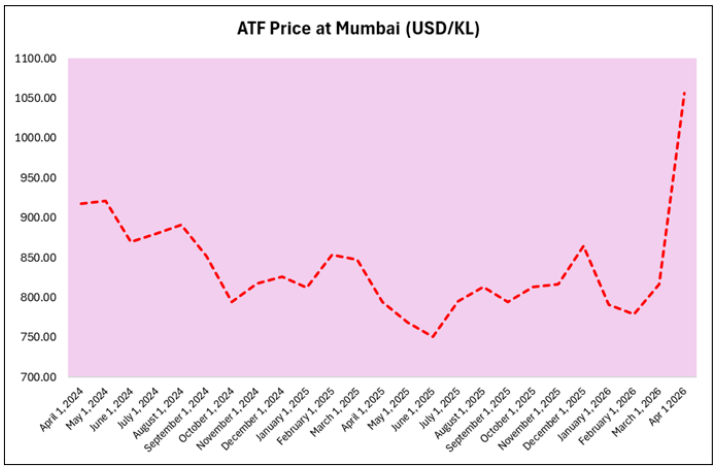
Possible Impact of ECLGS 5.0	
Number of Eligible Accounts going to benefit	~1.1 crore (45% of total MSME Accounts)
Additional Credit Flows	~ Rs 2.55 lakh crore*
Per account Additional Credit Flow	~ Rs 2 to 2.3 lakh
Source: PIB * As per Govt Notification	

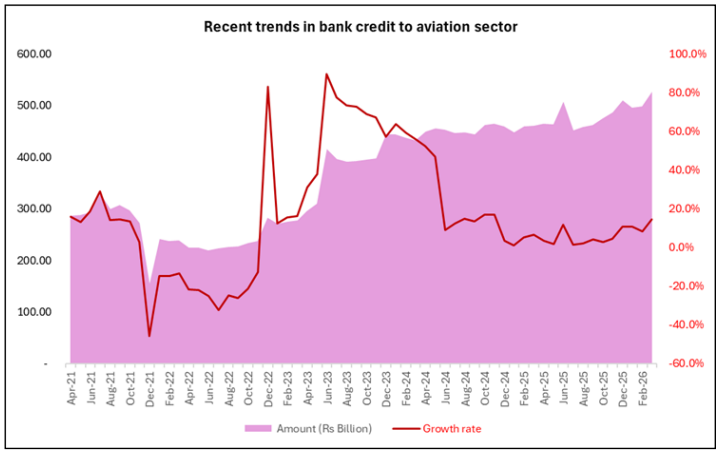
IRAN WAR AND IMPACT ON AIRLINES SECTOR

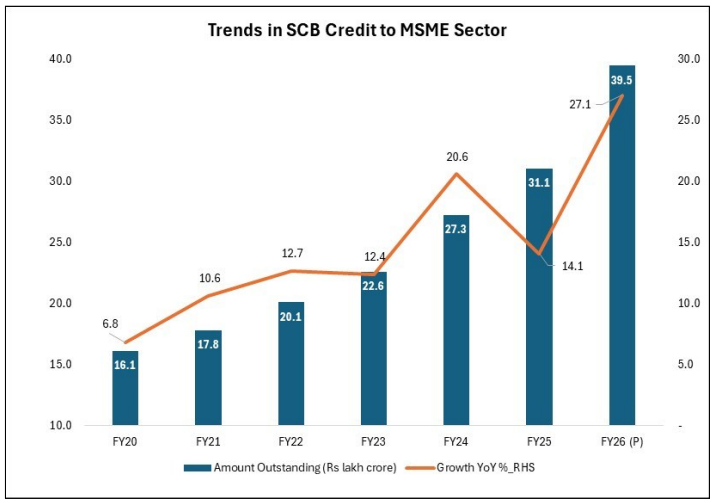
- The impact of war in Middle East is twofold on aviation sector. First is the increase in cost of ATF, which on average accounts for 30-40% of the operating costs. Second is the impact on passenger traffic that has reduced due to greater uncertainty and higher prices. The ATF price quoted by IOC at Mumbai for domestic routes has increased by 35%. But depending upon the metro city, this escalation is in the range of 35% to 52%.
- The outstanding bank credit for aviation sector as of March 2026 is Rs 526 billion and it registered a growth of 14% yoy in March 2026.
- **Emergency Credit Line Guarantee Scheme 5.0 while primarily targeted at MSME has allocated Rs 5000 crore for aviation sector. Under the scheme, additional credit up to 100% of peak working capital utilised during Q4 FY 26 capped at Rs 1,500 crore per borrower, subject to satisfying certain specific conditions is made available to airlines. The tenure of the loan will be 7 years from the date of first disbursement including moratorium of 2 years.**
- At full disbursement of Rs 5000 crore, the proposed measure is around 9.5% of the outstanding credit.

MSME REGISTERED BUMPER CREDIT GROWTH IN FY26

- Bank credit to the MSME rose sharply, supported by regulatory measures such as the enhanced limit under the CGTMSE scheme, introduction of customised credit card scheme for micro enterprises, expansion of digital and fintech lending through the co-lending framework with banks, and the updated definition of MSMEs, among others. In FY26, MSME credit grew by ~27% (estimated) and taking the share of MSME credit to 18.5% in total bank credit. Moreover, their asset quality remained sound with the gross NPA ratio showing further improvement.







P: Projected

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