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NEWSLETTER

FICCI-CONFEDERATION OF MICRO, SMALL AND MEDIUM ENTERPRISES (CMSME)

MSME NEWS UPDATE

1. MSME centres join hands to make anti-Covid gear

Adopting "all hands on the deck" approach, the Ministry of Micro, Small and Medium Enterprises have engaged 18 operational technology centres to produce different gear and equipment required in the fight against Covid-19. The Central Footwear Training Institute, Chennai, have installed hot sealing machine for job work of sealing masks and medical gowns enabling a health care material provider an approved supplier while the MSME Technology Centre, Hyderabad, is developing a prototype of an electro-mechanical ventilator based on sensors which will be ready soon, an official release said on Sunday. Central Tool Room and Training Centre, Kolkata, is developing a simple and low-cost ventilator system in consultation with Sagar Datta Super Speciality Hospital, which have agreed to test it. MSME Technology Centre, Kannauj, started manufacturing alcohol-based sanitisers and have supplied to Farrukhabad Administration, Railways and other organisations. Institute for Design of Electrical Measuring Instruments is developing an ion-based sanitiser, which if successful, will have multiple applications. MSME Technology Centre, Hyderabad, Bhubaneswar and Jamshedpur will manufacture components for 650 corona testing kits.

The Tribune, April 5, 2020

2. Over 20% export orders cancelled

Covid-19 has led to exporters bleeding with upwards of 15-20% of the orders getting cancelled and a major amount of funds being locked up, owing to non-payment of dues by large buyers in the US, Europe and West Asia, prompting them to seek a bailout from the government.

Exporters fear that a revival may not be possible in the next few months, with the most optimistic expectation being some signs of improvement in demand towards the end of June. Even that is subject to health workers and authorities getting a grip over the coronavirus that has brought the global economy to a standstill.

Food and farm products seemed to be the sole exception with Trade Promotion Council of India chairman Mohit Singla suggesting that there is robust demand for "essential products" but there are challenges in terms of availability of containers and packaging material and machinery, along with certification required for products such as spices that are to be shipped to Europe. Barring food, the impact of the coronavirus seems to be all pervasive.

"The biggest worry for exporters is cancellation of orders, which is close to 50% in certain sectors. Some of the handicrafts, carpet and apparel exporters are reporting even higher cancellations. The forecast is very gloomy," said Ajay Sahay, director general and CEO of the Federation of Indian Export Organisations, one of the most

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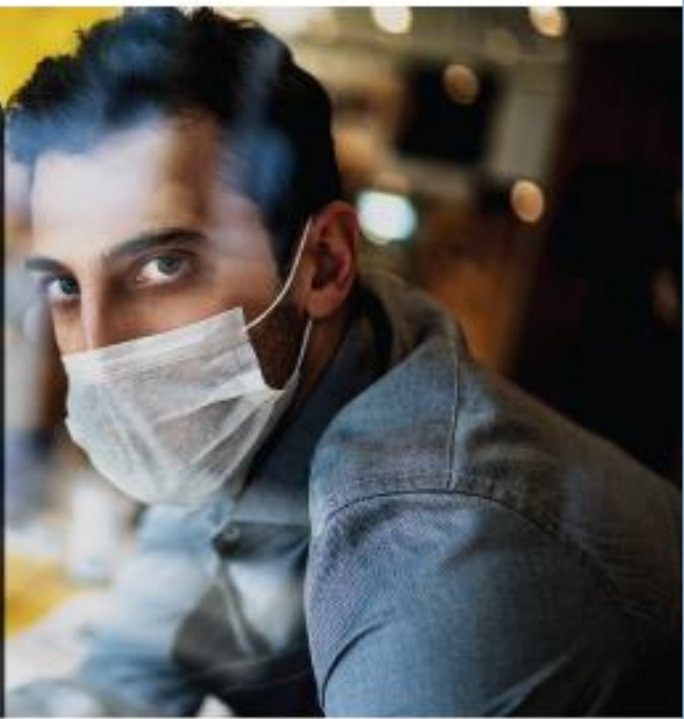

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Got questions? E-mail us at cx@solvezy.com prominent lobby groups. In several cases, export products that have reached ports are not allowed to be loaded due to irregular, below-capacity cargo operations.

Engineering Export Promotion Council president Ravi Sehgal said if the lockdown doesn't end soon, exporters could be staring at losing around 80% of their orders. "Deliveries for March have been cancelled, April orders have been put on hold. If restrictions are not lifted by April 10, our customers will move to China."

In a study, Gems & Jewellery Export Promotion Council has warned of an additional $2.7-billion impact in 2019-20 as shipments in March are projected to fall by 12% compared to the average decline of 5.5% seen during the previous months of the last year. Apparel Export Promotion Council President A Sakthivel said close to Rs 15,000 crore (around $2 billion) worth of orders in the pipeline have been cancelled, while payments to the tune of Rs 10,000 crore are held up. "We are completely broke, we can't even meet day-to-day expenses, including the wage cost," he said. It is a similar story for the smaller segments such as carpets. "The US is the largest market, accounting for nearly 60% share, while around 25% goes to Europe. Stores are shut, we are under lockdown, everything has stopped, even payments have stopped," said Carpet Export Promotion Council chairman Siddh Nath Singh

Times of India, April 7, 2020

3. SIDBI offers emergency credit facility of up to Rs 1 cr to SMEs

The Small Industries Development Bank of India (SIDBI) said it will provide emergency working capital of up to Rs 1 crore to small and medium enterprises against their confirmed government orders. The new loan product, SIDBI Assistance to Facilitate Emergency response against coronavirus (SAFE) plus will be offered collateral free and disbursed within 48 hours. The loans will be offered at an interest rate of 5 per cent. SIDBI further said it has enhanced the loan limit for MSMEs to Rs 2 crore under its SAFE initiative. The limit of SAFE loans, which was launched a few days back, has been enhanced from Rs 50 lakh to Rs 2 crore for executing government orders by those MSMEs which are eligible under the respective state government's special policy package for interest subsidy/subvention or capital subsidy. The scheme was launched to provide financial assistance to MSMEs engaged in manufacturing of hand sanitizers, masks, gloves, head gear, bodysuits, shoe-covers, ventilators and goggles used in dealing with COVID-19. SIDBI has also opened an additional financial window for the healthcare sector under its flagship scheme called SIDBI Make in India Soft Loan Fund for Micro Small and Medium Enterprises (Smile).

Business Standard, April 7, 2020

4. Govt caps expenditure for Ministries, Departments

As cash is scarce, the Finance Ministry announced capping expenditure for various Ministries and Departments barring Health, Agriculture, Railway and 14 others. Experts said such restrictions have been imposed for the first time in the recent past.

"Keeping in view the present situation arising out of Covid-19 and the consequential lockdown, it is expected that the cash position of the government may be stressed in Q1 (April to June) of 2020-21," Budget Division of the Finance Ministry said in an office memorandum (OM). It is thus essential to regulate the government expenditure and fix the Quarterly Expenditure Plan (QEP) and Monthly Expenditure Plan (MEP) of various Ministries and Departments.

Accordingly, all the Central Government Ministries and Departments have been divided into three categories based on demands/appropriations approved in the Budget. The first category has demands/appropriations related to Agriculture, Health and Family Welfare, Pharmaceuticals, Consumer Affairs, Food and Public Distribution, Civil Aviation, Transfer to States and Interest Payments, beside nine others. There will be no monthly or quarterly capping. However, every expenditure proposal must adhere to the existing guidelines and vetted by the Finance Ministry. These items are critical to fight Covid-19 and have to be prioritised for resources. The second category has 31 demands/appropriations related to Fertilizers, Posts, Defence Pension, Transfer to Union Territories, Oil and Road Transport and Highways, besides 18 other Ministries and Departments. Here, the quarterly limit would be 20 per cent of the Budget Estimate. Also, the monthly limit for April would be 8 per cent and 6 per cent each for May and June. The third category has 52 items. The revised guidelines stipulate 15 per cent limit for the quarter and 5 per cent for each of the three months. The key Ministries and Departments include Commerce, Telcom, Coal, Environment, Mines, MSMEs and others.

Business Line, April 8, 2020

5. **I-T Dept to release all pending tax refunds up to Rs 5 lakh immediately**

In a relief to businesses and individuals, the government has decided to issue pending refunds for income tax, goods and services tax (GST) and customs worth Rs 18,000 crore immediately to benefit scores of taxpayers amid coronavirus lockdown in the country. The move is aimed at helping many overcome cash crunches due to temporary closure of shops and business operations as well as delayed salaries and job losses.

"In the context of the Covid-19 situation and with a view to provide immediate relief to business entities and individuals, it has been decided to issue all pending income-tax refunds up to Rs 5 lakh immediately,'' the finance ministry said. This is expected to benefit 1.4 million taxpayers.

Besides, it also decided to issue all pending GST (goods and services tax) and Customs refunds, providing benefit to around 100,000 business entities, including micro, small and medium enterprises. “Thus, the total refund granted will be approximately Rs 18,000 crore,” the ministry said.

An income tax refund is issued when the tax deducted from an entity’s income exceeds the total income tax liability. The last date for income tax returns for FY2018-19 has been extended to June 30 and for delayed payments till that time the interest rate has been reduced to 9 per cent from 12 per cent. The mandatory linking of Aadhaar cards with PAN cards, and the direct tax Vivaad se Vishwaas scheme has also been extended to June 30. Besides, the last date for GST return filing for March, April and May, 2020, has been extended to June 30 with no Interest, late fee and penalty for companies with up to Rs 5 crore turnover and subsidized interest of 9 per cent but no penalty or late fees for bigger companies. The direct tax collections in the country fell for the first time in two decades, by 8 per cent to Rs 10.27 trillion, posting a shortfall of Rs 1.45 trillion. The corporation tax mop up stood at Rs 5.56 trillion, while personal income tax mop-up was Rs 4.58 trillion.

Business Standard, April 9, 2020

6. ADB pledges $2.2 bn to bolster India's health infrastructure, MSMEs

The Asian Development Bank (ADB) will provide India $2.2 billion (around Rs 16,000 crore) to help the country ramp up health infrastructure and bolster micro, small and medium-sized enterprises (MSMEs) facing hardships because of the coronavirus-related lockdown.

“The ADB is committed to supporting India’s emergency needs. We are now preparing $2.2 billion in immediate assistance to the health sector and to help alleviate the economic impact of the pandemic on the poor, informal workers, MSMEs and the financial sector,” its president Masatsugu Asakawa said.

He said the ADB assistance will be increased, if needed. “We will consider all financing options available with us to meet India’s needs, including emergency assistance, policy-based loans, and budget support to facilitate swift disbursement of ADB funds,” Asakawa said. The ADB is also engaged with the private sector to meet its financing needs during this period.

The ADB president on Friday called Finance Minister Nirmala Sitharaman to discuss the issue and assured support to India in its fight against the coronavirus disease pandemic. Sitharaman is also governor of the ADB. Asakawa commended India’s decisive response to the pandemic, which included a national health emergency programme, tax and other relief measures provided to businesses, and a $23-billion economic relief package announced to provide immediate income and consumption support to the poor, women, and workers affected by the three-week nationwide lockdown.

Weakening global economic growth is causing disruptions in India's trade and manufacturing supply chains, along with the slowdown in tourism and other economic activities. This is straining a large number of MSMEs, and the livelihood of formal and informal labourers across the country.

Asakawa said the policy measures announced by the government will provide the much-needed relief and stimulus to the most vulnerable people as well as businesses and become a basis for faster recovery.

Earlier, the ADB had announced an initial package of approximately $6.5 billion to address the immediate needs of its developing member countries, including India, as they respond to the pandemic. The ADB said in a statement that it stands ready to provide further financial assistance and policy advice whenever the situation warrants. Earlier, the World Bank committed $1 billion in emergency funding to India.

Business Standard, April 10, 2020

7. Gadkari asks India Inc to clear outstanding payments to MSMEs

Union Minister Nitin Gadkari asked India Inc to clear huge outstanding payments to micro, small and medium enterprises at the earliest in order to ease the distress in the sector and inject liquidity into market.

In a discussion with senior industry members of Ficci via video conferencing, the MSME minister exhorted the industry to clear pending dues owed by them to the units. The minister assured the industry of full cooperation from the government in restarting their enterprises after the lockdown is lifted.

"I would like to request you; major industries also have huge outstanding dues of MSMEs. We were earlier considering framing a law entailing stringent rules regarding such payments. However, now is not the right time for this. We do not wish to go down that road," the minister said. Gadkari said the government is aware of difficulties faced by MSMEs and realises their importance to the economy. He called upon the industry to work in tandem with government and the banking sector.

Highlighting the importance of liquidity in the market, the minister informed that he is striving to increase credit guarantee to MSMEs to ₹five lakh crore from the present level of about ₹one lakh crore, wherein 75 per cent of the advances granted by financial institutions are guaranteed under the Credit Guarantee Scheme. "We have insured loans given to MSMEs by paying a premium of 1.5 per cent to banks on loans amounting to a total of ₹1 lakh crore and taken 75 per cent guarantee while the banks have to bear 25 per cent of the collateral.

Obviously, we are trying to reduce the collateral limit. We will also ask the finance ministry to increase the limit of the quantum of loans to ₹5 lakh crore from ₹1 lakh crore, so that it is easier for MSMEs to avail credit," he said.

He assured that the issues raised by the industry especially by MSMEs will be taken up with relevant ministries and departments. The government's endeavour was to protect MSMEs, which contribute 29% to the country's GDP (gross domestic product), from coronavirus-induced crisis, he added.

"We have decided to raise (turnover) limits for MSMEs. An order to this effect should hopefully be out in 8-10 days, which will naturally enhance their coverage," Gadkari said. Observing that this was a difficult time from an economic standpoint, the minister said he believes this could turn out to be a "blessing in disguise" for India's micro, small and medium enterprises (MSMEs)".

Citing the examples of countries like Japan and US who desire to shift their investments out of China and set up industries elsewhere, Gadkari said India was the only nation which can take an advantage out of this situation.

"We have insured loans given to MSMEs by paying a premium of 1.5 per cent to banks on loans amounting to a total of ₹1 lakh crore and taken 75 per cent guarantee while the banks have to bear 25 per cent of the collateral. "Obviously, we are trying to reduce the collateral limit. We will also ask the finance ministry to increase the limit of the quantum of loans to ₹5 trillion from ₹1 trillion, so that it is easier for MSMEs to avail credit," Gadkari said.

Mint, April 15, 2020

8. IBC suspension: Creditors to take a hit, but breather for several firms

The proposed suspension of insolvency proceedings for six months will hit both financial and operational creditors, experts said. However, the breather might allow several companies unable to service their debt to ward off the threat of being dragged to the insolvency courts for another short period. In fact, a section of experts believes that a six-month breather from the Insolvency and Bankruptcy Code (IBC) may not be adequate, given the growing uncertainties about an economic recovery and the ability of the companies concerned to service debt anytime soon. While banks will see a spike in capital provisions and would be unable to move to look for a new buyer for the stressed company, it could take a much long time for operational creditors to recover their dues in the absence of legal recourse. “Some operational creditors could be in trouble if they are not paid for goods and services but have no legal recourse,” experts said.

The Cabinet is likely to consider, at its next meeting, an Ordinance to amend the IBC to hold off proceedings in the insolvency courts.

Even before the pandemic, the slowdown in the economy had caused a deterioration in credit quality. For instance, SMA-2 loans – those where repayments are delayed by 61-90 days – increased by about 143% between March 2019 and September 2019, Reserve Bank of India (RBI) data cautioned. Any repayment default post 90-days sees the exposure slip into a non-performing asset (NPA) and banks need to make bigger capital provisions.

Finance minister Nirmala Sitharaman had said, the government may suspend sections 7, 9 and 10 of the IBC for six months. Moreover, with a view to giving the cash strapped MSME sector some relief, the threshold default level, for triggering insolvency, was immediately raised to Rs 1 crore from Rs 1 lakh. While Reserve Bank of India (RBI) has allowed borrowers a three-month repayment holiday for term loans, keeping insolvency proceedings in abeyance would be an additional breather for borrowers who may default on loan repayments thereafter.

Section 7 of the code allows a financial creditor, either by itself or jointly, to make an application for initiating the corporate insolvency resolution process against a corporate debtor. Section 9 of IBC gives power to the operational creditors to initiate the corporate insolvency resolution process after default. Under Section 10 of the IBC, a defaulting company has the right to approach the adjudicating authority to declare it insolvent, giving protection from creditors. Already, in a bid to insulate small businesses from being dragged to the NCLT, the default threshold for triggering insolvency has recently been raised to Rs 1 crore from just Rs 1 lakh earlier.

Financial Express, April 15, 2020

9. Turn virus crisis into opportunity: Gadkari

India should convert the Covid-19 crisis into an opportunity, accelerate infrastructure projects and win the war against the Coronavirus to achieve economic growth, union minister for road transport and MSMES Nitin Gadkari said on Tuesday.

“Indian industry should look at the current situation as a blessing in disguise and aim towards improving its export potential,” he said in a discussion with FICCI members, via video conference. The micro, small and medium enterprises (MSME) minister also told industry officials to clear pending dues they owed to units to ease distress in the sector and inject liquidity into the market. Ensuring liquidity in the market is key during the crisis and to ensure this, the National Highways Authority of India (NHAI) has started settling all pending claims and arbitration, he said. The ministry has a definitive plan to clear all legitimate claims within three months, he said. “Time taken in reaching decisions should be kept at the minimum possible to avoid delays. For this purpose, I have requested all chairmen of such bodies to work till 7pm everyday instead of 5pm at present,” he added.

Referring to the importance of liquidity in markets, he said his ministry is striving to increase credit guarantee for MSMES to ₹5 lakh crore from ₹1 lakh crore at present, wherein 75% of advances granted by financial institutions are under the government's credit guarantee scheme.

MSMES contribute 29% of the country's GDP, Gadkari noted. "The government's endeavour was to protect MSMES from the coronavirus-induced crisis. We have decided to raise (turnover) limits for MSMES. I would like to request you, major industries also have huge outstanding dues of MSMEs," he said.

Hindustan Times, April 15, 2020

10. TReDS: Defaults begin to mount on bill-discounting platform

Severe cash flow challenges faced by large corporates, coupled with confusion over applicability of the Reserve Bank of India's three-month moratorium on term loans and working capital facilities, have triggered defaults in payments to small vendors registered on the Trade Receivables Discounting System (TReDS), the online bills discounting platform. Today, the defaults are a trickle, but could end up becoming a torrent in a few weeks, TReDS operators warned.

To ensure seamless cash flows to the micro, small and medium enterprises (MSMEs), the RBI, in 2014, allowed setting up of TReDS. Currently, the platform has three players RXIL (owned by SIDBI and NSE), Axis Bank-owned Invoicemart, and M1Xchange (promoted by Mynd Solutions).

Under the TReDS platform, MSME vendors can raise working capital by selling their trade receivables drawn on large corporates and PSUs to financial institutions. Banks and NBFCs, which finance such invoices under a competitive bidding process, will convert them to short-term loans to the corporates payable within 180 days. In the previous fiscal, the three platforms together discounted invoices worth ₹11,200 crore against ₹5,860 crore in FY19.

While the RBI's March 27 announcement allowing the moratorium on term loans and working capital explicitly mentioned Cash Credit (CC) and Overdraft (OD), it was silent about its applicability to repayments due on this platform. While TReDS operators feel it should be covered, banks are feeling otherwise. "There is no clarity on the moratorium. While private banks have extended the moratorium on repayments to large corporates, many public sector banks are not allowing any extension on repayments," said a senior official with one of the TReDS platforms mentioned above.

He also said while his platform has not yet faced any major instances of default, many corporates have begun approaching the platform seeking extension of the repayment period.

"At the end, MSMEs, for whose cause the platform was set up, will be affected because corporates are not approving fresh invoices from vendors on the exchange," he added. Without that, the cash flow situation of MSMEs will worsen further as they will not be able to discount their bills and raise finance.

The Covid-19-led pandemic and the ensuing lockdown have curtailed the cash churning ability of companies across industries. MSMEs, which form a significant part of the supply chain ecosystem to large corporates, are facing acute cash crunch.

"All companies are on a cash conservation mode because they don't know when the situation will improve," said a top official of another platform, adding that "companies need to safeguard cash for their essential operations, employee payments and other fixed expenses."

The TReDS platform operators have written to the RBI, MSME Ministry and Department of Financial Services (DFS) seeking extension of the 90-day moratorium to all repayments falling due between March and June on the platform. "You need to be clear. Otherwise, tomorrow there might be a scenario where defaults will take place because of the non-extension of bills," the second official quoted above said.

The Business Line, April 16, 2020

11. Govt announces rental relief to companies, start-ups operating in tech parks

The Centre on Thursday decided to waive off four months rental to the IT and ITES companies operating from Software Parks of India (STPI) Centres in different parts of the country.

In view of the challenges thrown by COVID-19 outbreak and consequent lockdown, the Ministry of Electronics and Information Technology (MeitY) has decided to provide a rental waiver to units housed in STPI premises in the country from 01.03.2020 till 30.06.2020 i.e. for 4 months period as of now, said a statement from the government. Software Technology Parks of India (STPI) is an autonomous society under the Ministry of Electronics & Information Technology, Government of India and it has 60 centres across the country. The initiative to provide rental waiver will benefit to nearly 200 IT/ ITeS MSMEs, operating from these 60 STPI centres. Most of the firms operating from STPI centres are tech MSMEs or startups.

The total cost of the rental waiver provided to these units during 4 months period from 01.03.2020 to 30.06.2020 is estimated to be around Rs. 5 Crore. This effort is also in the larger interest of around 3,000 IT/ ITeS employees who are directly supported by these firms.

Deccan Herald, April 16, 2020

12. PM hails RBI measures to improve liquidity

Welcoming a slew of financial measures announced by the Reserve Bank of India (RBI), Prime Minister Narendra Modi said that these steps would improve liquidity and credit supply and also help small businesses, farmers and poor as Home Minister Amit Shah and BJP President JP Nadda maintained that they would go a long way in making the country strong, ensuring "minimum disruption" in people's lives.

Union Home Minister said that the Modi-led Central government is leaving no stone unturned in the fight against COVID-19, "ensuring minimum disruption in people's lives while planning for a strong and stable India in days ahead".

"RBI's decision to extend 25000 cr credit facility to NABARD will greatly help our farmers, 15,000 cr to SIDBI will provide much needed financial stability to MSMEs and startups, boost the Make in India program. 10,000 cr to NHB and liquidity measures for Banks and NBFCs will help too," he said.

BJP president J P Nadda said the RBI measures to deal with the crisis caused by coronavirus will help protect the livelihoods of people by infusing liquidity and improving credit flow. Under the leadership of Prime Minister Narendra Modi, the government is taking all necessary steps to help the economy cope with this crisis arising out of COVID-19", Nadda said. "Initial Rs 50,000 cr to support small & mid NBFCs, refinance facilities of Rs 25,000 cr to NABARD to help farmers, Rs 15,000 cr to SIDBI to boost loans to start-ups & SMEs, Rs 10,000 cr to NHB to support housing for all, will prove to be significant steps," the BJP president tweeted, citing various measures announced by RBI Governor Shaktikanta Das. The RBI Governor announced a reduction in reverse repo rate by 25 basis points from 4 per cent to 3.75 per cent to facilitate bank credit flows amid the coronavirus crisis and subsequent countrywide lockdown which has brought economic activity to a virtual halt. However, it kept the repo rate unchanged. He also announced conducting of targeted long-term repo operation (TLTRO) with Rs 50,000 crore to maintain liquidity in the system, incentivise bank credit flows and enable normal functioning of the market.

The Pioneer, April 18, 2020

13. 72% industries foresee de-growth in sales, reveals FICCI survey

The Covid-19 pandemic is having a deep impact on the Indian economy and sections of the Indian industry. The pandemic is set to leave a 'high to very high' level of impact on the businesses, an industry survey revealed.

Almost 72% of the 380 respondents to the 'FICCI–Dhruva survey', said they do not foresee a positive demand outlook for their business in this fiscal and they expect degrowth in sales in the fiscal year 2020-21. A vast majority also foresee a reduction in their business cashflows and company's order book. The survey clearly highlights that unless a substantive economic package is announced by the government immediately, there could be a permanent impairment of a large section of the industry, which may lose the opportunity to come back to life again. Jobs are also at risk over the coming months as nearly three-fourths of the surveyed firms said that they may look at some reduction in manpower in their respective companies. These findings were revealed in a joint nationwide survey of businesses conducted by FICCI and Dhruva Advisors. Dr Sangita Reddy, President, FICCI said, “The Covid-19 pandemic is causing deep economic harm and could reverse the gains made in the industrial economy over many decades. There is a need to render immediate and sizable support to industry to protect people, jobs, and enterprises.”

Deccan Herald, April 21, 2020

14. Facebook, Jio will collaborate as well as compete

Though Facebook has picked up a 9.9% stake in Jio Platforms and collaborating on the e-commerce front, the two players will continue to compete in other areas. There are several duplications which will continue to exist, executives of both the companies said in a concall after the announcement of the deal. “The construct of this collaboration is not meant to be exclusive,” Ajit Mohan, vice-president and managing director of Facebook India, said.

This was echoed by Anshuman Thakur, head of strategy, Reliance Jio, who said, “At this point, we have identified merchant, SME commerce as something we can collaborate and we can benefit from what WhatsApp already does very well… We will similarly find areas where the skill sets may be more complementary, but this investment or partnership does not mean that we will not compete in the market.” The statement assumes significance because Jio has a messenger app, Jio Chat, which is on the lines of WhatsApp but with much less subscribers. This will continue as before and not get subsumed as part of the deal. Similarly, while WhatsApp is waiting to get final clearances from the government for its payment business, Jio has one up and running Jio Money. This will also continue as before. Since the deal between the two firms is not exclusive, tomorrow Facebook is free to forge any kind of alliance with the likes of Amazon or Flipkart on the retail side. “The platforms remain open, it is non-exclusive, and it is not meant to keep anyone away,” Mohan said when asked specifically on such possibilities.

According to Thakur while the arrangement in the present deal is that Jio will bring commerce and WhatsApp communication on the table, the two will continue to function as independent brands and compete where necessary. “It will be collaboration as well as competition. There will be things where we will be directly competing with each other in the market, the entities are independent of each other in every respect. We have our suite of products and services, the same way that Facebook has its own suite of products and services and we are going to make best use for our respective companies,” he said.

Financial Express, April 23, 2020

15. Centre looking to allow industry to use ESI funds for paying wages

The Centre is exploring the possibility of allowing industry to use the Employees' State Insurance (ESI) scheme funds for payment of wages. In a special e-session, Nitin Gadkari, Minister of Road Transport and Highways and MSME, said the matter is being considered at the "highest level".

It may be noted that a host of industries, including those in the MSME sector, and a few States have urged the Centre to allow the use of funds collected under the ESI scheme for payment of wages, or at least part of the wages amid the lockdown. "A decision in this regard will be taken at the Prime Minister and Finance Ministry level," Gadkari said replying to a query.

The pandemic and the resultant lockdown have made things difficult for employers, particularly in the MSME sector, to ensure payment of wages to all their employees given that the establishments are shut, affecting their revenue generation.

The ESI is a self-financing social security and health insurance scheme which provides comprehensive social security benefits such as reasonable medical care and a range of cash benefits in times of need such as injury, sickness and death. According to Gadkari, the government is also working "minutely" on various packages to help the MSME sector tide over the present crisis.

"We are constantly monitoring the problems of MSMEs and moving towards coming up with policies. We are trying to support the industry because without MSMEs we cannot create employment potential and without employment we cannot remove poverty," he said.

The MSMEs have large amount of payment dues from the Central and State government agencies, and the government is working on a scheme to clear the dues to improve liquidity.

"We are working on a scheme estimated at around ₹1 lakh crore wherein the government will act as a guarantor and all pending payments of the MSMEs will be borne partially by the government and PSUs. It will give a good relief to MSMEs," he said.

(Business Line, April 23,2020)

16. Govt working on scheme to reimburse payment with interest: Gadkari

The Centre is working on a scheme to reimburse pending payments with interest to micro, small and medium enterprises (MSMEs), Union Minister Nitin Gadkari said.

Once implemented, the government's plans towards framing a mechanism for clearance of huge pending dues owed to MSMEs by central and state PSUs as well as corporate players are expected to provide a major relief to the sector battling distress, as millions of units struggle to survive amid mounting losses caused by the coronavirus pandemic.

In an interaction via video conferencing, the minister for MSME and transport said the default on pending payments is one of the "big problems" faced by MSMEs.

Gadkari said he has asked the MSME ministry officials to work on formulating a scheme of Rs 1 to 2 lakh crore.

"Where there is a pending bill, we can reimburse that amount with the interest cost. We will find out some solution, some of the cost will be borne by the government, some of the cost will be borne by the industry, some of the cost will be borne by the supplier and we will take the guarantee for that and MSMEs will get their payment. We are working on it. So that can be a good relief to MSMEs," said the minister.

During the interaction, Gadkari said while the government has allowed certain industry sectors to start functioning, it is also needed to be ensured that necessary preventive measures are taken to prevent the spread of COVID-19. He emphasized on the usage of masks, sanitizers, gloves, etc and advised maintaining a safe social distancing while resuming the offices/business operations. Industries should also arrange shelter and food for the labourers at the work site and focus on preventive measures and business activities simultaneously.

The minister further mentioned that highways and ports have started functioning and over a period, operations will be on track. Regarding the MSME sector's revival, the minister said that special focus towards export enhancement is the need of the hour and necessary practices shall be adopted to reduce costs for power, logistics and production to become competitive in the global market.

Gadkari stressed that there is also a need to focus on import substitution to replace imports with domestic production. He urged enterprises to make use of technology and mentioned that research, innovation, and quality improvement can play a major role in industrial development.

The minister also stated that Japan has offered a special package to their industry for taking out their investments from China and move elsewhere. He sees it as an opportunity to be grabbed by India.

(The Economic Times, April 23, 2020)

17. Hooda demands relief for MSMEs in Haryana

Former Haryana Chief Minister and Leader of Opposition Bhupinder Singh Hooda on Friday said the State government should provide special relief to Micro, Small and Medium Enterprises (MSMEs) and cottage industries immediately, which are reeling under crises owing to the ongoing lockdown.

“Incomes have reduced to zero due to the lockdown and the revenue of the entire MSMEs sector has come to a grinding halt. Despite this, the entrepreneur is constantly burdened with his workers’ salary, loan instalments, rent, commercial tax and fixed electricity bill with no support from the government. It seems as if the government has left them to fend for themselves," said Mr. Hooda in a statement.

"This can result in large-scale of unemployment. Therefore, it is important to consider the demands of these industries while there is still some time for recovery and special economic relief should be given to them," he said.

(The Hindu, April 24, 2020)

18. Rajnath asks Top Commanders to purchase from MSMEs

Defence Minister Rajnath Singh asked the top commanders of the Army, Air Force and Navy to assist in the revival of the economy after the lockdown is lifted by making purchases from micro, small and medium enterprises. He also underlined the need to avoid wastage of financial resources due to the economic burden imposed by the COVID-19 pandemic. Singh asked the commanders to ensure operational preparedness while they are battling COVID-19 "so that an adversary does not exploit the current situation". The minister also asked them to identify and prioritise tasks that could be accomplished quickly.

These matters were discussed during a review of the operational preparedness and measures to fight COVID-19 with all the commanders through a video conference. The Chief of Defence Staff General Bipin Rawat, chiefs of the three defence services and Defence Secretary Dr Ajay Kumar also participated in the conference.

"Defence Minister Rajnath Singh reviewed the operational preparedness as well as measures to fight COVID-19 with all the Commanders-in-Chief through a video conference," the defence ministry said. "Stressing on the requirement of jointness of the armed forces, the Defence Minister asked the Commanders-in-Chief to identify and prioritise tasks that could be accomplished quickly and assist in revival of the economy after the lockdown is lifted," the ministry added.

(The Economic Times, April 24, 2020)

19. SIDBI launches liquidity window for MSMEs, SFBs, NBFCs and MFIs

Small Industries Development Bank of India (SIDBI), the principal financial institution engaged in the promotion, financing and development of Micro, Small & Medium Enterprises (MSMEs), has launched special liquidity scheme for Micro, Small and Medium Enterprises (MSMEs) through banks. The scheme would provide financial support to banks, NBFCs and MFIs by way of term loans to ensure operational continuity and promote onward lending to MSMEs. The tenor of these loans will be 90 days. Mohammad Mustafa, Chairman and Managing Director of SIDBI said, "We were provided a special liquidity window of Rs. 15,000 crore by the (RBI). The funds will be channelized to MSMEs through eligible banks, NBFCs and MFIs.

(IIFL, April 24, 2020)

20. Panel calls for extra support to small biz

The advisory council of the 15th Finance Commission observed that the government needs to follow a nuanced approach in its fiscal response to fight the economic fallout of the Covid-19 pandemic and focus on designing a stimulus package as much as on the size of it.

In its two-day meeting that ended, the advisory council felt that the magnitude of the impact of the ongoing lockdown on public finances is uncertain but will certainly be significant. “Governments will have substantial expenditure burden on account of health, support to poor and other economic agents. The council members felt that the shortfall in tax and other revenues will be large due to subdued economic activity. Hence, fiscal response to the crisis should be much more nuanced. It is important not just to look at the size of fiscal response but also carefully at its design,” the commission said in a note.

The finance ministry is conducting frequent meetings with the Prime Minister’s Office (PMO) to finalise the contours of the stimulus package. Prime Minister Narendra Modi is set to speak to chief ministers of states to further discuss the fallout of the Covid-19 pandemic.

Industry suggested urgent fiscal interventions, including cash transfers of Rs 2 lakh crore to the Jan Dhan-Aadhaar-Mobile (JAM) accounts, additional working capital limits for MSMEs, equivalent to April-June wage bill of borrowers, backed by a government guarantee, at 4-5% interest. The Commission also observed that since small scale enterprises were cash-starved even before the covid-19 outbreak, it is important that a support mechanism be devised to help them as their cash flows have been affected.

“Non-banking financial firms are affected by the slowdown. To avoid bankruptcies and deepening of non-performing assets in the financial sector, measures should be appropriately designed. Measures like partial loan guarantee may help. The Reserve Bank will have a key role in ensuring financial institutions are well-capitalised,” the Commission said.

Two presentations were made at the meeting, one by chief economic adviser (CEA) in the finance ministry K Subramanian on key macroeconomic variables, and another by NITI Aayog member Ramesh Chand on initiatives in agriculture sector. Briefing reporters, FFC chairman NK Singh said the CEA indicated that June quarter GDP print will fully encapsulate the impact of covid-19 pandemic and that he expects a V-shaped recovery rather than a muted one.

Singh said the Commission will wait till March quarter GDP print, which will be available by end May, to make its estimates for FY22.He said the pandemic has fundamentally altered the health requirements of the country and the Commission will make special recommendations on building health infrastructure in its upcoming report to be submitted by October. The Commission said the finances of both central and state governments need to be watched carefully. “As of now, adequate provision for ways and means advances can largely help governments manage cash-flow mismatches. As we move ahead, we need to think of options for financing the additional deficit. It is important to ensure the states get access to adequate funds to undertake their fight,” it added.

(Hindustan Times, April 25, 2020)

21. CBIC clears Rs 10,700-cr refund in 16 days

The Central Board of Indirect Taxes (CBIC) has cleared over Rs 10,700 crore worth refunds in GST and customs duty between April 8-23.

In the 'Special Refund and Drawback Disposal Drive', the CBIC officers have cleared over 1.07 lakh Goods and Services Tax and IGST refund claims worth Rs 9,818.12 crore.

Over 1.86 lakh customs and duty drawback refund were processed totalling Rs 915.56 crore, the CBIC said in a tweet.

"CBIC is committed to help GST Taxpayers/Exim Trade during #COVID19. Expeditious sanction of refunds during Special Refund Drive provide relief to trade, especially MSMEs," it said.

The Finance Ministry had said that to provide relief during COVID-19, it has been decided to issue all pending GST and custom refunds which would benefit around 1 lakh business entities, including MSMEs. The total refund granted will be approximately Rs 18,000 crore, it had said.

The CBIC had earlier asked its field officers to avoid asking for physical submission of documents from entities who are claiming GST and customs refunds and instead use official email for all communication.

The CBIC had said that the decision to process pending refund claims has been taken with a view to provide immediate relief to taxpayers in these difficult times.

(The Economic Times, April 26, 2020)

22. T Bajaj, AK Sharma moved to eco affairs, MSME mins

Two key officers at the Prime Minister's Office (PMO), additional secretaries Tarun Bajaj and AK Sharma have been moved as secretary, Economic Affairs and Secretary, Ministry of Micro, Small and Medium Enterprises (MSME) respectively as a part of a bureaucratic reshuffle.

The reshuffle has been done with an eye on reviving the economy and focusing on the MSME sector, the two focus areas of the government while the country sees a phased exit from the lockdown.

Their replacements at the PMO were not immediately announced – Bajaj and Sharma, both from the 1988 batch, were the only additional secretaries posted at the PMO and handled a host of responsibilities. Sharma was with the PMO since 2014 after the new government came in while Bajaj has been at PMO since 2015.

Bajaj has served as a Joint Secretary in the Department of Economic Affairs for a year before that. Both got promoted as additional secretaries during their stint at the PMO.

Union Health Secretary Preeti Sudan has meanwhile been granted a three-month extension beyond April 20, her date of retirement, in wake of the Covid-19 crisis while senior IAS officer Amit Khare has been brought back as Secretary, Information and Broadcasting Ministry.

(The Economic times, April 27, 2020)

23. Tax super rich, say IRS officials

A report prepared by Indian Revenue Services (IRS) officials has proposed raising income tax rate to 40% for those earning over Rs 1 crore a year for a limited time period, reintroduction of wealth tax for individuals with net wealth of Rs 5 crore and imposition of a one-time Covid-19 cess of 4% on taxable income of over Rs 10 lakh to mobilise revenue in the aftermath of the pandemic.

Among other measures, the report suggests that inheritance tax, which was abolished in 1985, should be brought back as this would reduce concentration of wealth, widen tax base and enhance revenue. It also proposed that equalisation levy or 'Google tax' should be raised by 1-7% for ad services and 3% from 2% for e-commerce to tap revenue from online services that have flourished during the pandemic.

(Financial Express, April 27,2020)

24. Covid-19: TN seeks Rs. 1,000-cr NDRF grant

The Tamil Nadu Chief Minister Edappadi K Palaniswami today requested Prime Minister Narendra Modi for an immediate ad-hoc grant of ₹1,000 crore from National Disaster Relief Fund to procure medical and protective material.

The Chief Minister's Public Relief Fund may be made eligible to receive Corporate Social Responsibility (CSR) contribution under Schedule-III of the Companies Act, 2013, he urged Modi in a video conference to discuss issues related to Covid-19.

Palaniswami also urged Modi to announce a relief package to ease the immediate burden on the power sector, which will help distressed Discoms.

For the MSME sector, the Chief Minister sought support for payment of salaries to employees, payment of PF and ESI dues; waiver of interest on term loans and working capital loans for a period of six months. Payment of GST Advance Tax and I-T may be deferred for six months to help the MSMEs, he said.

(Business Line, April 27, 2020)

25. Centre considering proposal to guarantee Rs. 3L-cr MSME Loans

India is considering a proposal to guarantee as much as 3 lakh crore of loans to small businesses as part of a plan to restart Asia's third-largest economy, which is reeling under the impact of a 40-day lockdown, people with knowledge of the matter said.

Under the proposal, small businesses will be eligible for an additional 20% of their outstanding credit limit, which will be fully backed by Prime Minister Narendra Modi's administration, the people said, asking not to be identified as the discussions are private. The loans will be extended by banks, financial institutions and shadow lenders, the people said. The government will set up a special fund to pay for any defaults, they said.

The government and regulators are slowly coming out with programs as everyone from companies to fund managers struggle under the world's biggest stay-at-home restrictions, which has halted manufacturing and wiped out consumption.

(Live Mint, April 27, 2020)

26. How the economy could roar to life after the lockdown is lifted

In less than a week, India will be looking forward to emerging from the lockdown that covid-19 forced upon it. Having persuaded a country of over 1.3 billion people to lock themselves indoors, with admirable success, the government now has to do an about-face. It has to cajole and encourage millions of Indians to cross the Lakshman rekha (do-not-cross line) so that millions of others can continue to stay safely and sustainably indoors. For that, I would suggest the following:

First, the government should announce a package to provide cash to businesses without many restrictive eligibility criteria—soft loans with a repayment schedule starting a year from now—but impose other long-term quid pro quo terms such as large businesses mandatorily using the Trade Receivables Discounting System (TReDS) to discount suppliers' bills. Government departments must set an example and encourage their suppliers to discount their invoices through this system.

The KV Kamath Committee report on the financial architecture of the micro, small and medium enterprises (MSME) sector had recommended that the fulfilment of Know-Your-Customer requirements by firms registered with the TReDS be deemed as recognition of their MSME status. This is essential so that a corporate entity is not able to escape the penalty for a payment delay on the plea that it did not know the MSME status of a payee firm.

Further, Mani Iyer, working with TVS Investments, makes an excellent suggestion in his personal capacity. As soon as an MSME is registered on the platform, a notice shall go to all companies to which it supplies materials of its registration. Once this is done, even if the MSME does not wish to factor its bills, payment in full by a corporation can be affected through the TReDS platform. This creates a documentary trail, which can be used to establish an operational and financial track record of MSMEs. Suitable provisions are available on the platform. Currently, more than 100 public sector enterprises (PSEs) are registered on the Receivables Exchange of India Ltd (RXIL), a TReDS platform, but invoices are discounted/factored for only 14 PSEs. Second, ways must be to found to lock in the current price of oil for the next few years. Entering long-term contracts at negotiated prices with select supplier countries will confer an economic advantage and offer political leverage. The information gains of knowing India's oil import bill and customs duty receipts for two years will be inestimable. Simultaneously, construction should begin to create extra oil storage capacity for up to six months. This activity would also serve as a stimulus.

Third, set up a special purpose vehicle (SPV) like Temasek of Singapore to park all government stakes in PSEs and begin monetizing it by issuing securities against them. The proceeds from the sale of such stakes could be invested in important sectors. First in line for this investment should be healthcare and health infrastructure.

Fourth, there is much talk of attracting companies looking to diversify out of China. More important than getting a few things right is not doing anything wrong. For instance, the standard approach of promising plug-and-play facilities, unless they already exist in special economic zones, is unlikely to be effective. Also, one arm of the government should not undermine the efforts of another. Take the case of India's phased manufacturing programme (PMP) for mobile devices. By all accounts, it is a remarkable success. The number of units making mobile phones and accessories rose from just two in 2014 to over 260 in 2019, turning India into the world's second-largest mobile phone manufacturer. Some 95% of these units are assembled locally. Progress further up the value chain, however, has not been satisfactory.

Even as the government was pursuing PMP, India signed free trade agreements with Vietnam and the Association of Southeast Asian Nations, which did not account for the PMP's goals. The agreements offset the differential duty on components and led to a 33% jump in component imports from Vietnam to $800 million in 2018-19, a figure that topped $1 billion in just the first half of 2019-20. Such lack of coordination needs to be avoided.

Fifth, tech billionaire Sridhar Vembu, who founded Zoho Corp, suggested this for the long-term: “The Government of India should think of an autonomous body like the Election Commission headed by a strong and competent individual that identifies the 100 or so strategic technologies and industries and annually ranks Indian vendors against the global best and if this body is not corruptible, then companies will start to take the ranking seriously. India must benchmark itself against the best in the world." Any government concession or incentive, including any of the fiscal kind, must be linked to the performance of businesses on these benchmarks. Post-lockdown, if the Indian government could re-imagine and relaunch itself thus, then the hardship caused by the virus could become a distant memory soon.

(Live Mint, April 27, 2020)

27. Mamata demands packages to help States overcome crisis

Assuming from Prime Minister Narendra Modi’s statements during his meeting with the Chief Ministers that the corona-induced lockdown may be extended at least till May 21 Bengal Chief Minister Mamata Banerjee demanded certain sops and packages to help the States and the people to overcome the crisis.

Her demands include special packages including Rs 10,000 per month for those employed in the MSMEs and unorganized sector apart from a rate cut for the States borrowing from the Reserve Bank of India.

“Only tall talks will not suffice. Things have to be implemented at the ground level and for that the States’ financial burden will have to be shared by the Centre. We are spending crores for PPEs, masks and other infrastructure and want the Centre to compensate for those expenses,” she said.

“In the earlier meeting I had raised the point of extending the number of working days for the workers under 100-days work scheme to 150 days,” she said. Claiming that the States which had been suffering more should have been given time to present their problems in the meeting with the Prime Minister Banerjee said “I don’t want a confrontation with the Centre at this juncture but at the same time I will ask them to come out with a short term, middle term and long term plan to tackle the issue,” adding Delhi “must consult with the States before taking any decision.”

Saying that she could have raised a number of issues “if I were not to sit a silent listener for three hours during the meeting,” Banerjee later not only demanded packages but also asked the Centre to bring some clarity in its circulars.

“We have to follow the Centre’s guidelines, which is fine enough. But they have to keep in mind that it is the States which have to finally implement what they say. But they must bring clarity in their circulars. For instance, they are telling us to strongly implement the lockdown but at the same time making unilateral announcement in providing relaxation to some areas like shops etc. In that case we get confused. Let them make things clear and discuss them out with the States before issuing such circulars," she said.

Banerjee also said that the relaxation of lockdown if any in future should be made conditional to non-opening of the railways, flights and inter-state bus services. About the people stuck up in different states the Chief Minister said she was prepared to take them in if they are sent back after conducting the corona tests. "I have no problem in taking them in but for that they will have to be brought after conducting tests," she said.

Claiming that she could have make a number of points had she been allowed to speak in the Monday's meeting Banerjee said "I would have asked about the justification of sending a central team to monitor the lockdown process as no state will want any deterioration in the situation."

Referring to the Inter-Ministerial Central Team which was currently touring Bengal amid complaints of non-cooperation from the State Government she asked "what will our officers do? Will they devote their time to provide service to the central team or will they work for the people and containment of the disease at the ground level," and said "a central team is welcome to assist the State Government and not to create hassles."

The Chief Minister also suggested home treatment for the corona infected patients saying those who were contracting the disease could get themselves treated from their homes.

(The Pioneer, April 28,2020)

28. Once lockdown ends, govt plans Make in India boost

After the extended, 40-day Covid-19 lockdown that ends May 3, the government plans to aggressively push its Make in India programme by offering domestic and foreign manufacturers policy and fiscal incentives to manufacture locally even as it increases import duty to make imports expensive, two government officials familiar with the plan said. Also, in the works are measures to encourage local entrepreneurs to take on multinational e-commerce giants such as Amazon and the Walmart-owned Flipkart, they added. The overall objective is to boost both manufacturing and services, and generate jobs, the officials said.

The governments of some Covid-hit economies and executives of global corporations seeking alternatives to manufacturing in China have made overtures to the Indian government about setting up factories here, two of the officials added. "The new opportunity is in sync with India's ongoing 'Make in India' initiative. Fresh policy decisions and fiscal incentives will be announced to take it further after the lockdown is eased. India needs to assure both its domestic and foreign investors, whether existing or potential, that it will also protect them from any import surge, particularly from China," one of the two said.

A vast market of 1.3 billion people, a relatively inexpensive workforce, and its democratic credentials are expected to hep India make its case, although the complexities of doing business in India (which have improved vastly in recent years), and poor infrastructure could play spoilsport. Experts also point to the policy flip-flops associated with doing business in India. The Make in India programme dates back to 2014, the first year of the Narendra Modi government's first term in office, and was aimed at attracting investments in manufacturing, which contributes just18% to the economic output of Asia's third-largest economy. The government followed up the programme with measures to improve the ease of business and loosen tough labour laws.

The new incentives are aimed at burnishing India's attraction as an investment destination for manufacturing companies. A thorough review of import duties is now underway with the objective of encouraging manufacturing or value addition in India, said the second official cited above. "Import of raw materials will be made increasingly cheaper, but higher duties will be levied on finished goods."

Sectors in which such measures are under consideration are electrical machinery, electronics, organic chemicals, plastic products and medical equipment, the officials said. Some of the ground for the next phase of Make in India has already been prepared with two announcements -- a deep cut in the corporate tax rate to 22% for existing companies and 15% to new ones, in September 2019, and an import duty hike on a host of products, from footwear and furniture to electrical appliances and toys, in the February 1 budget for 2020-21.

Union finance minister Nirmala Sitharaman said in her budget speech: "It has been observed that imports under Free Trade Agreements (FTAs) are on the rise. Undue claims of FTA benefits have posed a threat to domestic industry. Such imports require stringent checks." She added that "cheap and low-quality imports are an impediment" to the growth of micro, small and medium enterprises (MSMEs)".

Major global economies will support Make in India in the post-Covid-19 era as they make a conscious effort to relocate their manufacturing activities away from China, said DK Srivastava, chief policy advisor at global consultant EY India.

"India is an attractive destination in the medium to long term basis because of its high share of working age population. In terms of policy support, the CIT [corporate income tax] reforms undertaken last year will come in handy. A 15% CIT rate for new manufacturing units is highly competitive."

The second official quoted above said India would take the spirit of the Make in India campaign to services. "The government is considering encouraging Indian enterprises in domestically developed services such as e-commerce."

The Department for Promotion of Industry and Internal Trade (DPIIT), along with domestic retailers, is planning to develop a national e-commerce platform that can be used by over 70 million kirana stores to accept orders online.

The platform will connect domestic manufacturers, distributors, wholesalers, retailers and consumers, the official said.

India must look beyond the domestic market, experts said. India's primary strength lies in the services sector and in labor-intensive and skill-intensive manufacturing, Srivastava said. "This is why we have export advantages in traditional areas such as gems and jewellery and modern areas such as engineering goods and pharmaceuticals. In the longer run, we have to focus not only on Make in India but also on developing exports both in manufacturing and services."

Federation of Indian Export Organisations (FIEO) President Sharad Kumar Saraf said the post-Covid era is likely to see the shift of manufacturing of all types of products away from China. But issues related to land, labour and uncertainty in taxation are limiting the success of Make in India, he added.

"Radical reforms are needed in all three areas. What more we need is policy and fiscal incentives in terms of ease of doing business, easy availability of finance for the industry and, above all, better infrastructure including both transport and logistics."

According to official data, India's overall exports -- merchandise and services combined -- earned $528.45 billion in the financial year that ended on March 31, 2020, a 1.36% decline from the previous year. Imports shrank 6.33% in the year to $598.61 billion.

India-China bilateral trade is heavily tilted in favour of China. According to trade figures released by the General Administration of Customs of China (GACC) in mid-January 2020, India's trade deficit with China was $56.77 billion in 2019; bilateral trade amounted to about $92.68 billion last year, a 1.6% annual increase.

(Hindustan Times, April 28,2020)

29. Centre mulls extending interest subsidy scheme for exporters

With exporters seeking assistance to survive the Covid-19 crisis that has disrupted businesses globally, the Centre is looking at extending the interest equalisation (subsidy) scheme for select sectors for some more time, say officials.

The Commerce and Industry Ministry is in discussions with the Finance Ministry and the Prime Minister's Office on the need to re-introduce or extend the interest equalisation scheme, which is basically an interest subsidy scheme for exporters from select sectors that lapsed on March 31, 2020, a government official told.

The plan is to extend the popular scheme, which benefits a wide range of exporters, by at least a few months. "Exporters urgently need financial help as not only are they losing orders with production halting due to the national lock-down but their shipments and payments are also stuck. If the interest equalisation scheme, which provides credit at a lower interest rate, is not extended, they may be further crushed," the official said.

The scheme, earlier called interest subvention scheme, was announced for a period of five years, from April 1, 2015 to March 31, 2020, for 416 selected tariff lines, many of them involving labour-intensive production, such as readymade garments, automobile parts, processed agriculture/food items, handicrafts, glass and glassware, medical and scientific instruments and pharmaceuticals. The scheme also covered all items exported by the MSME (micro, small & medium enterprises) sector. While the scheme initially offered a 3 per cent subsidy on pre- and post-shipment export credit to all beneficiaries, the rate was enhanced to 5 per cent for the MSME sector in 2018. Industry bodies and exporters' organisations have already urged the government to extend the scheme.

"Most exporters are hopeful that the interest equalisation scheme will be extended given the dire situation they are in but the delay in decision-taking is making them restless. The Commerce & Industry Ministry is trying to expedite the process," the official said. While the Foreign Trade Policy, which was to lapse on March 31, 2020, was extended by the Centre by one year, no decision was taken on the interest equalisation scheme.

India's exports of goods in March 2020 plummeted 34.57 per cent to $21.41 billion (year-on-year) as the spread of Covid-19 across countries disrupted production and supply chains globally. This pulled down overall export figures for financial year 2019-20 by 4.78 per cent to $314.31 billion. Exporters fear that performance in April and May would be worse when the full impact of the Covid-19 crisis plays out.

(Business Line, April 28, 2020)

30. BRICS calls for providing support to MSMEs

India joined its BRICS partners — Brazil, Russia, China and South Africa — in a call for providing support to businesses, especially MSMEs, to tide over the Covid-19 crisis and ensure livelihoods are not lost, even as the likelihood of a BRICS summit to be hosted by Russia in July this year looks increasingly remote.

Addressing the BRICS ministers of foreign affairs video conference convened by the current BRICS chair, Russia, external affairs minister S Jaishankar emphasised that the pandemic is not only posing a great risk to the health and wellbeing of humanity but is also severely impacting global economy and output by disruption of global trade and supply chains. In 2018, the GDP of all BRICS countries amounted to approximately $19.61 billion.

"Economic activity across sectors has been negatively impacted leading to loss of jobs and livelihoods," said Jaishankar, underlining the urgency of reforms of multilateral systems as reformed multilateralism was the way forward. The brainstorming session, initiated by Russia, to muster a joint BRICS response to counter the pandemic, is the first meet of the five-nation bloc since the outbreak of the coronavirus pandemic and in the run-up to the summit in St Petersburg in the third week of July. India will hold rotating BRICS presidency in 2021.

(The Financial Express, April 29, 2020)

31. Covid-hit units get Rs. 10K cr from banks

Ahead of finalising the package for industries hit by Covid-19, the Union finance ministry reviewed support extended by large public sector banks (PSBs), including via the emergency credit line, to affected firms. State Bank of India (SBI) and Bank of Baroda (BoB) have together sanctioned close to Rs 10,000 crore as immediate credit assistance to the affected units.

PSB executives said this was a regular review with top officials of large banks, including SBI. There was also discussion on working capital re-assessment. Banks have built internal capacities for assisting companies, including micro, small & medium enterprises (MSMEs). Feedback from interactions is expected to act as an input for policies that are in works. However, it is not clear when the package would be finalised, officials said.

A SBI executive said the bank is giving these emergency loans to those in need. It does not involve elaborate scrutiny. Only thing is that they (borrowers) have to establish the Covid impact. The sanctions under this scheme are about Rs. 8,000 crore.

On March 20, SBI framed the emergency loan scheme for existing borrowers whose operations are impacted by Covid 19. The credit is meant for meeting the temporary liquidity mismatch arising out of Covid 19. It carries 7.25 percent (per annum) fixed rate of interest. The maximum loan that could be availed under the special scheme is capped at Rs. 200 crore. This loan facility will be made available as fund-based limits only. The scheme will be in force till June 30.

A BoB executive said it has sanctioned approximately Rs. 2,000 crore under the emergency credit line for MSMEs too around 48,000 units.

(Business Standard, April 29, 2020)

32. SMEs need I-T relief

Everyone will be hoping that India is entering the beginning-of-the-end phase of the lockdown. As India limps back to normalcy, small and medium entrepreneurs would be hoping that the much-expected stimulus package from the government is announced and implemented soon. Irrespective of what the contents of the stimulus package are, the SME entrepreneur will be waiting expectantly for some relief in income-tax provisions.

At some point in time, our SME entrepreneur will have to close his books for the year ended March 31, 2020 and file his tax returns. At that point in time, he would have a fair idea about the impact that Covid-19 and the lockdown has had on his business. It is possible that some of his trade receivables may no longer be receivable due to the fact that persons from whom this has to be received has informed him about their inability to pay. In some instances, part-payments could be realised while in others, nothing could come in.

Once the entrepreneur informs his accountant about this, the latter would do what they are trained to do — create a provision for these receivables. The popular term for such a provision is a rather dramatic 'Provision for Bad and Doubtful Debts', while Ind ASs (Accounting Standards) have a more pleasant name — 'Impairment of Trade Receivables'.

Irrespective of the name, the entrepreneur is going to ask his tax consultant whether the provision can be claimed as a deduction under income tax while filing his return. These days, most tax consultants have a single response to permissible deductions under income tax laws — "will check and revert".

The tax consultant would respond that there are no clear provisions either in the Income Computation and Disclosure Standards (ICDSs) or in the Income Tax Act on whether a provision for bad and doubtful debts can be claimed as a tax expense. The stimulus package can resolve this by permitting a deduction for impairment of trade receivables due to Covid-19. To ensure that the taxpayer does not use this as a tax-planning mechanism, a limit based on the age of the debt could be prescribed.

Our SME entrepreneur could also find out that some of his plant and machinery have also been impaired due to the lockdown. Accounting Standards permit making a provision for impairment losses while ICDSs and the Income Tax Act are silent on this. Here again, a one-time provision can be introduced to permit Covid-related impairment losses. Again, the tax department could be worried about misuse of this provision. But it can take comfort in the fact that that an impairment would show up in some other form — usually in a reduction in sales or an increase in expenses.

In the first instalment of relief measures, all regulators pushed all compliance dates to end-June hoping that the worst would be over by then. GST laws followed suit. Our SME entrepreneur would have paid GST on the basis of an invoice raised pre-Covid but the invoice might not get paid post-Covid. As per the present position in GST, he will not be able to reverse the GST paid by him. It would not be far-fetched for the SME entrepreneur to expect that, during a pre-defined period due to Covid-19, GST is paid only on amounts invoiced and collected.

(Business Line, April 29, 2020)