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# GS 3: INDIAN ECONOMY

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### CREDIT LINE GUARANTEE SCHEME

## Union Cabinet clears Rs 2.55 lakh-cr lifeline for MSMEs, airlines hit by West Asia war



Union Minister Ashwini Vaishnaw at a Cabinet briefing Tuesday, PTI

**Aanchal Magazine**  
New Delhi, May 5

THE UNION Cabinet on Tuesday approved a credit support scheme to meet the needs of industries in distress due to the West Asia conflict, targetting an additional credit flow of Rs 2.55 lakh crore, including Rs 5,000 crore for airlines.

Modelled on similar lifelines for distressed sectors during Covid, the Government's new Emergency Credit Line Guarantee Scheme 5.0 (ECLGS 5.0) has an estimated outlay of Rs 18,000 crore.

According to an official release, additional credit will be available to MSMEs and non-MSMEs, excluding aviation, up to 20% of peak working capital utilised during Q4 FY26, capped at Rs 100 crore. For airlines, the credit will be up to 100%, capped at Rs 1,500 crore

### ● BENCH STRENGTH OF SC TO RISE TO 38

● The Cabinet cleared a proposal for introducing The Supreme Court (Number of Judges) Amendment Bill, 2026, in Parliament to increase the court's strength from the existing 34 Judges to 38, including the Chief Justice of India.

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per borrower, subject to certain specific conditions, it said.

Guarantee fees will be waived under the scheme. For MSMEs and non-MSMEs, except aviation, the loan tenure would be five years from the date of first disbursement, including a moratorium of one year. For airlines, the loan tenure would be seven years from

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# Rs 2.55 lakh-cr lifeline

the date of first disbursement, including a moratorium of two years. The rate of interest by banks will be capped at 9% and by non-banking financial companies (NBFCs) at 13% or 0.75% above benchmark rate, whichever is lower, Union Minister Ashwini Vaishnaw said.

Taking to X, Prime Minister Narendra Modi said ECLGS 5.0 “reflects our commitment to supporting India’s businesses, especially the MSME sector in challenging global times”.

“By enabling additional credit flow with strong guarantee coverage, this initiative will help a wide range of sectors. Our focus remains on empowering enterprises, sustaining growth momentum and safeguarding livelihoods,” Modi posted.

According to Vaishnaw, “The scheme has been approved to tackle the stress being faced by MSMEs and the aviation sector as a result of the ongoing West Asia conflict. The credit guarantee scheme was established during Covid and the benefit of this

scheme is that there is no moral hazard. Only those who need (credit) in real, (they) utilise this scheme and there is very less probability of it being misused. It is a very well thought through scheme.”

About 1.1 crore MSMEs have benefitted so far from existing credit guarantee schemes and Rs 3.7 lakh crore has been extended under these schemes, Vaishnaw said.

ECLGS 5.0 aims to provide credit guarantee coverage of 100% for MSMEs and 90% for non-MSMEs, along with the 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 to the eligible borrowers to tide over any short-term liquidity mismatches, the official release said.

Borrowers eligible for the scheme will include MSMEs and non-MSMEs with existing working capital limits and scheduled passenger airlines having out-

standing credit facilities as of March 31, 2026, provided their accounts are standard, the release stated.

The maximum period of guarantee cover shall be co-terminus with the tenor of the loan, it said. The scheme will apply to all loans sanctioned during the period from the date of issue of these guidelines by NCGTC upto March 31, 2027.

The scheme aims to enable businesses to tide over the challenges arising from the West Asia conflict, the release said.

“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 (financial institutions),” it said.

“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 release said.

## GS 2 : INTERNATIONAL RELATIONS

### INDIAN EXPRESS PAGE : 5

# BJP's Eastern mandate could help New Delhi open new foreign policy doors in region

C Raja Mohan  
New Delhi, May 5

THE BJP'S rise in West Bengal and consolidation in Assam presents a rare political opportunity to revitalise India's engagement with its eastern neighbourhood.

At the same time, leadership transitions in Dhaka and Kathmandu offer Prime Minister Narendra Modi a chance to revisit India's regional policy. For the first time in years, the political geography within India and across its eastern periphery are in alignment with an ambitious regional agenda.

Elections have political consequences; when they occur in border states, they also have foreign policy implications. Divergences between the Centre and border states have long complicated India's neighbourhood policy.

Nowhere has this been more evident than in West Bengal, Assam, and Tamil Nadu, where local political calculations have often clashed with national foreign policy priorities. Over time, regional leaders in bordering states have often become diplomatic spoilers, with an effective veto over Delhi's external engagement with neighbouring countries.

On the face of it, the alignment of political power between the Centre and key states creates the means for better coordination of local and national interests. Yet the problem is not merely political; it is rooted in geography. Unlike relations with distant powers, diplomacy with neighbours directly affects people in the borderlands. That local and national perceptions diverge is not unnatural. Managing this tension requires sustained political tending of borderlands on Delhi's part and a deeper accommodation of state-level concerns within national strategy.

The United Progressive Alliance (UPA) government struggled with serious internal contradictions. Between 2004 and 2014, a divided Congress found it difficult to seize international opportunities. Prime Minister Manmohan Singh,



External Affairs Minister S Jaishankar with his Bangladesh counterpart Khalilur Rahman in New Delhi last month. PT FILE

for instance, faced intense domestic opposition, including in his own party and coalition, over the civil nuclear agreement with the United States. So much so that he was forced to win an unprecedented confidence vote in Parliament on a foreign policy issue.

Neighbourhood diplomacy was no less contested. In Tamil Nadu, state Congress leaders constrained Delhi's engagement with Sri Lanka over electoral considerations. In West Bengal, Chief Minister Mamata Banerjee emerged as a decisive constraint on India's eastern diplomacy. Politics in Assam has long complicated ties with Bangladesh.

During his second term, Manmohan Singh attempted an ambitious reset with Bangladesh in partnership with Sheikh Hasina. The agenda was comprehensive: settling the land boundary, addressing security concerns such as terrorism, resolving water-sharing disputes, expanding trade, and restoring pre-Partition connectivity.

This effort, however, faltered at a critical moment. During Singh's visit to Dhaka in September 2011, the proposed agreement on sharing the Teesta waters could not be inked thanks to the last-minute withdrawal of Banerjee's politi-

cal consent. This was despite the fact that the West Bengal government had been closely involved in the talks over Teesta. Yet, there was no escaping the fact Mamata's whims sharply curtailed Delhi's diplomatic options with one of India's most important neighbours.

The UPA government also faced resistance from the BJP on ratifying the Land Boundary Agreement (LBA) with Bangladesh. For a time, it appeared that domestic political divisions would indefinitely delay a historic settlement on long-contested post-partition boundaries.

This impasse was broken after Narendra Modi became prime minister in 2014. Overruling earlier opposition within the BJP, Modi declared that a settled boundary with Bangladesh is in India's national interest and pushed through the ratification and implementation of the LBA. He also accepted the international arbitration award on the maritime boundary with Bangladesh.

These steps helped inaugurate what Modi himself described as a "golden chapter" in India-Bangladesh relations. The extraordinary momentum in bilateral relations after 2014 was disrupted by Sheikh Hasina's ouster in 2024. The interim government led by

Muhammad Yunus signalled significant departure from the direction of travel in the previous decade. However, the new leadership under Tarique Rahman has signaled a clear desire to restore positive engagement with India.

Parallel to bilateral efforts, Modi sought to advance sub-regional cooperation with Bangladesh, Bhutan, and Nepal after the failure of the SAARC summit in 2014. Today, the BJP's surge in the north east and the emergence of new leaders in Dhaka and Kathmandu provides the basis for a fresh effort at sub-regionalism.

Yet the burden of rebuilding regional cooperation cannot rest on Delhi alone. The new governments in Dhaka and Kathmandu must also be prepared to rethink regionalism in the eastern subcontinent.

Even before the recent electoral outcomes, Delhi had begun signalling its intent to reinvigorate neighbourhood policy. At a recent conclave of Indian envoys, Modi reaffirmed the importance of the "Neighbourhood First" policy, with a sharper emphasis on trade and connectivity.

The challenges, however, remain formidable. Issues such as migration, demographic changes, cross-border crime and terrorism, trade barriers, and river water sharing involve complex negotiations — not only between India and its neighbours, but also between the Centre and the states. These are not easily resolved through political coherence alone.

But the broader regional vision that Modi articulated over the past decade remains relevant. With domestic political constraints easing and tentative openings emerging in the region, Delhi has an opportunity to advance a more coherent, sustained and productive engagement with its eastern neighbours.

(C. Raja Mohan is contributing editor on international affairs for The Indian Express. He is also associated with the Motwani Jodha Institute of American Studies, Indira Global University, Delhi)

## GS 2: INDIAN POLITY

### INDIAN EXPRESS PAGE : 5

# Cabinet approves Bill to increase SC judges strength from 34 to 38

Express News Service  
New Delhi, May 5

AHEAD OF the Monsoon Session of Parliament, the Union Cabinet on Tuesday approved a Bill to increase the strength of judges in the Supreme Court from the existing 34 to 38.

Highly placed sources said Chief Justice of India Surya Kant had recommended to the government in March this year to increase the strength of judges so that a permanent constitution bench can be put in place. With a host of constitution bench matters pending hearing, the CJI is learnt to have flagged the shortage of judges to hear regular matters as and when these benches are set up.

A nine-judge bench of the court is currently hearing constitutional questions arising out of the Sabarimala review

petitions. The CJI had earlier indicated that soon after the hearing is completed, he will constitute a constitution bench to hear 7-judge bench matters.

In a statement, the government said the Cabinet, chaired by Prime Minister Narendra Modi, approved the Supreme Court (Number of Judges) Amendment Bill, 2026, which seeks to amend the Supreme Court (Number of Judges) Act, 1956, to increase the strength of the court by four. Currently, the Act provides for a maximum of 33 judges of the Supreme Court, excluding the Chief Justice of India (CJI). The amendment increases that to 37 judges, excluding the CJI.

“The increase in the number of Judges will allow the Supreme Court to function more efficiently and effectively, ensuring speedy justice. The

expenditure on salary of Judges and supporting staff and other facilities will be met from the Consolidated Fund of India,” the government said.

Welcoming the move, Union Home Minister Amit Shah said it will boost speedy justice, provide relief to poor and remote petitioners, and expedite the resolution of constitutional matters. Union Minister Ashwini Vaishnaw said a Bill will be brought in the next session of Parliament to raise the apex court's strength by four judges.

The Supreme Court currently has a strength of 32 judges, with at least four judges expected to retire in 2026. While Justice Rajesh Bindal retired in April, Justices J K Maheshwari and Pankaj Mithal are set to retire in June, Justice Sanjay Karol will retire in August and Justice Satish Sharma will retire

in November. Effectively, the SC Collegium headed by CJI Kant will have to make at least nine recommendations this year, if the Bill is cleared. He has a tenure till February 2027.

The last time the strength of the court was increased was in 2019, when an amendment raised it from 30 to 33, excluding the CJI. Originally, the Act had provided for a maximum of 10 judges, excluding the CJI, which was increased to 13 in 1960 and then 17 in 1977.

“The working strength of the Supreme Court was, however, restricted to 15 Judges by the Cabinet, excluding the Chief Justice of India, till the end of 1979, when the restriction was withdrawn at the request of the Chief Justice of India,” the government said.

The strength was further increased in 1986, 2008 and 2019.

## GS 2: INTERNATIONAL RELATIONS

### THE HINDU PAGE : 1

# Truce with Iran holds despite fresh attacks: U.S.

**Associated Press**  
DUBAI

U.S. military leaders said on Tuesday that a ceasefire with Iran remains in effect, a day after Tehran was blamed for new attacks in the Strait of Hormuz and against the UAE.

The fragile truce, reached nearly a month ago, appeared to be holding as U.S. forces pressed ahead with efforts to reopen the vital waterway for global energy. On Monday, the U.S. said it sank six small Iranian boats that had threatened commercial ships. So far, only two merchant ships are known to have passed through a new U.S.-guarded route,



**Rising defiance:** A woman waves an Iranian flag in front of an anti-U.S. billboard at Valiasr Square in Tehran, on Tuesday. AFP

with hundreds more bottled up in the Persian Gulf.

The UAE, a key American ally, said it came under attack by Iranian missiles and drones for a second straight day on Tuesday. At least three people were

wounded in attacks the day before, and a drone sparked a fire at a key oil facility in Fujairah.

U.S. Defence Secretary Pete Hegseth and Gen. Dan Caine, the U.S. military's top officer, told a news

conference on Tuesday that Iran's renewed aggression hadn't reached the threshold of what Gen. Caine called "major combat operations". He said Tuesday marked a "quieter" day in the strait. "No, the ceasefire is not over," Mr. Hegseth said.

Iran has said the new effort does violate the ceasefire. Iran's Parliament Speaker and chief negotiator, Mohammad Bagher Ghalibaf, accused the U.S. of undermining regional security. In a post on X, he signalled that Iran has yet to fully respond to the U.S. attempt to reopen the waterway. "We know full well that the continuation of the status quo is intolerable

for America; while we have not even begun yet," he said.

Disputing Washington's claim of sinking six boats, an Iranian military commander said two small civilian cargo boats were hit on Monday, killing five civilians, state TV reported.

"Since the ceasefire was announced, Iran has fired at commercial vessels nine times and seized two container ships, and they've attacked U.S. forces more than 10 times – all below the threshold of restarting major combat operations at this point," Gen. Caine said.

**MODI CONDEMNS ATTACKS**  
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**GS 3: ECONOMY**  
**THE HINDU PAGE : 1**

**Asia battles rising, uneven toll of energy crisis caused by war**

**NEWS ANALYSIS**

Reuters  
SINGAPORE

Governments in Asia, the top oil importing region, are scrambling to find alternatives and insulate their economies from the worst of the energy crisis triggered by the Iran war, but the pain is getting increasingly costly.

The disruption spurred the Asian Development Bank to cut its growth forecast for developing Asia and the Pacific to 4.7% this year and 4.8% in 2027, down from 5.1% for both years previously, and lifted its inflation outlook to 5.2% for this year.

Overall oil imports to Asia, which takes 85% of

Gulf crude shipments, plunged 30% in April on the year, to their lowest since October 2015, Kpler data shows, after two months of the near-closure of the Strait of Hormuz, a key chokepoint for fifth of global oil and gas supplies.

**Fiscal strain mounts**  
Fiscal strains are mounting across the region, particularly South Asia, as governments spend billions of dollars on subsidies and import duty waivers to compensate.

The first line of defence ... is that the governments decided to absorb the initial shock by either providing subsidies or cutting excise duties on fuel products," said Hanna Luchnikava-Schorsch of S&P Global Market



Oil war: Vessels in the Strait of Hormuz near Bandar Abbas, Iran. REUTERS

Intelligence.

India's state-dominated refining sector has kept fuel prices steady despite surging crude costs, losing about ₹100 (\$1.06) a litre on diesel and 20 rupees on gasoline, but some analysts

forecast price hikes after state polls ended in April.

Many regional governments have moved to limit fuel use or clamp down on hoarding, while several have curbed exports and many, including Australia,

have espoused diplomatic efforts to ensure access.

China, the world's biggest oil importer, has shielded itself with sizeable reserves, a diverse energy supply chain and export curbs on fuel and

fertilizer, although Beijing is making exceptions for some regional buyers, from Australia to Myanmar.

Even as governments tap fiscal resources, forex reserves and oil inventories, the war's economic impact on Asia has not been as bad as feared, Goldman Sachs said.

Nevertheless, it trimmed 2026 growth forecasts for Japan and some Southeast Asian countries and slightly lifted inflation expectations, while warning of a key unresolved question.

"How much of the resilience thus far reflects structural factors versus unsustainable declines in buffer stocks?" its analysts wrote in a note.

Asia's emerging market

currencies have fallen further and to lower lows against the dollar, compared with global peers and the region's bigger currencies, with the peso, rupee and rupiah all making record lows.

Since the war started at the end of February, the Philippine peso has dropped more than 5%, the Thai baht and rupee more than 3% each and the rupiah more than 2.5%.

By contrast China's yuan is the region's top performer, up 0.8% against the dollar, while Japan has intervened to push up the yen, to stand 0.4% higher than pre-war levels. South Korea's won is down about 1.1%.

The South Asian economies of Pakistan, Bangladesh and Sri Lanka are the

most vulnerable to the burdens triggered by the crunch, S&P Global Market Intelligence said.

Pakistan, for example, recently issued its first tenders since 2023 to buy liquefied natural gas.

It is looking to replace supply it is unable to source from Qatar, paying \$18.88 per million British thermal unit for one cargo, or roughly \$30 million more than market prices before the war, according to Reuters calculations.

"These countries use more of their resources on subsidising domestic public energy enterprises and basically shielding the final consumers from the energy price shock," added Luchnikava-Schorsch, the S&P unit's head of Asia-Pacific Economics.