

Cabinet approves Emergency Credit Line Guarantee Scheme 5.0

To provide credit guarantee coverage through National Credit Guarantee Trustee Company Limited to Member Lending Institutions for extending additional credit support to eligible business borrowers in view of West Asia situation

Targets total additional credit flow of Rs.2,55,000 crore (including Rs.5,000 crore for airlines)

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved Emergency Credit Line Guarantee Scheme (ECLGS) 5.0. The scheme aims to provide credit guarantee coverage of 100% for MSMEs and 90% for non-MSMEs as well as airline sector, to Member Lending Institutions (MLIs) by National Credit Guarantee Trustee Company Limited (NCGTC) for the amount in default under the additional credit facility extended to the eligible borrowers to tide over any short-term liquidity mismatches in view of West Asia Crisis.

Salient features of the scheme:

- **Eligible borrowers:** MSMEs and non-MSMEs with existing working capital limits and scheduled passenger airlines having outstanding credit facilities, as of March 31, 2026, provided their accounts are standard.
- **Guarantee coverage:** 100% for MSMEs and 90% for non-MSMEs as well as airline sector.
- **Guarantee Fee:** Nil.
- **Quantum of Support:** Additional credit up to 20% of peak working capital utilised during Q4 FY 26 (capped at Rs.100 crore). For airlines up to 100% (capped at Rs.1,500 crore per borrower, subject to satisfying certain specific conditions).
- **Tenor of Loan:**
 - **For MSMEs/Non MSMEs (except Airline sector):** 5 years from the date of first disbursement including moratorium of 1 year.
 - **For airline sector:** 7 years from the date of first disbursement including moratorium of 2 years.
- **Tenure of Guarantee Cover:** Maximum period of guarantee cover shall be co-terminus with the tenor of the loan.
- **Duration of the Scheme:** The Scheme would be applicable to all loans sanctioned during the period from the date of issue of these guidelines by NCGTC upto 31.03.2027

Impact:

The scheme aims to enable businesses to tide over the challenges arising from the West Asia conflict. Additionally, this is expected to help businesses maintain their operations, protect jobs, and sustain 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. 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.

MJPS

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