Edition: August 2019

Issue: 41

NEWSLETTER

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MSME News Update

1. ***Govt offers easy credit access to boost growth***

Under pressure to arrest a slowdown in the economy, finance minister Nirmala Sitharaman started the process of rolling out a slew of measures to boost industry's access to credit, including opening a ₹10,000 crore liquidity window for home financiers.

Sitharaman will meet chiefs of all state-run as well as private sector banks to discuss issues related to credit growth in key segments of the economy, including automobile, retail, small businesses, affordable housing and non-banking financial companies and housing finance companies (HFCs).

Sitharaman and bank chiefs are expected to discuss priority areas "for the banking sector in the coming months for accelerating gross domestic product growth", the finance ministry said.

The minister will also meet representatives of key ministries handling micro, small and medium enterprises (MSMEs), electronics and information technology, rural development and commerce next week to find ways to implement over 100 recommendations by a panel led by former Securities and Exchange Board of India chairman U.K. Sinha for improving the competitiveness of the MSME sector and to enhance the chances of small businesses to access credit.

Indicating that the finance ministry is determined to tackle the liquidity crunch affecting the housing finance sector, the statement said the National Housing Bank was opening a fresh liquidity window for HFCs. A liquidity infusion of ₹10,000 crore for housing financiers is being made available from Friday for lending to individuals looking to purchase affordable homes. HFCs, a key market for non-bank lenders, was one of the segments hit by the liquidity crunch, which, in turn, was precipitated by a series of defaults by Infrastructure Leasing and Financial Services Ltd last year.

According to N.R. Bhanumurthy, professor at the National Institute of Public Finance and Policy, a think tank, the policy response to the liquidity crunch should reflect the extent of the problem. "There doesn't seem to be much clarity on the extent of the crisis in the banking and non-banking sectors. Once we assess that accurately, we could frame the right solutions," he said.

The ministry also said it has endorsed the Reserve Bank of India's suggestions on how to implement Sitharaman's budget proposal for providing partial credit guarantee to state-run banks buying pooled assets of non-bank finance lenders. The idea is to ensure that financially sound shadow banking entities should not struggle for funds.

Experts welcomed the decision to take more measures to improve access to credit for businesses. "This is one short-term measure that is very much needed, which will help the economy. Another short-term measure that is needed is to get all government departments on board in framing policy responses to economic issues that will improve efficiency in the system and help lower the cost of doing business," said Rajat Kathuria, director and chief executive, Indian Council for Research on International Economic Relations.

The announcements imply that the National Democratic Alliance administration is shifting gears to decisively address an economic downturn that could come in the way of Prime Minister Narendra Modi's goal of building a $5-trillion economy over the next few years.

The sobering trend seen in India's economic indicators coincide with worries over a global recession amid an escalating US-China trade war that threatens business confidence.

Official data showed that output of the eight infrastructure sectors in India, which constitute over 40% of the index of industrial production, remained almost flat in June. The economy, which expanded at 8% in the first quarter of FY19, subsequently slowed down to a five-year low of 5.8% in the quarter ended March 2019— resulting in 6.8% growth for the full financial year.

RBI, which has so far cut the benchmark interest rate thrice in 2019 by 25 basis points each, may go for another round of rate cut when its monetary policy committee meets.

According to a monthly review shared earlier this week by EY consultancy, India's $2.7 trillion economy needs a real growth rate close to 9% in order to reach the $5 trillion-mark by 2024-25, assuming an inflation rate of 4%.

While improving access to finance for businesses and non-bank lenders, the government is also making policy changes rapidly to tackle the toxic assets in the banking sector that has affected banks' ability to finance new projects.

The Parliament had recently cleared amendments to the Insolvency and Bankrupcty Code to enable quick decision-making among creditors of bankrupt companies and to reduce the time lost in litigation, while rescuing or liquidating such companies. It has also announced steps to give relief to farmers by way of income support, and to traders, shop keepers and

the self-employed in terms of pensions.
(Live Mint, August 2nd, 2019)

2. ***Apparel exporters in catch-22 situation over MEIS***

With apparel exports already on the decline, uncertainty over the continuation of Merchandise Exports from India Scheme (MEIS) is a double whammy for region-based exporters who are facing stiff competition from Bangladesh and Vietnam.

According to exporters, there is a sense of confusion among the exporting community as they don't know whether the government will continue the scheme or extend it or scrap it. “We have an indication that the government will not continue the scheme, but we are yet to receive any formal notification in this regard. Once it is clear, we can devise our strategy,” said an exporter.

The Central government plans to replace MEIS with a new duty refund scheme called Rebate of State and Central Taxes and Levies (RoSCTL). A 4% incentive is given to garment exporters under the MEIS. Industry insiders said the move, if implemented, will “kill” the sector, which is the second largest employment generator after agriculture.

Pawan Garg of Worldwide Textiles Pvt Ltd said the changes might have been announced under the RoSCTL but its implementation was still awaited. “We understand that we will be given revised reimbursement under the new scheme. But, before abolishing any existing scheme, we should be given at least 4-6 months' time. We will suffer losses as we have quoted prices after factoring in 4% incentive under the MEIS,” he said. He exports ready-made garments to the US, Brazil, Arab countries, Panama and South America.

Harish Dua, president, Knitwear and Apparel Exporters Organisation and member of the Apparel Export Promotion Council (AEPC), told they have not received any formal notification about the RoSCTL so far though changes in the scheme were announced 2-3 months ago.

The proposal to replace the scheme has rattled the apparel sector of North, mainly concentrated in Ludhiana and the NCR region. According to industry, due to this uncertainty, over 1,600 small and big units in Gurugram alone have stopped taking and processing any international order. Many ancillary units have even asked the labour to look for alternate jobs in the next few months.

“We face stiff competition from Vietnam and Bangladesh and thus cannot think of increasing prices. Under the MEIS, we have been getting 4% incentive. However, now, we will face 8% loss on an average and we won't be able to bear it. The loss of international market will lead to shutdown of many small cottage units resulting in labour losses,” said Praveen Yadav.

The Garment Exporters & Manufacturers Association (GEMA) said the consideration of RoSCTL as a substitute to MEIS is unjustifiable. The two should be seen independent of each other.

“The government should launch or roll back any policy keeping in mind the future of labourers, as any loss to business will result in loss of employment,” said Kuldeep Jhangu, a labour union representative in Gurugram.
(The Tribune, August 3rd, 2019)

3. ***FM Sitharaman to take steps to prop up economy***

Finance minister Nirmala Sitharaman said she will hold consultations with the industry before "very quickly" decide on the steps to improve the state of the economy.

The minister will hold a series of meetings starting with the representatives of micro, small and medium enterprises (MSMEs), followed by automobile sector, industry associations, as well as financial market and real estate sector stakeholders.

"The essential idea behind the series of meetings is to hear from them and very quickly after that come up with something which will help those sectors which are giving their views to us," Sitharaman told reporters after chairing a meeting with the top management of the PSU as well as private banks.

The FM took stock of the credit flow by banks to key sectors, mainly NBFCs, automobile and MSMEs. She reviewed the performance of the banks with the top management of public and private banks.

The minister is scheduled to meet the representatives of the MSME sector, followed by automobile sector. She will also meet representatives of real estate sector and homebuyers.

The finance ministry will also hold discussions with the representatives of foreign portfolio investors (FPIs) to hear out their concerns on higher taxation that has fuelled pull out of funds from the domestic equity market.

"I am quiet open to hearing out what they have to say," Sitharaman said. Department of Economic Affairs (DEA) secretary in the finance ministry.

Atanu Chakraborty will meet FPIs separately.

On the issue of sovereign foreign bonds, Sitharaman said, "Nothing more has been done. After the mention in the Budget, there has not been much work on it… It is at the stage of announcement only," she said, adding that the ministry has been busy with passing of the three Bills in the Parliament.

Nothing has been decided on tranches, amount, etc she further said.

(DNA, August 6th, 2019)

4. *FM assures to look into delay in disbursal of loans to MSMEs*

Lack of credit disbursal by banks even after sanctions and long delays in settlement of dues by the government departments and public sector undertakings (PSUs) have undermined the MSMEs' ability to sustain their business cycles, liquidity-starved micro, small and medium enterprises (MSMEs) told Finance Minister Nirmala Sitharaman.

The minister's meeting with MSME representatives was part of a series of such sessions lined up by her with important stakeholders to devise plans for critical sectors amid fears that the economy might be slipping into a protracted slowdown.

She promised to study the issue of delay in release of dues by the government departments and promised remedial steps to alleviate the difficulties of MSMEs.

As against sanctioned, only 10 per cent is being disbursed by banks under 59-minute scheme. Under the scheme, MSMEs registered under the Goods and Services Tax are eligible for loan up to Rs 1 crore in just 59 minutes through the 'psbloansin59minutes.com' portal.

The MSMEs also complained that despite 70 per cent guarantee from the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), the firms have not been able to secure loans from banks in many cases.

Another demand was to revise the turnover/investment-related definition of MSMEs upwards. The definitions were brought in 2006 and have since become dated due to inflation.

Currently a firm with Rs 5 crore investment is classified as 'small' while investment over Rs 5 crore are 'medium'. But machine that cost Rs 5 lakh in 2006 is not valued at Rs 15 lakh. The Finance Minister was positive and said she would look into the issue.

She asked all industry bodies to give in writing their suggestions for the MSME sector in three-four days to prepare an action plan.

Other issues raised by MSMEs included a demand for exemption from capital gains tax for the sector if gains are reinvested in business.

Among others, they also sought rationalisation of penalty for late filing on Ministry of Corporate Affairs as it is same for large and small companies. They also raised the issue of VAT refunds not being transferred to GST regime by states.

MSMEs are the backbone of the Indian economy, contributing nearly 30 per cent of the gross domestic product and 49 per cent of country's exports. MSMEs are also the largest employers, next only to agriculture. Over six crore such units provided employment to about 11 crore people (NSSO, 2016)

(The Indian Express, August 7th, 2019)

5. *SIDBI, Piramal Sarvajal to offer safe drinking water in Gorakhpur*

Small Industries Development Bank of India (SIDBI) has leveraged technical partnership of Piramal Sarvajal, a mission driven social enterprise, to provide safe drinking water in Methavari village in Gorakhpur, Uttar Pradesh. Under the initiative, Piramal Sarvajal has set up purification-cum-dispensing unit, also known as water ATM to provide an uninterrupted access to affordable safe drinking water. The initiative is a part of SIDBI's Corporate Social Responsibility (CSR) efforts and is expected to benefit over 2,400 individuals residing in the village.

(The Pioneer, August 9th, 2019)

6. *Govt keen on pvt investment in Defence: Rajnath*

In an effort to give a boost to the Indian Defence industry under the 'Make in India' initiative, Defence Minister Rajnath Singh on Friday said the Government is keen to encourage private industry investment in Defence sector while also strengthening defence PSUs and Ordnance Factory Board (OFB).

Addressing CEOs of top Defence and Aerospace companies at a roundtable with the theme 'Make in India in Defence Industry' here, he said defence companies have huge opportunities in contributing to domestic market in addition to exports.

He said the strategic partnership model has been notified to establish defence manufacturing infrastructure and supply chain through which Indian companies could choose a partner through a competitive and transparent process. He added that FDI policy in defence sector has been liberalised.

Regarding the offset processing, Singh said the Ministry has set up an end-to-end offset processing portal through which proposals of value USD 1.5 billion were processed. Entry barriers for MSMEs were also reduced and this resulted in doubling of defence licenses issued from 215 in 2014 to 440 in 2019.

Singh also said the Defence Investor Cell established a year ago in the Ministry has processed nearly 550 queries and grievances.

While highlighting various measures initiated by the Government to encourage defence exports, the minister urged the industry to work towards increasing exports to friendly countries. He said export procedure has been simplified and defence procurement procedure was revised in 2016 to encourage indigenous design, development and manufacture.

He said self reliance in defence sector would not be possible without development of indigenous technology and called for steps to develop related technologies within the country. Singh said there is greater possibility now because the contribution of digital technologies in defence sector is on the upswing and India has strong capabilities to develop such technologies where start ups have a significant role to play. Singh said the Indian defence industry’s production was Rs 80,000 crore in 2018-19 of which Rs 16,000 crore was the contribution from the private sector.

Earlier, in his welcome address, Secretary (Defence Production) Ajay Kumar said the roundtable was organised to obtain views and suggestions from the industry to further improve the systems and procedures in the defence sector. Minister of state Shripad Yesso Naik, senior officials of the Ministry, Defence PSUs, OFB and CEOs & representatives of top Defence manufacturing companies were present on the occasion.

(The Pioneer, August 10th, 2019)

7. *Handicrafts exporters turn to African, Latam markets*

Indian handicrafts are looking at non-traditional markets like Africa and Latam for growth. The focus market schemes and proposed trade agreements are expected to boost shipments in the coming years. Artisans too are showing interest in exploring these markets.

India’s total handicrafts exports stood at $3,573.49 million in 2017-18 and the country had less than 2 per cent share in the $400-billion global handicrafts trade. However, India can grow its share in the global trade by exploring new markets.

"Handicrafts industry has been witnessing an upward trend in the past few years. While the traditional western markets of US and Europe have consistently imported from India, demand for Indian handicrafts has been growing from Africa and Latin America,' said Pawan Gupta, Founder of Connect2India, which connects Indian and global MSMEs.

In 2018-19, handicrafts exports to Africa stood at $255 mn and to Latin American countries at $61 mn. In March 2019, the government proposed Africa to enter into free trade agreements or preferential trade agreements. This should help exports.

(The Asian Age, August 12th, 2019)

8. *Lifeline for stressed units*

India has more than 6.3 crore Micro, Small and Medium Enterprises (MSMEs) and startups with a combined output exceeding Rs 30 lakh crore. However, the outstanding loans to MSMEs from 2013 to 2018 are rising at a compound rate of 19.6%. The Non-Performing Assets (NPAs) for MSMEs have increased to 9% in 2018 from 7.8% in 2013. As per one definition, NPA is a credit facility in respect of which the interest and/or instalment of principal has remained ‘overdue’ for a specified period. The growing NPAs indicate a rise in the status of the stressed assets of MSMEs, which would impact the profitability of MSMEs on the one hand and escalate the recovery risk in lenders on the other, resulting in low credit discipline in trade.

A persistent problem faced by MSMEs is that of cash flow, with scarcity in access to working capital being an overwhelming concern. Corporates tend to take a longer time to pay smaller organisations, forcing MSMEs to seek more working capital, which reflects as a strain on their profit margins. Another phenomenon on the rise is that of the bankruptcy of large companies, which tends to shake up the markets. When a large enterprise goes into liquidation, it takes with it many MSMEs, their only fault being of association. A few cases fresh in the memory are Jet Airlines, Kingfisher Airlines, Bhushan Steel, Lanco Infratech and ABG Shipyards. The government has come up with legislations to stem the rot by ensuring that habitual defaulters remain in fear of losing control of their company.

The Insolvency and Bankruptcy Code (IBC) is a single law for insolvency and bankruptcy in India. In vogue since 2016, it has shifted the balance of power from the debtor to the creditor. The IBC has a twofold purpose: to enable a free flow of credit in India and of instilling faith in investors for speedy disposal of their claims. In both activities, IBC has achieved a modest track record, with a few reverses like Essar Steel and Jaypee Infratech. The code recovered Rs 700 billion in 2019, twice the recovery in 2018. The recovery rate for the 94 cases resolved through IBC till the 2018-19 fiscal is 43%, compared with 26.5% through earlier mechanisms. It has proved to be successful in enabling lenders to recover their loans from defaulting companies. A few big-ticket successful resolutions are those of Binani Cement, Bhushan Steel and Monnet Ispat & Energy.

The IBC has created a regulatory and supervisory body, the Insolvency and Bankruptcy Board of India (IBBI), which has the overall responsibility to educate, effectively implement and operationalise the IBC. All proceedings under the code are undertaken by the National Company Law Tribunal (NCLT), which is a one-window forum for all aspects of insolvency resolution. No other court or tribunal can grant a stay against an action initiated before the NCLT.

The IBC provides creditors with a mechanism to initiate an insolvency resolution process when a debtor is unable to pay its debts. As elaborated by Nishith Desai Associates in their primer on IBC, the code specifies two types of creditors: (a) The financial creditor whose relationship with the debtor is a pure financial contract, where an amount has been provided to the debtor against the consideration of the time value of money; (b) The operational creditor who has provided goods or services to the debtor, including employees, central or state governments.

The Economic Survey tabled in Parliament on July 4 has brought out that small businesses which do not get their dues cleared on time from large business clients are making use of the IBC as a recovery tool. Since the IBC makes it a real possibility for owners of a defaulting firm to lose control of their enterprise once a creditor invokes bankruptcy proceedings, most corporate defaulters are paying off their debt even before the insolvency process can commence. Figures confirm the trend. As on February 28 this year, 6,079 cases involving an amount of Rs 2.8 trillion have been withdrawn before admission to the IBC as the defaulters decided to pay up rather than lose control of their company. Also, over Rs 500 billion has been received from banks from previously non-performing accounts.

Bankruptcy is a disagreeable word strongly associated with the stigma of failure. However, failure is often the stepping stone to success, a fact well appreciated by the Western society. Chapter 11 of the US Bankruptcy Code is a debtor-led model designed to offer a second chance to failing businesses and startups. RadioShack, a brand once known for do-it-yourself electronics retail, misread the markets as rivals like Apple and Amazon redefined expectations, transforming consumer behaviour, interests and expectations. It filed for Chapter 11 bankruptcy in 2015 and 2017, survived both times and is today a 10,000-employee company! The Indian IBC is a creditor-led model owing to a higher concentration of large banks as creditors. Unlike in Western countries, non-banking institutions and holders of capital market instruments hold a lower stake. Hence, the IBC model is practical but should be open to change when the composition of debt ownership becomes more broad-based with time. The Indian society is learning to accept failure, as evident from the considerations provided to MSMEs by the IBC, albeit in a subtle way. The options available can perhaps enable MSMEs to revive their sick assets and avail a second chance, where none existed a few years ago.

Many MSMEs providing products or services on credit to corporate entities often get into a stressed state when their payments become overdue by long periods. Such creditors, termed as operational creditors by IBC, can raise a demand notice on the corporate debtor for payment within 10 days of serving of the notice. On non-payment by the debtor, provided there are no pre-existing disputes, the operational creditor can apply to the NCLT for initiation of Corporate Insolvency Resolution Process (CIRP). If the application and other papers are in order, the NCLT can accept the application in up to 14 days. On such acceptance, the CIRP will commence, and the control of the debtor company will be taken over by a resolution professional appointed by the NCLT. The drastic shift of control can be unnerving to the board of the debtor firm and often results in speedy payment of dues. The application for initiation of CIRP by operational creditors is a simple four-step process, laid out in advisories by law companies, available on the Internet.

The IBC aims for the resolution of insolvency as opposed to liquidation, and Section 240A has been added to provide exclusive relaxation to MSMEs. For an MSME that has gone in for CIRP, its promoters will be allowed to buy back its assets, provided they are not willful defaulters. Given that the existing promoters may be the only ones willing to buy back assets in small and niche businesses, the provision enables a fair value of assets while selling off the enterprise as a going concern. Such a step works well for the MSME as liquidation would have got it negligible value for its assets.

However, there is a stumbling block. To avail the relaxation, a company should fit the definition of MSMEs laid down in the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. The act classifies MSMEs based on their investment in plant and machinery; for a medium enterprise, the threshold is up to Rs 10 crore, and for a small enterprise it is Rs 5 crore. Most MSMEs have investments above the threshold and hence are unable to take advantage of the relaxation in buyback provided to their promoters. There is a proposal before the government to change the criterion for defining MSMEs based on turnover rather than investment and to bring all entities with a turnover of up to Rs 75 crore under the Act.

In the pre-IBC era, insolvency resolution was a tedious process and dragged on for years. The IBC has the 'Fast Track Insolvency Resolution Process'that applies exclusively to small companies, startups and unlisted companies having total assets not exceeding Rs 1 crore. From the initiation of insolvency until the approval of the resolution by the NCLT, the entire process gets completed in 90 days. However, the NCLT may, if enough cause exists, extend 90 days by a maximum of another 45 days. The provision enables an entrepreneur to obtain a clean and quick break from a failed venture and try to achieve success from his next venture.

Under Project Sashakt, an inter-creditor arrangement was signed by 35 banks on July 9, 2018, which provided a framework to resolve the stressed asset issue through a bank-led resolution approach. The project has a focused vertical for the management of stressed assets for priority resolution of SMEs with loans up to Rs 50 crore. If the banks are not able to provide a resolution plan in 90 days, the NCLT process would be put in place. The project has enabled MSMEs to obtain out-of-court settlements without having their operations affected.

Even after three years of its inception, the IBC remains a work in progress with doses of active feedback-based modifications. In order to uphold the spirit of facilitating a second chance to stressed MSMEs, the following recommendations are made. The author acknowledges the inputs provided by Anil Bhardwaj, Secretary General, Federation of Indian Micro, Small and Medium Enterprises.

(1) There is a need to classify all companies with a turnover of up to Rs 75 lakh as MSMEs in the MSMED Act. Such a step would be in line with global practices and will open up opportunities for MSMEs in the IBC.

(2) In the current framework of IBC, the MSMEs are operational creditors, while the Committee of Creditors (CoC) that approves the resolution plan comprises financial creditors. Effectively, the operational creditors have no say in the resolution process. Since there may be several MSMEs involved in the resolution process, they need to have a collective representation in the CoC. However, if the expansion of CoC to small stakeholders results in complexities in the resolution process, higher priority payment status to MSMEs within the set of operational creditors could be the order of the day.

(3) Considering the vulnerability and size of MSMEs, the IBC should provide out-of-court assistance to them in the form of mediation, debt counselling and financial education. A distressed assets fund, as recommended by a Reserve Bank of India panel, should be available at this stage to MSMEs in clusters which are facing a change in the external environment, such as a ban in the use of plastics or an acute scarcity of water resources.

For a typical MSME surviving in an environment of powerful debtors, the IBC can be the proverbial hand of God

(The Tribune, August 12th, 2019)

9. *More PSU banks likely to cut rates in next few days*

With banking giant SBI and about a dozen lenders reducing their interest rates, the remaining PSU banks are likely to follow suit and slash interest rates in the next few days to pass on the benefit of rate cut by the Reserve Bank and boost the economy, sources said.

Even private sector banks are expected to follow the market trend in order to protect their business, sources said adding they too are expected to lower the rate in the next few days.

About a dozen banks including IDBI, Oriental Bank of Commerce, and Allahabad Bank have reduced the key lending rate and the rest state-run lenders are expected to follow the suit.

The reduction in the interest rate will help spur consumption as this will bring down EMIs for home, auto and corporate loans.

Finance Minister Nirmala Sitharaman had met heads of both public sector and private sector lenders in the Department of Financial Services (DFS), to deliberate on interest rate, credit growth along with progress of resolution of bad debts under IBC.

The meeting with bankers was followed by meeting with MSME and auto sectors. The Finance Minister is holding series of meetings with various sectors of the economy in order to understand issues faced by them and assuring them of quick actions from government end to spur growth which has hit five-year low of 6.8 percent.

The meetings being conducted on different sectors have been showing results, Finance Secretary Rajiv Kumar said.

Reserve Bank of India Governor Shaktikanta Das has been asking lenders to pass on benefits of interest rate cut by the central bank to customers. Hours after RBI's reduction in the repo rate by 35 basis points to 5.4 percent earlier this week, the largest lender State Bank of India (SBI) trimmed its lending rate by 15 basis points effective August 10 across all tenors.

It was followed by several other public sector lenders including Bank of India, Union Bank of India and Andhra Bank by up to 30 basis points.

(Money Control, August 9th, 2019)

10. *RBI tweaks rule for NBFC loans*

The RBI said on-lending by registered NBFCs (other than MFIs) towards agriculture, MSEs and housing sector up to prescribed limits will be treated as priority sector loans.

The Reserve Bank said it is being done in order to boost credit to the needy segment of borrowers. As per the revised norms, on-lending by NBFCs for 'term lending' component under agriculture will be allowed up to Rs 10 lakh per borrower. In case of micro and small enterprises (MSEs) the limit will be Rs 20 lakh per borrower.

In housing sector, the limit has been enhanced from Rs 10 lakh to Rs 20 lakh per borrower for classification of the loan as priority sector lending.

(The Economic Times, August 13th, 2019)

11. *Exports Surge 2.25% in July, trade deficit narrows to $13.43 billion*

India's merchandise exports rebounded and grew 2.25% in July, aided by higher shipments of organic goods, drugs and pharmaceuticals, while imports shrank, narrowing the trade deficit.

Exports had slumped 9.71% in June on the back of intensifying trade tensions between the US and China. The government has started work on measures to boost exports, including a new export promotion scheme.

India's exports increased to $26.3 billion in July from $25.75 billion a year earlier, data released by the commerce department showed. Imports declined 10.4% to $39.76 billion last month from $44.39 billion in July 2018. This resulted in the trade deficit narrowing to $13.43 billion from $18.63 billion a year earlier.

The sharp reduction in the merchandise trade deficit in July 2019 relative to July 2018 was largely driven by the moderation in crude oil imports as well as a temporary lull in gold imports after the Union Budget," said Aditi Nayar, principal economist at ICRA Ltd. "Moreover, lower commodity prices reduced the size of the import bill in July 2019. While high gold prices may act as a deterrent, demand for gold imports may revive closer to the festive and marriage season.

Merchandise exports for April-July registered a marginal dip of 0.37% to $107.41 billion, while imports during these four months dropped 3.63% to $166.80 billion.

Export growth is likely to be in double digits this year despite the challenging situation on both the external and internal fronts, commerce secretary Anup Wadhawan said. "In the last financial year, growth in exports was between 9% and 10% and the volumes touched $331 billion, which was a 'record,'" he said at the venue of a seminar in Kolkata.

Non-petroleum and non-gems and jewellery exports in July grew 5.3% to $19.70 billion. Oil imports fell 22.15% to $9.06 billion from $12.33 billion a year earlier, mainly on the back of 14% drop in global crude oil prices. Saraf said depreciation of China's yuan would not only help reduce the impact of higher tariffs imposed by the US but would also make that country's exports more competitive, aggravating problems for Indian exporters.

The World Bank had projected a weakening of global trade in 2019 in its Global Economic Prospects released in June. In March, the World Trade Organization estimated that trade growth would ease to 3.7% in 2019 from 3.9% in 2018. The International Monetary Fund cut the global growth forecast for 2019 by 20 basis points to 3.3%, the lowest since the 2008 financial crisis, blaming US-China trade tensions, loss of momentum in Europe and uncertainty surrounding Brexit. EEPC India chairman Ravi Sehgal said shipments in the engineering sector have slipped into negative. "This is a cause for concern, especially for the highly employment-oriented and MSME-driven engineering exports, which have degrown by 1.69% in July," he said.

(The Economic Times, August 15th, 2019)

12. *Focus on rural economy, investments to make India $5-tn economy in 5 years*

Prime Minister Narendra Modi reiterated his government's resolve to make India a $5 trillion economy in the next five years through several initiatives, including Rs 100 lakh crore investment in infrastructure, making the policy environment more predictable, and pushing for "Make in India" with special emphasis on the rural economy, and micro, small and medium enterprises (MSMEs).

"In the last 70 years, we became a $2 trillion economy, but in the last five years, we added $1 trillion to the economy. This gives me the confidence of becoming a $5 trillion economy in the coming years," Modi said.

The government announced its intent to make India a $5 trillion economy in the budget last month. "The Indian economy will grow to become a $3 trillion economy in the current year. It is now the sixth largest in the world. Five years ago, it was at the 11th position," finance minister Nirmala Sitharaman said in her budget speech.

The PM said the fundamentals of the Indian economy were "very strong", which gave him the confidence to achieve the target. "Today, the government in India is stable, policy regime is predictable... the world is eager to explore trade with India. We are working to keep prices under check and increase development," he said. He hinted at major economic reforms in the future based on global best practices to hasten growth. "India does not want incremental progress. A high jump is needed; our thought process has to be expanded. We have to keep in mind global best practices and build good systems," he said.

Modi stressed the need to boost exports by utilising local strengths. "The time has come to think about how we can boost exports. Each district of India has so much to offer. Let us make local products attractive," he said. He said that local strengths could be harnessed through export hubs.

But as the Indian economy expands, so do the aspirations of its people, Modi said.

If, for instance, a decision was taken to set up a railway station, people have begun to ask when the Vande Bharat Express would come to their area. People want not only a good railway station or a bus terminus, but a good airport as well. "If we install an electricity tower, they ask when will we have 24-hour power?" he said.

Ranen Banerjee, leader-Public Finance and Economics, PwC India, said: "Given the headwinds the economy is facing, including slowdown in Eurozone and concerns in US, there is an urgent need to pump prime the economy. The private sector investments will not pick up till there is a sentiment reversal. The starter of the economic engine has to be an infra push by the government. We can expect some slippages in fiscal deficits but if it is for the infra push, it will be worth it. It would be more difficult to kick-start the economic engine if the sentiment turns very negative. We need to act decisively now."

(Hindustan Times, August 15th, 2019)

13. *Papad, cosmetics, honey push Khadi Comm sales up 25% to Rs. 75,000 crore*

At a time when businesses are complaining of slow demand, Khadi and Village Industries Commission (KVIC) has reported an over 25% jump in sales to a little under Rs 75,000 crore during 2018-19.

It is the humble papad, honey and cosmetics that have contributed to a major chunk of the state-owned entity's revenues, with much hyped Khadi products accounting for just around 4.3% of the overall sales in the last financial year. KVIC's sales growth is its fastest in four years and comes after a "moderate" 13% rise in 2017-18.

The entity managed to stay in the black with a small profit of Rs 15 crore.

KVIC's sales are almost twice as much as HUL, India's largest consumer goods company, which reported gross sales of around Rs 38,000 crore in the last financial year, though its net profit was 400 times higher at over Rs 6,000 crore.

Going by annual revenue in 2018-19, KVIC would compare with the top 25 listed Indian companies with sales a little lower than Bharti Aritel's Rs 81,000 crore but a shade higher than Grasim Industries' Rs 72,970 crore.

(The Economic Times, August 16th, 2019)

14. *Automobile slowdown hits MSMEs work hours reduced, job cuts likely*

With the auto industry witnessing a severe crisis, Micro, Small and Medium Enterprises (MSMEs) are now feeling the heat with demand for auto equipment that they provide to tier 1 components manufacturers plunging to record low.

Consequently, MSMEs working in the automobile sector in the NCR, have already reduced their working hours, stopped recruitment and are planning to go for job cuts.

"The current slowdown in the sector has adversely affected MSMEs. It is a two-fold blow on us as our lending pipeline has been choked, and there is also low demand from tier-1 original equipments manufacturers," Sandeep Kishore Jain, MD, Solo

Manufacturing Private Ltd based in Gurgaon told this publication. "We witnessed about 35 per cent decline in sales of components in Q1 FY19," he said. While earlier, workers were doing overtime to fulfill demand, there is much less work now, Jain added. Solo is a supplier for precision machined castings, CNC machined parts, nodular cast iron, steel forgings etc. On being asked about a revival in the upcoming festive season, he said "I don't think the sector will revive as no step has been taken yet in this direction. This slowdown will stay for some time."

Small manufacturers have also been forced to go in for job cuts. "Nu Tech Enterprises is looking for manpower restructuring, which will result in job losses by 20-25 per cent. There is low demand for components, so there is less work," said Adarsh Kapoor, CEO, Nu Tech Enterprises, Faridabad, which manufactures metal rods, industrial shafts, valve guides, metal bushes etc. Kapoor added his firm has witnessed a sales decline of 25-30 per cent in the last two quarters. According to ACMA, the growth in total turnover of the auto component manufacturing firms slowed down by 14.5 per cent to Rs. 3,95,902 crore in FY19.

(The New Indian Express, August 16th, 2019)

15. *FinMin asks PSBs to request ideas from branches to streamline banking sector*

The Finance Ministry has asked public sector banks (PSBs) to initiate a month-long consultation process with officers at branch level to seek suggestions on streamlining banking sector to help the country achieve $5-trillion economy in five years.

The suggestions emanating from a month-long campaign beginning Saturday will be used as inputs to prepare a road map for the future growth of the banking sector.

According to a communication by the ministry to the heads of PSBs, it will be a bottom-up consultative process from the branch level onwards which will involve discussions at the branch or regional level, state level and national level.

The consultation process is aimed at aligning the banking sector with national priorities, stimulating ideas and inculcating a sense of involvement among bankers at the branch level, it said.

The campaign envisages not only performance review but synchronisation of banking with region-specific issues and their growth potential.

It also aims to find out role of PSBs as active partners in the Indian growth story for the next five years. The country has set a goal of achieving a $5-trillion economy by 2024-25.

It will also find solution for enhanced ease of living making banks more responsive to customers and challenges before banks and their preparedness in areas such as cybersecurity and data analytics.

There will be focus on raising credit offtake for supporting economic growth credit support to infrastructure and role of the banking sector in doubling farmers' income and water conservation.

Besides, supporting for green economy, improving education loan and other sectors such as micro, small and medium enterprises (MSMEs) and exports.

In addition, there will be focus on pushing digital economy and financial inclusion, it said.

The consultative process will be divided into three stages with the first being at the branch or regional level, followed by the state level. It will culminate with a national-level two-day brainstorming in Delhi.

The campaign comes at a time when the economy is facing headwind and it has slowed to a 5-year low of 6.8 per cent.

There are ominous signs showing that slowdown may be deep. The automobile sector is facing its worst crisis in two decades and reports suggest thousands of job losses in the auto and ancillary industry.

In the real estate sector, the number of unsold homes has increased, while fast-moving consumer goods (FMCG) companies have reported a decline in volume growth in the first quarter.

Though lending by banks to industries has shown a significant jump from 0.9 per cent in the June 2018 quarter to 6.6 per cent in the corresponding period this year, the same to job-creating MSME sector has slipped from 0.7 per cent to 0.6 per cent during the same period.

However, silver lining amid gloom is improvement in non-performing assets of the banks.

Last month, Finance Minister Nirmala Sitharaman told Parliament that total bad loans of commercial banks declined by ₹1.02 lakh crore to ₹9.34 lakh crore in 2018-19, on the back of steps taken by the government.

(Live Mint, August 16th, 2019)

16. *Gadkari promises 'concrete decision' for timely payments to MSME*

Delayed payments is a major headache for Micro, Small and Medium Enterprises, Union MSME minister Nitin Gadkari said here on Saturday, adding that he was trying to find a solution to this issue.

Speaking at a convention, he also promised to rid the national capital of pollution in five years.

"The small-scale industry producer never gets payments on time. And this tire and finishes him. I am seriously thinking, whether it is private or public sector or government, the payment of MSME should get released in 45 days, and I am trying to take some concrete decision on this," he said.

MSME play important role in creation of employment, he said.

"So far, MSME have given jobs to 11.50 crore youths, and in these five years I am aiming to add five crore more employment opportunities," Gadkari, who took charge of MSME portfolio in the second term of Modi-led NDA government, said.

Expressing concern about the agrarian crisis, he said the MSME ministry was also focusing on handloom, handicrafts and agro processing industries.

Talking about the pollution in Delhi, Gadkari said, "I want to tell you that (with) the works we have undertaken in these five years, Delhi will be completely free of air and water pollution before we complete our five years."

Promoting entrepreneurship was an important mission of the government, as without it "we cannot become 5 trillion dollar economy", he said.

(The Economic Times, August 17th, 2019)

17. *How amending four labour laws spurred Rajasthan's MSME sector*

In 2014-15, the Raje-led Rajasthan government amended four labour laws: The Industrial Disputes Act, 1947; The Contract Labour (Regulation & Abolition) Act, 1970; The Factories Act, 1948; and The Apprentices Act (1961). Under the amended Industrial Disputes Act, employers could retrench up to 300 employees without permission of the government — this was capped at 100 employees earlier; a worker should raise an objection regarding discharge, dismissal, retrenchment or termination within three years while there was no time limit earlier; and that the trade union can be formed only if it gets 30 per cent of the total workers as members, up from 15 per cent earlier.

Further, complaints against the employer about a violation of the Factories Act do not receive cognisance by a court without prior written permission from the state government. The Contract Labour (Regulation and Abolition) Act, 1970 was made applicable only to companies that employed more than 50 workers, up from 20 workers earlier. And under The Apprentices Act, the stipend for apprentices was "no less than the minimum wage".

Not surprisingly, the latest Economic Survey of India praised Rajasthan, holding it up as a role model for the rest of the country. Comparing the change in Compound Annual Growth Rates (CAGR) two years before and two years after the law change, the Survey noted, "It can be clearly seen that, for all variables, CAGR post labour reforms in Rajasthan has increased significantly vis-à vis the Rest of India". Moreover, the number of firms with 100 employees or more have increased (see box) at a significantly higher rate in Rajasthan than in the rest of India.

(The Indian Express, August 19th, 2019)

18. *SEZ rules may be tweaked to let excess land be used for factories*

The government is warming up to an idea mooted by the industry to relax rules to enable excess land with various Special Economic Zones (SEZs) to house factories that need to be set up quickly, Ajay Sahai, Director-General and CEO of the Federation of Indian Export Organisations (FIEO), told.

There are 232 operational SEZs in the country. The industry has invested ₹5.07-lakh crore in setting up plants inside the zones. These plants provide employment to 2 million people and exported goods and services worth ₹7.01-lakh crore in FY19.

Some of these SEZs are industry-specific. For example, some can house only units engaged in the manufacture of electronic products. They can't allow other products even if they have vacant land unless they get themselves approved as 'multi-product SEZs'.

The plea before the government now is to make it easy for any SEZ to house any unit. This plea has been made in the context of India losing out on business opportunities that could come in its way following the trade war between the US and China.

Indian companies lack the scale to quickly start supplying to, say, the US. This is particularly true of the leather footwear sector, where Indian units simply do not have the capacity to cater to US orders, which are typically large.

It takes a lot of time for these manufacturers to buy land and set up factories.
But some SEZs that may have adequate land and infrastructure (like electricity, water, security) are not in a position to accommodate them because they are not "multi-product" SEZs.
(Business Line, August 22nd, 2019)

19. *Plans afoot to launch e-comm platform for MSMEs: Gadkari*

Union minister Nitin Gadkari said the government's plan to launch Bharatcraft portal, an e-commerce marketing platform, has the potential to achieve revenues of around Rs 10 lakh crore in the 2-3 years.
"The Bharatcraft portal, which will be on the lines of Alibaba and Amazon, will provide a platform for MSMEs to market and sell their products and in turn boost the sector," Gadkari said at the 200th listing of an MSME company.
Vikram Limaye, MD & CEO, NSE said: "From conventional manufacturing companies to new-economy start-ups, NSE has always endeavoured to create a vibrant capital-raising environment.
(Economic Times, August 22nd, 2019)

20. *Govt takes steps to ease 'doing business'*

The government announced several decisions to ease doing business in India, including scrapping the 'angel tax' for registered startups, expediting GST refunds for the MSME sector, as well as setting a time-bound window for the payment of delayed dues by public sector companies.
"In order to mitigate genuine difficulties of startups and their investors, it has been decided that the relevant provisions of Section 56 of the Income Tax Act, which is commonly called the 'angel tax', shall not be applicable to a startup registered with the Department for Promotion of Industry and Internal Trade," Finance Minister Nirmala Sitharaman said while addressing a press conference to announce the decisions.
The angel tax provision has been a pain point for start-ups who have repeatedly complained that the tax burden was slowing down the angel investments made in new companies. The government will also set up a dedicated cell under a member of the Central Board of Direct Taxes to address the problems of the startups pertaining to income tax.
"Exempting startups from the application of the 'angel tax' is a good development," Rohinton Sidhwa, Partner at Deloitte India said. "Previously, the Government has provided this exemption only for investment below a threshold and where only accredited investors were involved. It appears now that the exemption would be cast wider and will cover all 'registered' startups."
Ms Sitharaman also announced that all pending Goods and Services Tax refunds to MSMEs would be made within 30 days, and that all future refunds will be paid within 60 days. This is expected to free up a lot of capital that was otherwise locked up for the MSME sector. The government will also look into amending the MSME Act to arrive at a single definition for MSMEs, to avoid the confusion created by various Ministries and Departments using different definitions.
She also said that the pending payments by Central Public Sector Enterprises (CPSE) to services providers would be expedited and that the delayed payments would be monitored by the Department of Expenditure and the performance would be reviewed by the Cabinet Secretariat.
Further, in a bid to ease the plight of borrowers, Ms Sitharaman said that the public sector banks will ensure the mandated return of loan documents within 15 days of the closure of the loan. Customers will also be able to track online the status of their loans in order to ease transparency. "To support decision-making and to prevent harassment for genuine commercial decisions by bankers, the Central Vigilance Commissioner has issued directions that the Internal Advisory Committee (IAC) in banks will classify cases as vigilance and non-vigilance," Ms Sitharaman said. "The decision of the IAC is to be treated as final."
This move is expected to increase credit outflow by banks as several banks have said that credit decisions have been held up because bank officials have been wary of taking even genuine decisions that could later be hauled up for undue scrutiny.
In a bid to ease the loan disbursal process for the non-banking financial companies, the government has also allowed them to use the Aadhaar-linked Know Your Customer (KYC) details with banks, instead of having to do the KYC process again themselves.
In what should come as considerable relief for the taxpayer, Ms Sitharaman also said that from October 1, 2019, all notices, summons, or orders by the Income Tax authorities will be issued through a centralised computer system and will contain a

computer-generated unique Document Identification Number (DIN).

Notices or orders that do not carry this DIN will be treated as invalid, she said, which should go a long way in addressing the instances of alleged harassment by income tax officials.

(The Hindu, August 23rd, 2019)

21. ***Govt to clear MSME dues, alter definition***

The government said it will move ahead with much-delayed amendments to the law governing micro, small and medium enterprises (MSMEs), including a change in their definition, apart from announcing a slew of steps to clear their dues pending with various departments and GST authorities.

FM Nirmala Sitharaman told that the expenditure department had cleared pending bills of close to Rs 30,000 crore and it will closely monitor payments in the future as well, along with the Cabinet secretariat. She has also instructed CBDT to clear pending GST refunds of MSMEs within 30 days, although her ministry did not share the amount that had to be released. Going forward, all such GST refunds have to be made within 60 days.

MSME sector representatives had clearly told Sitharaman and Nitin Gadkari that government agencies were the biggest problem in clearing dues and pushed many of them towards bankruptcy as they could not pay the instalments on loans due to a fund crunch. Expenditure secretary G C Murmu said dues to MSMEs would be to the tune of Rs 60,000 crore.

The minister also announced that the bill- discounting platform, which enables companies to get funding from banks using invoices for supplies made, will soon be linked to the GST Network to help ease some of the stress being faced by small businesses due to problems with NBFCs.

A key change that is expected to be finalised in the coming weeks is amendments to the MSME Act, aimed at bringing about a uniform definition. Sitharaman said the new definition will not be linked merely to one parameter. Traditionally, the government has used investment in plant and machinery as the basis for defining MSMEs in the law, with the last in plant and machinery as the basis for defining MSMEs in the law, with the last definition legislated 13 years ago. While the Modi government has sought to increase the investment limits, the Swadeshi lobby has held back amendments.

(The Times of India, August 24th, 2019)

22. ***Maharashtra links GST sops in policy to 'sons of***

The Maharashtra government on Monday said it has put in place a new 'sons-of-the-soil' clause in its Industrial Policy, mandating 80% jobs for the locals.

Calling on all business leaders, entrepreneurs, and businessmen to take advantage of the new industrial policy and grow their business, Minister for Industries and Mining Subhash Desai said companies may find their GST (Goods and Services Tax) incentives cancelled if the sons of the soil clause is not adhered to.

The Minister said the previous version of the Udhyog Dhoran had been used to sign 1,289 MoU's (Memorandum of Understandings) with the MSMEs, attracting investments worth ₹3,591 cr. This is expected to be scaled up in the new policy, the senior Shiv Sena leader said.

"Overall, Maharashtra employs 2.4 million persons in 3.8 lakh registered MSMEs. The State government is to set up Global Investment Promotion Council (GIPC) of Maharashtra. The council shall create strong network of enterprising people across the globe to attract investment in multiple sectors in the State as part of the policy," Mr Desai said, describing the new policy.

Unveiled by Chief Minister Devendra Fadnavis and Shiv Sena chief Uddhav Thackeray days before the code of conduct for the Lok Sabha polls kicked in, the policy came into effect from April 1, 2019. It announced efforts to attract investments of over ₹10 lakh crore and create around 40 lakh jobs by 2023-24, Mr Desai had said, while reiterating the goal to turn Maharastra into a trillion dollar (₹1lakh crore) economy.

Approved by the Cabinet in March, the Policy aims to promote a walk-to-work culture to enhance productivity for the urban working class. It also promises additional floor space index (FSI) to industries opting to construct residential complexes for the workforce on the same land, thereby making it easy to walk to work.

The policy offers special incentives for underdeveloped areas — Vidarbha, Marathwada and naxal-affected zones. It gives special emphasis to emerging technologies and other vital 'thrust areas'.

(The Hindu, August 27th, 2019)

23. ***Cheap imports threaten bicycle industry***

The Indian bicycle industry plays an important role in the growth, development and expansion of the Micro, Small Medium and Enterprise (MSME) sector. India is the second largest producer of bicycles, next only to China, and manufactures around 1.5 crore bicycles every year. The Indian bicycle manufacturing and bicycle components industry is widely recognised for its distinct quality standards and variety in the global market.

Today however, the industry is in deep crisis due to increasing cheap imports from Bangladesh, Sri Lanka, China and low-cost South-East Asian countries. The total imports of bicycles, bicycle parts and components increased to $862 million in 2018 from $637 million in 2011. A half of the total imports are from China and Japan. However, a recent surge in imports from Bangladesh and Sri Lanka has emerged as a major threat for the Indian bicycle industry.

The given chart analyses the imports falling under HSN code 87120010 (bicycles and other cycles, including delivery tricycles, not motorised) from Bangladesh and Sri Lanka.

It is important to note that India's imports from Bangladesh was $0.14 million in 2011, which rose to $5 million in 2018, reflecting a CAGR of 66.17 per cent. Similarly, India's imports from Sri Lanka were $1.01 million in 2011 and reached to $22 million in 2018, indicating a CAGR of 55.44 per cent.

This raises a fundamental question on the factors that could have contributed to the consistent rise in imports in this specific product category from Bangladesh and Sri Lanka. Broadly, there are two standard arguments in this context. First, the import duty on bicycles in India is zero under the Agreement on South Asia Free Trade Area (SAFTA), which provides duty-free access to Bangladesh and Sri Lanka bicycle manufacturers in the Indian market.

On the other hand, import duty in Bangladesh and Sri Lanka is 25 per cent and 30 per cent respectively. High import duty helps Bangladesh and Sri Lanka to protect their bicycle industry.

However, preferential benefits extended by India cannot be a dominant factor behind the high growth in imports of bicycles from Bangladesh and Sri Lanka. The answer to this lies in the second argument. A large number of bicycle manufacturers in India believe that low-cost Chinese bicycle manufactures are routing their products to India via Bangladesh and Sri Lanka, thereby taking an undue advantage of the preferential market under SAFTA. This is evident from the imports of Bangladesh and Sri Lanka from China. Imports of bicycle parts and components from Bangladesh were $24 million in 2011 and increased to $65 million in 2018. Similarly, imports of bicycle parts and components from Sri Lanka increased were $19.5 million in 2011 and reached to $32.3 million in 2018.

There has been an increase in imports in intermediate product categories, which include frames and forks and parts thereof, hubs other than coaster-braking hubs, wheel rims and spokes, saddles, inner tubes of rubber, threaded screws and bolts, nuts and washers, pedals and crank-gear.

It is important to state that these products are intermediate products, and are used to manufacture bicycles in Bangladesh, Sri Lanka and finally exported as finished products to India. An increase in India's import of bicycles under the HSN code 871200010 from Bangladesh and Sri Lanka clearly reflects that Chinese low-cost bicycle manufactures are able to enjoy duty-free market access in India without being a party to SAFTA.

In addition, Bangladesh and Sri Lanka bicycle manufacturers prefer to import parts and components from China vis-a-vis India, as the latter is price-competitive. Parts and components imported in Bangladesh and Sri Lanka from China attract low ad-valorem duty due to their lighter weight. This provides an added incentive to Bangladesh and Sri Lanka bicycle manufacturers to import parts and components from China.

Challenges for the bicycle industry are likely to compound with the finalisation of Regional Comprehensive Economic Partnership (RCEP) negotiations, given the fact that a significant volume of the imports are from China. Tariff liberalisation under the RCEP will provide a direct entry to Chinese bicycle manufacturers in the Indian market and threaten the domestic bicycle manufacturing industry.

Given these challenges, it is important for India to adopt a calibrated approach in this regard. India may consider placing a "sourcing restriction" on the use of third-country imported inputs in the exports of Bangladesh and Sri Lanka. This can be done by modifying the existing rules of origin of SAFTA, and it could propose the sourcing restriction with regard to the stages of production, so that Bangladesh and Sri Lanka bicycle manufacturers are encouraged to source from FTA partners.

Such an approach would help India not only restrict imports of bicycles from third countries such as China but would also contribute to the development of regional value chains in the South Asian region.

It is, therefore, important for India to propose a similar provision in future trade agreements, so that the benefits of preferential market access are not leveraged by non-FTA partners.

Most importantly, it is important for India to keep MSME products such as bicycles in the exclusion list under the RCEP to

protect the industry from low-cost Chinese products.
(Financial Express, April 30th, 2019)

24. ***Goyals call for easier export credit flow***

As export credit continues to contract, commerce and industry minister Piyush Goyal on Thursday held a meeting with senior public-sector bankers to push for easier and greater flow of loans at cheaper rates. This comes amid expectations that the government would soon announce a slew of steps to boost faltering export growth.

Both the government and the Reserve Bank of India (RBI) are already in discussion to ease priority-sector lending norms for exports. Though the central bank is learnt to be reluctant to allocate a part of its foreign exchange reserves for export credit — as is being demanded by some — to boost flow of loans, it is amenable to changes in credit norms.

Currently, exporters with a turnover of up to Rs 100 crore each are eligible for credit under the priority-sector norms. Sources had earlier told FE that RBI was considering a proposal to either scrap or substantially double the limit to benefit more exporters. Similarly, the maximum sanctioned limit of loans is also likely to be raised to Rs 40 crore per borrower from the current Rs 25 crore. Even the cap on export credit at 2% of banks' total loans could be relaxed soon.

According to the latest RBI data, banks' export credit shrank as much as 36.1% year-on-year as of June 21, even on a low base (it had contracted 42.7% a year earlier). This is despite the fact that non-food bank credit grew 11.1% y-o-y as of June 21 and overall priority-sector loans rose 10.2%.

Contraction in such credit flows has forced many MSME-exporters to shut shop at a time when a global trade war has already threatened to drag down both economic and export growth, industry has told the government. India's merchandise export growth collapsed to just 0.6% in April, 3.9% in May, -9.71% in June and 2.2% in July.

"Greater and cheaper credit was high on agenda in today's meeting. The minister also called for easier procedures to ensure that even small exporters get loans without difficulty," a source who attended the meeting told FE.

Once tweaked, the revised priority sector lending norms and certain enabling guidelines are expected to release additional credit of anywhere between Rs 35,000 crore and Rs 68,000 crore for exporters, according to an RBI assessment.

Earlier this month, finance minister Nirmala Sitharaman, too, held a crucial meeting with both private and public-sector banks on easing the flow of credit to various critical sectors of the economy.

To bolster state-run banks' ability to boost lending, the government has already said it will provide the budgeted Rs 70,000-crore capital to them "upfront" in FY20. This infusion is expected shortly.

Also, the commerce ministry has already circulated a cabinet note to phase out the flagship Merchandise Exports from India Scheme (MEIS) with a more WTO-compatible regime under which various state and central levies on inputs consumed in exports will be reimbursed. Goyal has already held a series of meetings with exporters to address their concerns.
(Financial Express, August 30th, 2019)

25. ***Gadkari proposes 30% tax on Chinese agarbatti, earthen cups at railways***

Union Road Transport and MSME Minister Nitin Gadkari said that he has proposed introduction of `kulhad' (earthen) cups for tea at railway stations.

He has also suggested a 30 per cent "duty" on Chinese- made agarbatti (incense sticks), he said.

Gadkari was addressing a gathering of women from self-help groups after the ground-breaking ceremony for `Women Entrepreneur Bhavan' here, to be built by the Nagpur Municipal Corporation.

The Union minister said that with a view to provide impetus to the pottery industry, kulhad could be introduced at tea stalls at 400 railway stations. He had sent this proposal to Railway Minister Piyush Goyal, he said. He had also proposed 30 per cent "duty" on Chinese- made agarbatti to promote Indian manufacturers, Gadkari added.
(Business Today, August 31st, 2019)

26. ***GeM signs pact with SIDBI to promote MSMEs, self-help groups***

The Government e Marketplace (GeM) portal run by the Department of Commerce has entered into a pact with the Small Industries Development Bank of India (SIDBI) to make it easier for micro, small and medium enterprises (MSMEs), women entrepreneurs, self-help groups, and various loan beneficiaries under special schemes of the government such as MUDRA and Stand-up India, to sell their products on the platform.

The Memorandum of Understanding (MoU) signed with SIDBI will enable promotion of special initiatives of GeM like 'Womaniya' and 'Start-up Runway', according to an official release.

GeM and SIDBI will take steps to ensure payments within a guaranteed time-frame to sellers, enhance working capital availability through bill discounting and check NPAs through control of end use, the release stated.

The GeM platform provides online, end-to-end solution for procurement of commonly used goods and services for all Central Government Departments and State Governments, Public Sector Units and affiliated bodies.

According to GeM CEO Talleen Kumar, partnerships with financial institutions like SIDBI were necessary to expand the online procurement platform's outreach to MSMEs, start-ups and artisans, who can now sell their wares on an open, transparent and technology-driven platform. The idea is to empower such sellers through payments within a guaranteed time frame by auto-debiting the GeM Pool Account and providing working capital by giving the choice of bill discounting. This could be done by linking cost of working capital to the performance and rating of the seller, and by providing creditors better visibility on end use of working capital loans, the statement said.

The MoU will strengthen capacity building through GeM-specific training programmes of personnel from partner agencies, value-added services through networking, workshops, marketing events, awards and recognition of MSMEs including women entrepreneurs and self-help groups.

(Business Line, August 30th, 2019)

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Case Study 1:

Implementation of SCORE Module 1 "Workplace Cooperation" at Smash Enterprises (Pune), by FICCI through its National Coordination Centre for SCORE Training

SCORE SUCCESS STORIES

Problem Definition/ Identified for Improvement:

SMASH Enterprises is into specialized welding of carbon steel, alloy steels and stainless steel components. One of the workplace challenge faced was lack of proper space at the shop-floor due to leftover electrode pieces. One of the goal was set to "Reduce Space Constraint by 10%".

Process / steps adopted to address the problem:

- An Enterprise Improvement Team (EIT) was formed as a first step. The EIT is the driving force behind implementing any new initiatives during the SCORE trainings. EIT is cross-functional and cross-hierarchical, which brings together managers and workers (including supervisors) to collectively plan and implement solutions.
- EIT highlighted that earlier attempt for cleaning the shop-floor of the waste material like electrodes has not been successful. During the brain storming session in EIT, an idea of using magnet to clear the shop-floor was shared by the EIT members.
- As part of 5S, the EIT members initiated a "shop-floor cleaning project" and henceforth all the workers participated in hand picking the scrap material and cleaning by magnet.

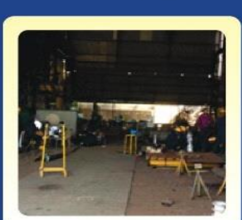
Results Achieved:

- Space utilization improved by about 12%. About, 210 kg of end pieces of electrodes plus few gunny bags of ferrous dust were collected
- About Rs. 65,000 were earned by disposal of unwanted material and scrap. Rs. 20,000 were spent to purchase drinking water purifier for the shop-floor workers and their drinking water problems got addressed
- With the availability of space there was an opportunity to work on new product development and new orders

Lessons Learnt:

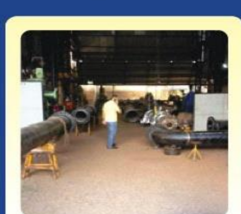
- SCORE program provided a new way of looking at the situation at the workplace and opportunity to brainstorm to find solutions within the available resources.
- Management and operators realized the benefits of 5S that it helps to identify hidden and unwanted materials and the monetary benefits that can be derived.
- Employees can find out ways to reduce waste, remove scrap and can use the money earned or saved for their own benefit, which is WIN - WIN situation for both Management and employees.

BEFORE



Equipment lying unorganized on the shop-floor.

AFTER

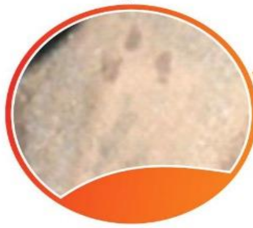


Lot of free space by implementing 1S & 2S

End pieces of electrodes and ferrous dust on shop floor

Operators hand picking end pieces of electrodes and other scrap from floor

Operator using magnet to collect ferrous scrap and dust from the floor



Shop floor looking clean after magnet cleaning