EDITION: SEPTEMBER 2020

ISSUE – 49

NEWSLETTER

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

WELCOMES NEW PRESIDIUM

Mr. R. Narayan
President, FICCI-CMSME &
Founder & CEO, Power2SME Private Limited

Mr. Girish Luthra
Senior Vice President, FICCI-CMSME &
Chairman, Luthra Group of Companies

Ms. Harjinder Kaur Talwar
Vice President, FICCI-CMSME &
MD & CEO, Comvision India Private Limited

FICCI CMSME | connect
Bringing Businesess Together
www.ficcicmsmeconnect.in

ARE YOU LOOKING FOR BUSINESS OPPORTUNITIES ?

REGISTER AT FICCI-CMSME CONNECT PORTAL

www.ficcicmsmeconnect.in

Online Directory & B2B Portal

For more details, please contact at cmsme@ficci.com

FICCI - Confederation of Micro, Small and Medium Enterprises (CMSME)

FICCI CMSME

Empowering MSMEs

Confederation of Micro, Small and Medium Enterprises (CMSME) established in December 2013 with a vision to empower Indian MSMEs and build their competitiveness is an affiliated body under the umbrella of the Federation of Indian Chambers of Commerce and Industry (FICCI), an apex Chamber of Commerce & Industry of India. FICCI has tie ups with over 300 industry associations and chambers worldwide.

What we do……

- Provide a holistic grid to connect MSMEs with mentors, incubators & accelerators and assist them through capacity building programs & services
- Help MSMEs explore different government schemes
- Deliberate on policy issues that impact performance of the MSME sector and provide effective channels to communicate issues and concerns to government at the center and states as well as to other regulatory bodies and banks
- Provide regular interface between Industry, Government and regulators through workshops, round tables and representations and interactive sessions with to create an enabling environment for further growth of the sector

Areas of focus……

- Policy Consultation with Government
- Marketing & Quality Standards including Packaging
- Finance
- Technology & Innovation
- Legal & Taxation
- Procurement
- Environment
- Start-up & Entrepreneurship

Services & Benefits…..

Services	Benefits to Members
Procurement of Raw Material*	Decrease in Cost
Quality	Improve quality & standard through expert training programmes @ discounted rates
Intellectual Property	IP services at more than 50 per cent discounted rates as compared to those available in the market directly from the experts
Resource Conservation & Management	Enhancement in competitiveness and cost saving through resource optimization, sustainable use of the resources (raw material, energy, water etc.) and effective management of wastes generated (Energy, Water, etc Audits at competitive rates)
Advisory Services through External Experts	Insurance, Exports, Taxation, Financing, etc
Access to CMSME CONNECT Portal with B2B Facility **www.ficcicmsmeconnect.in**	Connect with other CMSME Members and Explore Business possibilities

Opportunities……

1 Networking - Platform to interact amongst members, state & central governments - Platform to meet global business and political leaders - Participation in seminars, training programmes, conferences and meeting - Platform to network with industry leaders	10% discount for CMSME members on participation Fee of FICCI events *(applicable only on the fee component charged by FICCI)*
2 Business Services - Opportunity for participating in Sectoral delegations both in India and Overseas - Participation in trade fairs and exhibitions - Develop business through buyer-seller meets - Government Notification Updates - Connect with other CMSME Members and Explore Business possibilities	10% discount for CMSME members on participation Fee of FICCI events *(applicable only on the fee component charged by FICCI)*
3 Knowledge series	Free Access to Policy Papers, Studies & Surveys, MSME Newsletters

Membership

Membership Categories

- **Associate Membership**: For enterprises involved in profit making activities in manufacturing/services
- **Organisation Membership**: For Non-Profit Industry Associations involved in growth and development of MSME sector.

Both categories have two options: 1) Patron Membership: This is a lifetime membership of CMSME and as a privilege member, Patron Member gets an opportunity to be a part of Executive Committee of CMSME **(2) Annual Subscription**: Annual Membership remains valid for one year and follows Financial Year i.e. April – March. As the year closes on March 31, all annual memberships with CMSME subscribed anytime during the year, become due for annual renewal.

How to Apply for Membership

- **Online Application:** Link: http://ficci-cmsme.in/membership/member-login.asp Membership can be applied at the above link by selecting 'New Registration'. After a brief registration, one will receive an auto generated email in inbox (sometimes in spam folder) of registered email ID containing login-ID & Password for CMSME Membership. The above link may again be visited and now log-in can be done with the details received to registered email ID to complete the profile for Membership.

- **Offline Application:** One can always apply offline by submitting Membership Form along with other necessary documents to the Secretariat. For forms you may contact FICCI-CMSME secretariat.

Membership Fee

There are two components in the fee structure of CMSME Membership and applicable GST (18%) is levied on both components. **(1)** One-time Admission Fee: Admission Fee needs to be paid at the time of enrolment of Membership **(2)** Subscription Fee: Annual Subscription Fee is based on Annual Turnover of Organisation in the immediate completed last Financial Year. If the enrolment is done during October - March, the annual subscription fee is reduced to 50%. Patron Membership Subscription Fee is not dependent on Annual Turnover.

For any query please feel free to contact:

Mr Hemant Seth/ Mr Sumitra Nandan Srivastava / Ms Medhavi Gupta
Treasurer & Director / Sr Assistant Director / Executive Assistant
FICCI- CMSME
Federation House, 1, Tansen Marg, New Delhi 110 001
Tel: 91-11-23487307 / 23487491 **Fax**: 91-11-23320714
Email: cmsme@ficci.com; **Website**: www.ficci-cmsme.com

FICCI CMSME | connect Bringing Businesess Together www.ficcicmsmeconnect.in

FICCI CMSME

CONTENTS :

FICCI CMSME

MSME NEWS UPDATE

1. Yogi Govt plans toy city along Yamuna e-way

The Yogi Adityanath government is planning to set up a 'Toy City' along the Yamuna Expressway in the state. The decision to speed up the planning came after Prime Minister Narendra Modi batted for a local toy industry in his radio programme “Mann ki Baat'. Uttar Pradesh does not have an established toy industry as such though toys from Jhansi have been included in the “One District One Product' scheme.

Additional Chief Secretary MSME, Navneet Sehgal, said that around 70 entrepreneurs have shown interest in setting up toy units in the state. “We have even prepared a basic draft proposal for the same and are now working towards setting up a toy city,” he said.

Sources said that the state government would provide subsidised land under the MSME provisions and also make arrangements for the raw material needed for the toy industry. The toy industry in the country is worth about Rs 10,000 crore and according to the International Market Analysis, Research and Consulting Group, Indian participation in the global toy industry is merely 0.5 per cent.

In the Indian market, the locally made toys account for merely 12 per cent. The majority of the toys are imported from China and other countries. Varanasi, which is Prime Minister Narendra Modi's parliamentary constituency, is known for its wooden toys that have lost their sheen over the years. Dr Rajnikant, a Padma Shri awardee who works for the conservation and promotion of traditional crafts, said, “Around 3,000 artisans, including craftsmen and craftswomen, earn their livelihood by making toys out of wood in Varanasi.” He said that the wooden toys are exported to the US, Russia, Latin American countries, European countries, including Germany and Spain, several South-East Asian countries and the Gulf. The craftsmen, however, feel that they lag behind when it comes to the promotion and advertising of their products. Raghuveer, a toy maker, said, “What we need is an aggressive marketing policy to popularise our toys. The government should lend a helping hand because this cannot be done on an individual basis.”

The local artisans make traditional wooden toys, including wooden utensils, spinning top, small wooden birds and animals. They also carve many decorative items out of wood. These are especially used on the occasions of Shri Krishna Janmashtami and Deepawali. Lacquerware and wooden toys made in Varanasi, Sonbhadra, Chandauli and Mirzapur got the Geographical Indication (GI) tag in 2015.

The Pioneer, September 02, 2020

2. Moratorium on loan repayment extendable by 2 yrs: Centre, RBI to SC

The Centre and Reserve Bank of India informed the Supreme Court that the moratorium on repayment of loans is extendable by up to two years but a waiver of interest on interest during moratorium would go against the basic canons of finance, On August 6, a RBI circular had permitted lenders to allow a moratorium of up to two years.

In an affidavit, the Ministry said: “The resolution plans may inter alia include rescheduling of payments, conversion of any interest accrued, or to be accrued, into another credit facility, or, granting of moratorium, based on an assessment of income streams of the borrower, subject to a maximum of two years." The affidavit was filed in response to a bunch of petitions demanding waiver of interest, or waiver of interest on interest on the deferred EMIs during the moratorium period.

The affidavit stated that the moratorium period, if granted, shall come into force immediately upon implementation of the resolution plan. Appearing for the RBI and the central government, Solicitor General Tushar Mehta contended before a bench headed by Justice Ashok Bhushan that the Centre is in the process of identifying the distressed sectors to decide what kind of relief could be provided, as per the impact of the hit they have taken.

The ministry said with the August 6 RBI circulars, banks were fully empowered to resolve Covid-related stress and customise relief to individual borrowers through grant of various concessions in terms of: "(i) alteration in the rate of interest and haircut on amount payable as interest; (ii) extension of the residual tenor of the loan, with or without moratorium, by up to two years; (iii) waiving penal interest and charges; (iv) rescheduling repayment; (v) converting accumulated interest into a fresh loan with a deferred payment schedule; and (vi) sanction of additional loan."

The Ministry said the RBI circulars take care of the MSME sector, personal loans and corporate loans, keeping in mind the overall financial stability of the economy, economic stability of the banking sector and interest of the depositors in mind. "It is respectfully submitted that considering the fact that the time limit for continuance of the present economic issues is uncertain, as a policy it is undesirable to give any 'one-size fit all' solutions," said the affidavit.

The ministry insisted that in any banking sector when financial assistance is rendered by way of loans, a balance has to be maintained with the interest of crores of depositors, most of whom are merely depositors and surviving on the interest they receive on their deposits.

"On an approximate basis, there are over 197 crore deposit accounts in the country in commercial banks alone, in which depositors have deposited their money and are earning interest," added the ministry. Elaborating on the extendable moratorium, the ministry said this extended moratorium becomes part of an individualised solution for a borrower and is made available along with other interventions.

"Thus, a borrower, who is fearful of being in default as on 1st September and becoming an NPA soon thereafter, could continue to avail moratorium as a part of the resolution plan implemented in terms of the above circular," said the ministry. The moratorium is capable of being extended by two years as per the circular. It was also informed to the top court that the Centre has filed its reply on the powers under Disaster Management Act, and urged the court to allow Centre, RBI, bankers associations to sit together.

The Statesman, September 02, 2020

3. **Ministries, CPSEs paid Rs 6,800 crore in dues to MSMEs**

The government on Wednesday said that ministries and central PSUs had cleared dues of over Rs 6,800 crore to MSMEs during the last three months. Now, nearly three-fourths of the dues to small businesses are being cleared during the same month, the MSME ministry said, adding that the pendency period is now under 45 days. As a deterrent, the government has ordered that buyer organisations that do not pay on time will face monthly penalty of 1%.

The Times of India, September 03, 2020

4. **Sitharaman to lenders: Don't let Covid distress impact borrowers' credit scores**

Finance Minister Nirmala Sitharaman asked lenders to put in place their board-approved resolution policies by September 15 to enable borrowers to deal with stress in loan accounts resulting from the impact of the Covid-19 pandemic.

According to an official statement, Sitharaman told the heads of banks and NBFCs at a meeting over video link that "as and when moratorium on loan repayments is lifted, borrowers must be given support and Covid-19 related distress must not impact the lenders' assessment of their creditworthiness." Sources said the banks and NBFCs sought some changes in the resolution framework outlined by the Reserve Bank of India.

The lenders suggested that the current proposal to allow restructuring of loans that were overdue for up to 30 days should be extended to those that were overdue for at least 60 days. Some lenders also suggested a relaxation in the outer limit of extending the repayment terms by two years wherever possible, depending on the residual tenure of the loan, the sources added.

As of now, only those companies and individuals whose loan accounts are in default for not more than 30 days as on March 1, 2020 are eligible for one-time restructuring. For corporate borrowers, banks can invoke a resolution plan until December 31, 2020, and implement it until June 30, 2021.

Such loan accounts should continue to be standard till the date of invocation, the lenders suggested. "We also suggested that the provisioning amount can be somewhat lower for accounts that are restructured," the head of an NBFC said. Most banks and non-banking financial companies (NBFCs) expect the restructured framework to be in place by the middle of the month.

The meeting focussed on quick implementation of a sustained resolution plan by lenders for revival of every viable business. The banks told the Centre they had finalised their resolution policies and started the process of identifying and reaching out to eligible borrowers. For retail loans, banks will put out their individual policies; modalities for recast of corporate loans will be worked out after an expert panel led by KV Kamath submits its report to the RBI, which will issue final guidelines.

An early restructuring of stressed accounts will also prepare banks to step up lending ahead of the festive season. The Finance Minister asked lenders to proactively respond to the needs of companies and businesses, and individual borrowers, and to spearhead the efforts for rebuilding businesses desperate for help owing to Covid-19-related distress, the government statement said.

"The government wants banks and financial institutions to push loan disbursal to businesses and individuals," said a banker. The Centre also reviewed implementation of various initiatives announced under the Atmanirbhar Bharat package.

The Indian Express, September 04, 2020

5. **Gadkari asks auto and components industry to discourage imports**

Union minister Nitin Gadkari asked Indian automobile and components industry not to depend on imports and develop local substitutes for products bought from overseas, saying the country's auto sector has the potential to be the top global manufacturing hub.

The government has also taken several steps to encourage Indian companies to export more, and the components sector has an opportunity to take advantage of measures like changing the definition of MSMEs, the Road Transport and Highways minister said while addressing a session. "I request you, don't encourage imports. Try to take the initiative to find out the alternative, or how can we make import substitutes in India," he said.

He further said while making those products in India, "Initially the profit margin may be less but when you get the volume, you can be the most important company for exports. I have 100 per cent confidence in you." Gadkari, who also holds the MSME portfolio, exhorted the components sector to improve production, technology and quality and take advantage of India's cost competitive labour to be a force in the global arena and contribute even more to the country's GDP.

Exuding confidence about the sector, he said, "We can make the Indian automobile industry, within five years, as a number one automobile manufacturing hub in the world." Stating that the automobile sector is one of the important sectors in the country, he said one of the most significant contributions of the industry is in employment generation apart from its contribution to the country's GDP.

He also expressed hope that the auto industry can play a lead role in the government's vision of self-reliant India. "I feel that the government will be supportive of increasing production, increasing exports and increasing more value addition in the country," he added.

Mint, September 05, 2020

6. **Govt expands support to artisans for boosting agarbatti production**

The government has expanded the support to artisans involved in agarbatti making as part of a programme aimed at making India self-reliant in the production incensed sticks, an official release said. The MSME Ministry had recently approved the 'Khadi Agarbatti Aatmanirbhar Mission' towards creating employment for the unemployed and migrant workers in different parts of the country, handholding artisans and supporting the local agarbatti industry.

"Further to its launching the support programme on July 30, 2020, the Ministry has looked at all aspects of the industry, beyond just supply of machines for making agarbatti. This includes ensuring supply of inputs and raw materials, the demand for which has increased hugely in last one year," an official statement said.

The current consumption of agarbatti in the country is approximately 1,490 MT per day. However, per day production of agarbatti in India is just 760 MT. The deficit is met through imports primarily from China and Vietnam. To make India self-reliant in this sector, the total size of the programme, has been increased to more than ₹55 crore, which will include immediate support to about 1,500 artisans of about ₹3.45 crore, development of two centres of Excellence costing at ₹2.20 crore, the MSME Ministry said.

The two centres of excellence will be developed at IITs/NITs and at Fragrance and Flavour Development Centre Kannauj, besides setting up of 10 new SFURTI (Scheme of Fund for Regeneration of Traditional Industries) clusters at a cost of about ₹50 crore, benefitting about 5,000 additional artisans.

Earlier, the size of the programme was of ₹2.66 crore covering about 500 artisans.

The four main pillars of the new programme are continuously supporting the artisans through training, raw material, marketing and financial support; working on all aspects of this product, like innovation in the fragrance & packaging; setting up 10 clusters with proper marketing linkages under SFURTI; and strengthening the machine manufacturing capability to achieve self-sufficiency in the country.

"These projects will give boost to the agarbatti industry and help in further building indigenous capability in all areas of agarbatti manufacturing with increased exports, and enhanced employment opportunities to the artisans and entrepreneurs," the statement said.

Under the expanded programme announced on 4 September, 400 Automatic Agarbatti making machines as against 200 earlier, and additional 500 pedal operated machines will be given to 'Self Help Groups (SHGs)' and individuals through 20 pilot projects, across the country with proper marketing and raw material supply tie ups.

"The programme will immediately benefit about 1,500 artisans, in providing sustainable employment with increased earnings. Artisans developing hand rolled Agarbatti and 'Migrant workers' will be given preference as part of the programme," the statement said. The Khadi and Village Industries Commission (KVIC), one of the statutory organizations, under the Ministry of MSME, will implement the programme.

Mint, September 06, 2020

7. **More than Rs 10 lakh crore loans may avail restructuring benefit: Bankers**

Banks may restructure loans of more than Rs 10 lakh crore largely attributed to 5-6 critical sectors, including aviation, commercial real estate and hospitality, that have been severely hit by the COVID-19 outbreak, according to bankers. Finance Minister Nirmala Sitharaman had asked banks and NBFCs to roll out one-time loan restructuring scheme for COVID-19 related stress.

According to a top official of a public sector bank, it is win-win for both lenders and borrowers. Explaining the rationale, the banker said, corporates will try to save their business from turning non-performing asset (NPA) and buy crucial time for getting cash flow back for servicing the debt.

Secondly, banks have to make only 10 per cent provision against restructured account as compared to 15 per cent if the same account turns into NPA, the official said, adding that the lure of 5 per cent conservation of capital will also push banks for recast. Given the benefit, the official said, it is estimated that 12-15 per cent of total loan book would avail one-time restructuring.

Micro, small and medium enterprises (MSMEs) are already covered under the ongoing restructuring scheme which was tweaked recently to cover those impacted by COVID-19 crisis. It is to be noted that a total Rs 100 lakh crore worth of loan is outstanding in the banking system. Another banking official said that nearly half of the 30 per cent of the total loan book which sought moratorium, that ended on August 31, may avail restructuring. Companies in about half-a-dozen vulnerable sectors — hospitality, aviation, entertainment, commercial real estate and travel & tourism — whose businesses have been impacted severely due to the COVID-19 crisis will make a beeline for the scheme.

K V Kamath committee report is expected to give financial parameters like hair cut, debt service coverage ratio, debt-equity ratio post-resolution and interest coverage ratio for recasting corporate loans for over half a dozen vulnerable sectors, the official added. Punjab National Bank managing director S S Mallikarjuna Rao said about 5-6 per cent of loan book would go for restructuring as per RBI-approved guidelines. This 5-6 per cent comes to about Rs 40,000 crore. Major composition of this, of about 50 per cent, would be corporate books, he had said. With tighter debt recast norms announced by the Reserve Bank, the likely restructuring by banks will be around 5-8 per cent of their overall loan book, said a report by rating agency. The RBI permitted one-time restructuring of both corporate and retail loans without getting classified as a non-performing asset (NPA). Restructuring benefit can be availed by those whose account was standard on March 1 and defaults should not be over 30 days.

The RBI also laid out some norms for implementation of a resolution plan which included eligibility of only special mention accounts 0 (SMA-0) borrowers as on March 1, 2020, independent credit assessment (ICA), higher provision among others. SMA 0 accounts are those where interest and principal payment is overdue for 1-30 days. With relatively tighter loan restructuring norms, such as eligibility of only SMA-0 borrowers as on March 1, 2020, independent credit assessment (ICA) of the resolution plans (RP) and a higher upfront provisioning requirements, we expect the loan restructuring of around 5-8 per cent of the overall loans, the report released last month said.

The resolution plans to be implemented under the framework may include conversion of any interest accrued, or to be accrued, into another credit facility, or granting of moratorium and/or rescheduling of repayments, based on an assessment of income streams of the borrower up to two years. While the resolution under this framework can be invoked till December 31, 2020, the lending institutions have been encouraged to strive for early invocation in eligible cases, particularly for personal loans.

While the resolution under this framework can be invoked till December 31, 2020, the lending institutions have been encouraged to strive for early invocation in eligible cases, particularly for personal loans. According to India Ratings and Research August report, banks are likely to restructure up to Rs 8.4 lakh crore of loans, or 7.7 per cent of the overall system's credit, under the recast package.

Money Control, September 07, 2020

8. **Govt denies extension in enforcement of BIS licence order for toys**

India's toy industry is in a bind with the government rejecting additional time sought by manufacturers, importers, and retailers for the enforcement of compulsory certification of the Bureau of Indian Standards (BIS) for toys, said three people aware of the development.

The Toys (Quality Control) Order, which came into effect on 1 September mandated that all toys and materials designed or intended for use in play by children below 14 years of age shall be certified by BIS. This is necessary to do business in the domestic market dominated by Chinese imports, given that the absence of such certification entails criminal liability, including imprisonment and substantial fines. Toy manufacturers, the majority of whom are micro, small and medium enterprises (MSMEs), have been complaining about the delays in securing certification from BIS against the backdrop of the covid-19 disruption. The February order was aimed at maintaining quality standards for toys to be used in the Indian market that is estimated at $38.1 billion by Statista, a German markets data portal.

The process of complying with the order will significantly hamper the country's toy trade, according to an industry body. "Effectively, this is more of a process change. Whenever a process is changed worldwide, there is a period given to complete the process because it is a transition. Earlier, it was given to us for six months, but there was a coronavirus outbreak. The whole thing, the quality control order process, was released on 21 August. Marking fees were given on 29 August, and 1 September, everything is closed.

Mint, September 09, 2020

9. **Indian small businesses more confident than Asian peers in post-Covid recovery on back of tech adoption**

Indian small businesses are a resilient lot. Having survived the challenges post demonetisation and GST in the past, they are now confident of surviving the existential crisis following the Covid breakout and lockdown. According to a study by technology company HP focusing small and medium enterprises' outlook for the post-Covid scenario, 73 per cent SMEs said that they would survive the current downturn in comparison to average 60 per cent SMEs in Asia. In fact, a healthy 61 per cent SMEs claimed that they would thrive in their operations in the post-Covid world. The study titled HP Asia SMB Report – 2020 captured sentiments of 200 SMEs in each of the eight countries including Australia, India, Indonesia, Japan, Singapore, South Korea, Thailand and Vietnam during May and June this year. For 64 per cent of the Indian respondents, the pandemic has brought a great opportunity to reformulate their business strategy as per the new normal while 50 per cent believed that the current scenario brings long term opportunity for them. The optimism from SMEs came following months of zero to negligible business activity during the lockdown and post lockdown as well since the shortage of labour, which had returned to their hometowns, along with lack of demand and supply have been haunting the sector.

However, SMEs surveyed unanimously agreed to the significance of technology adoption. While 35 per cent claimed digital adoption to be ultimately essential for their success, 40 per cent believed it to be very important. 17 per cent and 9 per cent thought it to be important and relevant respectively for their growth.

According to a recent Cisco study, Indian SMEs may add $158 to $216 billion to the country's GDP in the coming four years thanks to the digitalization of their ventures. "While technology will serve as the greatest enabler in helping SMBs leverage the opportunities created by the emerging low-touch economy, this (Covid) crisis is far too complex for anyone to solve alone. Now more than ever, we need to work together to navigate these uncharted waters," Panish PK, Managing Director, SMB, Cisco India and SAARC had said earlier.

Financial Express, September 09, 2020

10. Ministry of corporate affairs eases deposit rules for start-ups

The ministry of corporate affairs (MCA) has amended the rules related to acceptance of deposits by companies, a move that offers more flexibility to start-ups for raising funds at a time when Covid-19 has severely impacted the economy and businesses, especially MSMEs and start-ups.

The amendment allows start-ups to raise funds through corporate bonds or other convertible instruments for 10 years as against 5 years earlier. Under the new rule, an amount of up to Rs 25 lakh received by a start-up in a single tranche by way of a convertible note (convertible into equity shares or repayable within a period not exceeding 10 years from the date of issue) in a single tranche, from a person will not be considered 'deposits' under company law compliance.

MCA amended the Companies (Acceptance of Deposits) Rules, 2014, to change the period of repayment from five to 10 years. A convertible instrument is an investment that can be changed into another form. These generally are convertible bonds and convertible preferred stock, which can be converted into common stocks.

Welcoming the development, expert said the relaxation in acceptance of deposits norms promotes the ultimate goal of a strong ecosystem for start-ups in India. "With the pandemic causing a mammoth impact on the Indian economy, start-ups are looking for ways to raise funds and revive their business. Flexibility with an extended term of repayment of 10 years provides start-ups registered as a private limited company an alternative opportunity to attract investors and raise funds up to 25 lakhs in one tranche via the option of convertible instruments without facing the risk of being regarded as a deposit, which is otherwise prohibited under the Companies Act," expert added.

Financial Express, September 09, 2020

11. Rajnish Kumar: 'Yono data to come in handy while running Bharat Craft'

State Bank of India (SBI) Chairman Rajnish Kumar said the Yono app has equipped it with significant data that would help run the business-to-business (B2B) portal Bharat Craft. The app now has 27 million registered users, he added.

“We are now preparing a B2B platform called Bharat Craft and the work has started. The vision is that we will bring together all MSMEs and businesses on this platform with an on-the-spot facility to finance the receivables,” he said, at an event.

The Indian Express, September 10, 2020

12. MSME ministry asks corporates to clear dues of small units on priority

The Ministry of Micro, Small and Medium Enterprises (MSMEs) has asked corporates to clear the pending dues of small and medium enterprises on priority as these payments are important for operations and sustenance of jobs in the sector, an official statement said. The ministry has directly taken up the issue with the top 500 corporate groups of the country and has written e-letters to the owners, CMDs or top executives of these firms, it said.

"...these payments will bring smile on millions of faces whose only source of livelihood is the enterprises in the MSME sector. Ministry of MSME has also indicated that going further, it will be taking up the matter with other corporates through social media outreach also," it added.

During the announcement of Aatmanirbhar package, it was desired that the MSME receivables and dues should be paid in 45 days. It added that around ₹10,000 crore have been reported to be paid by the ministries and CPSEs. The MSME ministry "has now impressed upon the private sector enterprises of the country to take measures for release of payment of MSME dues on priority," it said.

The ministry has also urged corporates to join Trade Receivables Discounting System (TReDS) and start transacting. In 2018, the ministry made it mandatory for all CPSEs and corporate entities with more than ₹500 crore turnover to onboard the TReDS platform.

"Ministry has also reminded the corporates that it has been made mandatory for the corporate entities to file half-yearly returns with the Ministry of Corporate Affairs on their dues to MSMEs. Corporates have been requested to file returns if not doing so already," it said.

Mint, September 14, 2020

13. MSME ministry lays out new guidelines for pottery, beekeeping activities

The Micro Small and Medium Enterprises (MSME) ministry said it has come out with new guidelines for two schemes - pottery and beekeeping activities. It said that for pottery activity, the government will provide assistance of pottery wheel, clay blunger, and granulator. "It will also provide wheel pottery training for traditional pottery artisans and press pottery training for pottery as well as non-pottery artisans in self help groups," it added. This is being done to enhance the production, technical knowhow of pottery artisans and to develop new products at reduced costs; and to enhance the income of pottery artisans through training and modern / automated equipment.

A total of 6,075 traditional and others (non-traditional) pottery artisans/rural unemployed youth/migrant labourers will get beneted from this scheme. "As nancial support for the year 2020-21, an amount of Rs 19.50 crore will be expended to support 6,075 artisans...Additional amount of Rs 50 crore has been provisioned for setting up of clusters in terracotta, red clay pottery, with new innovative value added

products to build pottery to crockery/ tile making capabilities, under SFURTI scheme of the ministry," it added. For beekeeping activity, the government will provide assistance of bee boxes, and tool kits. "Under this scheme, bee boxes, with bee colonies, will also be distributed to migrant workers in Prime Minister Gareeb Kalyan Rozgar Abhiyaan (PMGKRA) districts," it said. To begin with, it said the scheme proposes to cover, during 2020-21, a total of 2050 beekeepers, entrepreneurs, farmers, unemployed youth, adivasis will get benetted from these projects/programme. "For this purpose a nancial support of Rs 13 crore during 2020-21 has been provisioned to support 2050 artisans," it added.
The Economic Times, September 17, 2020

14. Workers who lost job to get 50% of wages for 3 months

Coming to the rescue of workers who are members of Employees State Insurance Corporation (ESIC) and lost their jobs due to the Covid pandemic, the Centre has notified the scheme to offer 50% of wages for three months as unemployment allowance. The move comes as a major relief for industrial workers who lost their job due to the impact of the pandemic and the lockdown. The employees will be eligible to claim the allowance for three months (90 days) during the period from start of lockdown on March 24 to December 31. “We welcome the step taken by the Centre in the hour of crisis for the unemployed workers. It has been a long-pending demand by various associations to compensate the industrial workforce,” said expert.

To avail the benefit, the unemployed workers should have been part of the ESI scheme for two years during the period from April 1, 2018, to March 31, 2020, and should have contributed at least for 78 days during the period immediately preceding the unemployment. The liberalised scheme has been introduced by modifying the Atal Bimit Vyakti Kalyan Yojana scheme. The ESIC scheme covers workers earning up to a specified limit and also entitles them to unemployment allowance.
The Tribune, September 18, 2020

15. IRDAI working on 2 insurance schemes for MSMEs, another for dwelling units

After bringing out specialised insurance cover for the Covid-19 pandemic, the Insurance Regulatory and Development Authority of India (Irdai) is planning to come out with standardised insurance schemes for dwelling units and Covid-hit micro, small and medium enterprise (MSME) segment.

Irdai Chairman Subhash C Khuntia said two standard schemes are being worked out for MSMEs. One is for micro units and another one for small units. As of now, only 5 per cent of MSMEs are covered by insurance. India has 6.33 crore MSMEs, majority of which are micro-enterprises. “Another standard product is being worked out for dwelling units,” he said.

In India, only 0.9 per cent of the dwelling units are insured whereas in the US, it is around 90 per cent. People suffer huge economic losses when some catastrophe happens. This risk can be covered by insuring the property, as per the insurance regulator.

“Irdai is keen on a standard product for dwelling units as the same product will be sold by all the companies. It will become easier for policyholders to pick such products as they don’t have to go through voluminous policy documents to find out terms and conditions. Hopefully, more and more people will protect their homes," Khuntia said.

According to Irdai data, insurance companies shelled out an average of Rs 96,621 per person on claims made by insured Covid-19 patients. Khuntia said that 2.38 lakh claims for coronavirus have been filed by the policyholders as of now. Of these, 1.48 lakh claims amounting to Rs 1,430 crore have been settled by the insurers.

The insurance watchdog had come out with standard health products called Arogya Sanjeevani and Covid-19 specific products — Corona Rakshak and Corona Kavach — two months ago. Under the Corona Kavach plan, around 28 lakh lives have been covered since its launch on July 10, 2020. "We will consider extending the tenure for Covid policies from March 2021," Khuntia said.

Irdai said standard products are launched by the regulator to further increase penetration of insurance in India, which is just 3.76 per cent of the gross domestic products (GDP) compared to the world average of around 7 per cent. The regulator is also looking to introduce risk-based solvency for insurance companies in the next three years and allow video-based KYC process. Irdai also wants insurers to improve the persistency ratio — or continuation of policies — for the 13th month and five years.

The Indian Express, September 18, 2020

16. MSMEs not to be hit by new IBC Bill: Minister

The Rajya Sabha passed the Insolvency and Bankruptcy Code (Second Amendment) Bill (IBC), 2020, to ensure that fresh insolvency proceedings will not be initiated for at least six months starting March 25 amid the COVID-19 pandemic. The Bill replaces an Ordinance passed in June. Finance Minister Nirmala Sitharaman informed the Rajya Sabha that the IBC is not a recovery law, and saving the lives of the companies is more important than recovery of loans, which may be utilised through other options. She said that there is a distinction between small and large borrowers, and the amount varies from ₹1 lakh to ₹1 crore. "IBC cannot be initiated for companies below ₹1 crore, so Micro, Small and Medium and Enterprises (MSME) are not going to be affected," she said.

The Finance Minister said that the provisions of the IBC will be confined to only those default payments that may arise due to the COVID-19 period, and will not affect the applications filed before March 24, when the lockdown was imposed. "The Ordinance and the Bill does not provide any protection to frauds. Section 166 of the Companies Act, 2013 remains intact, thus there is no protection from fraud. If the company is pushed into insolvency when it is recouping from losses, the objective of the Ordinance will be lost."

The Minister added that, so far, 258 companies had been rescued, and roughly one-third were defunct companies. "Nine hundred and sixty-five companies proceeded for liquidation, three-fourth of them were defunct, loss of employment is minimal even after liquidation. The 965 companies had assets of ₹38,000 crore, so in value terms, the asset saved is more than liquidated," she said.

She added that when it came to non-performing assets (NPA) of scheduled commercial banks, then in the year 2018-19, the IBC ensured 42.5% recovery or ₹17,819 crore recovery, whereas such recoveries made through Lok Adalats stood at 5.3% and those made under Debt Recovery Tribunals at 3.5%.

The Hindu, September 20, 2020

17. No standing order for firms with upto 300 workers

The government's proposed labour law changes will facilitate easier dismissal of workers as companies employing up to 300 workers will not be required to frame standing orders for its workforce. In the Industrial Relations Code Bill, 2020 introduced by Labour and Employment Minister Santosh Kumar Gangwar in the Lok Sabha, the Centre has tightened norms for labour unions to go on a strike, which some trade union leaders said will make it "impossible" to take the protest route. It has, however, proposed giving recognition to trade unions for raising industrial disputes with employers.

A standing order is a legally binding collective employment contract and holds significance as it contains key work-related terms and conditions and is meant to prevent arbitrary dismissal of employees. Such orders are compulsory for every firm hiring at least 100 workers at present and the government has proposed increasing the threshold for the first time to 300 workers. Firms frame such standing order after consulting with workers' representatives and these orders are certified by either the state or the Centre, depending on the industry.

The government has sought to follow the model adopted by the Maharashtra government to propose that standing orders will not require certification from the government, in case firms decide to follow the model standing order, which will be notified by the Centre. This will ease compliance burden for companies and will do away with the 'inspector raj' that the industries complain about, a senior labour and employment ministry official said, requesting anonymity.

The standing order states the rights and liabilities of employers and workers in case of closure of a unit, conditions for terminating employment or suspending workers for misconduct, apart from informing employees about their work hours, holidays, wage rates, etc. It explicitly mentions the means of redressing unfair treatment by the employer.

Standing orders become ever more important in India where two-third of the workforce employed on regular salary do not have a written contract as it is not mandatory under any labour law.

Though the government has proposed appointment letters for all workers under a separate labour law known as the Occupational Safety, Health and Working Conditions Code, 2020 (to be introduced in the Lok Sabha, too), it is only stated as a "duty" of employers and there is no penal provision for companies if they don't follow this norm.

Labour economist and XLRI professor K R Shyam Sundar said the standing order deters firms from dismissing workers arbitrarily, as it acts like a collective rights document stating the most important terms and conditions in a standardised manner for workers, and there are instances where the courts have reinstated workers who have moved court basis the standing order.

To avert flash strikes, the government has proposed that workers in all factories will have to give employers a strike notice of at least 14 days. At present, only workers engaged in public utility services are bound to do so.

After the first meeting related to conciliation proceeding has taken place following a strike notice, workers will not be allowed to go on a strike, according to the Bill. “This will stifle the rights of workers to go on a strike. This move combined with the decision to do away with the need of standing order will allow companies to treat workers on their whims and fancies,” expert said.

But in a major step towards improving harmony between workers and employers, the Bill has proposed to empower trade unions with bargaining powers to negotiate with companies in case of an industrial dispute.

Business Standard, September 21, 2020

18. TDS relief expected for MSMEs transacting through e-commerce platforms

The government is considering provision of relief to micro, small and medium enterprises (MSMEs) hit by the Covid-19 pandemic, sparing them from a 1% tax on gross sales through e-commerce platforms, officials said. The tax exemption limit could be increased from the existing Rs 5 lakh for small businesses. The tax deducted at source (TDS) mechanism would continue to check tax evasion by entities using e-commerce platforms to sell goods and services, two officials working in different ministries said, requesting anonymity.

“The provision has been introduced in the Budget 2020-21 to make e-commerce transactions tax-compliant. Hence it has a clause related to PAN [permanent account number] or Aadhaar number,” one of the officials said.

Finance minister Nirmala Sitharaman, in her budget speech on February 1, 2020 introduced a TDS mechanism for e-commerce transactions. “In order to widen and deepen the tax net, it is proposed to provide that e-commerce operators shall deduct TDS on all payments or credits to e-commerce participants at the rate of 1% in PAN/Aadhaar cases and 5% in non-PAN/Aadhaar cases,” she said. “In order to provide relief to small businessmen, it is proposed to provide exemption to an individual and HUF [Hindu Undivided Family] who receives less than ₹5 lakh and furnishes PAN/Aadhaar,” Sitharaman said.

The industry, particularly MSMEs, have submitted to the government that the TDS mechanism would be an additional burden on them as TDS will be deducted on gross sales amount that also include the commission to the e-commerce platform, the second official said.

Hindustan Times, September 21, 2020

19. India Inc to face significant costs from proposed gratuity rules

The draft Social Security Code, 2020, tabled in the Parliament has done away with the five-year requirement for gratuity, making it pro rata for fixed term contract staff. Along with this, the code's definition of wages for the purpose of gratuity calculation will raise the quantum of gratuity, say experts. The requirement of a dedicated gratuity fund or insurance provision for gratuity is also likely to increase compliance costs for micro, medium and small enterprises (MSMEs).

"The definition of wages in the code covers much more than what it was covered earlier. So, the moment your gratuity is calculated in the new definition of wages, the financial liability of employers goes through the roof. Employers will have to pay out gratuity for higher wage contract workers," Arun Chawla, deputy secretary general, FICCI, said.

"It appears that gratuity cannot be calculated on basic wages and dearness allowance that are less than 50% of CTC. Most firms currently have these components at 30-40% of CTC. This could potentially increase the gratuity liabilities for most employers in India," said one of experts.

Employers who hire fixed term contract employees through third party agencies may also face also see higher bills from contractors as they would pass on the costs to principle employers. Considering fixed term contract employees typically tend to leave the organisation before five years, or not offered gratuity, the 15 day (of each year of service) gratuity would mean a higher payout by about 5% of basic salary, said another expert.

"Companies might have to set up a dedicated "approved" gratuity fund or take insurance for paying gratuity. This is not currently the case for most smaller companies, who pay gratuity from revenue. This can raise costs and increase administrative hassles, especially for smaller companies," added the expert. The impact will be felt severely by MSME sector and startups, experts pointed out.

"This may not be the case for large sized, financially resilient companies, who in any case follow the practice of making provisions of annualised gratuity payouts for each employee in their books," said experts. In fact, some tax set offs for the revised gratuity norms may have been more in order for the MSMEs, who are already struggling with the covid19 induced pressures.

Experts downplayed the impact of the gratuity norms on white collar staff. "Such staff on fixed term contracts are only about 10% of the workforce in large companies. These tend to specialist roles," he said. Another expert however questioned the relevance of having a gratuity act in the current times. Instead, he recommended merging gratuity with employee provident fund. "Today, provident fund is 12%, gratuity is a little over 4%, so simply make employer's contribution to the provident fund as 16% and do away with the gratuity act. It will simplify the whole thing," he said.

Mint, September 21, 2020

20. NTPC opens up its plant premises for manufacturing units, invites EoIs

State-owned power giant NTPC has invited expression of interest from energy-intensive industries for setting up manufacturing facilities within its plant premises. NTPC has invited the EoI from MSMEs and

Indian companies for setting up energy-intensive manufacturing plants such as bulk chemicals - ammonia, urea, chloralkali, gypsum and gypsum products, geopolymer, aluminium, metal industries, etc - in the industrial parks to be developed on a pilot basis in its thermal power plants at Solapur (Maharashtra), Kudgi (Karnataka) and Gadarwara (Madhya Pradesh).

In a key initiative to promote Make in India and give a boost to the government's vision of Atmanirbhar Bharat, NTPC Ltd has invited Expression of Interest (EoI) from energy-intensive industries for setting up manufacturing units within its plant premises, a company statement has said. These industrial parks will be subject to requisite approvals from respective state and the central government. NTPC will process these approvals based on responses received in the EoI.

The government has announced a slew of economic packages aimed to build self-reliant India by creating a conducive investment environment and developing manufacturing hubs. NTPC's power plants across the country have evolved into economic centres with robust infrastructure system in place. Capitalising on the economic ecosystem developed over a period of time, NTPC is exploring ideas to improve utilisation of land within its plant locations for enhancing economic activity and further contributing to the economic growth of the country.

The initiative will create industrial parks within the power plants, which besides offering unique advantage of reliable electricity supply at competitive prices, will provide a slew of other benefits of readily available infrastructural services like adequate water supply, accessibility through road and rail network, robust connectivity with internet lease lines, accessibility to the township, medical facilities and local market along with various testing facilities which will be co-opted on need basis.

As part of the plan, NTPC will enter into a separate agreement with prospective entities for allotment of spaces. With a total installed capacity of 62.9 GW, NTPC Group has 70 power stations comprising of 24 coal, 7 combined cycle gas/liquid fuel, 1 hydro, 13 renewables along with 25 subsidiary & JV power stations. The group has over 20 GW of capacity under construction, of which 5GW comprises of renewable energy.

Business Standard, September 22, 2020

21. 1,100 domestic PPE kit manufacturers developed by govt till date: Choubey

A total of 1,100 indigenous manufacturers of personal protection equipment (PPE) kits have been developed by the government till date, most of them being from the MSME sector, the Lok Sabha was informed. In a written reply, Minister of State for Health Ashwini Choubey told the Lower House that the production capacity of PPE coveralls is nearly 5 lakh per day with potential for additional capacity creation to meet the demand.

He was talking about increase in the production capacity of PPE kits in the country since the beginning of the lockdown. From no indigenous manufacturer to begin with... 1,100 indigenous manufacturers of personal protection equipment (PPE) kits have been developed by the government till date, most of them being from the Micro, Small and Medium Enterprises (MSME) sector, Choubey said.

He said the Ministry of Health, in its guidelines, on rational use of PPE kits has issued specifications and standards to be followed, including medical masks for use by healthcare workers and other front-line workers. These specifications are available in public domain through the website of Ministry of Health, he said.

The Government of India has also issued advisory and manual on use of homemade protective covers for face and mouth for use by general public, the minister said. On steps taken by the Centre for burning or deep burial of used face masks/medical kits across the country, Choubey said the Central Pollution Control Board and the Ministry of Environment, Forest and Climate Change have issued guidelines for handling, treatment and disposal of waste generated during treatment/diagnosis/quarantine of COVID-19 patients, both in facility-based and home setting.

Business Standard, September 23, 2020

22. MSMEs, Start-ups oppose policy on non-personal data

Majority micro, small and medium enterprises (MSMEs) and start-ups have opposed the government's non-personal data policy framework in its current form, as allowing large businesses to sell their aggregate data for a price will not help most of the small businesses, according to a survey.

The proposed policy on non-personal data mandates businesses to sell their customers' anonymised data, if there is a request for data sharing from other businesses or the government. "19% (respondents) said it will help large and heavily funded businesses only, 35% said it will help large and heavily funded businesses and the government, 20% said it will help businesses of all sizes, while 26% were not sure what would happen," according to the survey.

These businesses gear that this may result in one large company buying aggregate data of another, keeping small businesses' reach limited as they may not able to afford to pay for the data. "Most small businesses, be it an Indian startup or an MSME will find it extremely difficult in majority of the cases to pay high prices for such data. Large companies also in some cases are likely to resist selling their data if its core to their business model, leading to rejection of the data request or going to court," expert said.

This view is contrary to what the draft report on non-personal data governance framework aimed for. A government appointed nine-member panel, headed by Infosys co-founder Krish Gopalakrishnan had sought views from stakeholders in July before submitting the final report to the information technology ministry.

In July, Gopalakrishnan had said that MSMEs as well as small startups will benefit much more than larger companies from the government's new plan to allow sharing of non-personal data. He had also said that data sharing will not only create economic value but also will be a win-win for the government and multinational companies. The panel had also called for a new law to regulate the sharing, commercial use and privacy of non-personal data-- any data which does not contain any personally identifiable information.

According to the survey 81% citizens response was negative when they were asked if they support selling of anonymised user data. The proposed policy, a business that collects user data can sell it to other businesses or a government body after anonymising it. Besides, startups and small businesses feel that to begin with, data sharing should be made voluntary, over a period of time, it could be made mandatory for companies with annual revenue above ₹500 crores.

The survey received over 31,000 responses across 280 districts in India. Out of this, 17,000 responses were from citizens while 15,000 responses were from businesses.

72% small businesses believe that the government must share its own aggregate data pertaining to health, traffic, among others, before mandating businesses to do the same. “Most of the real challenges today in the country range from bad water quality, air pollution to traffic...The government can kick start entrepreneurship in these areas by bringing together its disparate local and state level database and make them available for startups to build innovative high impact business models," expert said.

Mint, September 25, 2020

23. Parliament passes Labour Bills, making it easier for employers to hire and fire

Parliament passed the three key labour reform bills that will provide greater flexibility to employers to hire and fire while ensuring social security for workers. The three bills---- Code on Occupational Safety, Health and Working Conditions, Industrial Relations Code and Social Security Code, were passed in the Upper House by voice vote. Replying to the debate on the three labour reforms bills in the house, labour Minister Santosh Gangwar said: "The purpose of labour reforms is to provide a transparent system to suit the changed business environment."

The minister informed the house that as many as 16 states had already increased the threshold for closure, lay off and retrenchment in firms with up to 300 workers without government permission. “States have been given flexibility to tweak labour laws as per their need,” he said. He maintained that it is not good for employment generation to keep the threshold low at 100 because it discourages employers to recruit more workers than this and they deliberately keep their workers' strength below it.

“Investors will be encouraged to set up big factories and employ more and more workers,” minister Gangwar said explaining the rationale behind this provision. He said these bills would safeguard the interest of workers and provide universal social security to workers by expanding the ambit of Employees' Provident Fund Organisation and Employees' State Corporation of India. He also said that there would be a social security fund to cover around 40 crore unorganised sector workers. Commenting on the Social Security Code, the minister said, Employee Provident Fund Organisation benefits can now be availed by all firms with 20 or more employees as the existing Schedule defining establishments has been done away with. “Besides, employees with firms less than 20 workers will be able to join EPF while the government will also extend the benefits of EPFO to self-employed,” the minister said. The minister sought to allay the apprehension that workers’ right to strike had been withdrawn under the new Code. “The provision of 14 days’ notice prior to strike is intended to enable employees and employers reconcile during this period,” he added.

Industry has welcomed the codes. “The comprehensive reforms promise to reset the entire regulatory framework to benefit millions of workers and provide enterprises with flexibility, transparency and clarity,” one of experts said.

According to another expert, the larger impact of these legislations will be easier, faster and compliant management of the workforce in India in coming years. “The direct advantage to ease of doing business will make India even a bigger magnet to overseas investment in the goods and transport sector, logistics, agri and agro industries, manufacturing and supply chains besides increasing formalisation of the workforce,” he said.

However, all trade unions, including the RSS affiliate Bhartiya Mazdoor Sangh, have objected to sweeping powers given under the Codes to bureaucrats to make changes while objecting to certain provisions of the Industrial Relations Code.

The labour ministry had drafted four codes to consolidate 29 central laws. The code on wages has already been enacted, but yet to be implemented. The three codes approved by Parliament will now go to the President for his assent.

The Occupational Safety, Health and Working Conditions Code, 2020, will consolidate and amend the laws regulating the occupational safety, health and working conditions of persons employed in an establishment and related matters. The government has, under the code, allowed a single licence for staffing firms to hire workers on contract across different locations instead of multiple licences needed earlier. It has increased the threshold limit of contractor employees from 20 to 50 under OSH Code while opening up hiring of contract workers in all areas will ease the compliance for employers. The Industrial Relations Code, 2020, seeks to consolidate and amend laws relating to trade unions, conditions of employment in industrial establishments or undertaking, investigation and settlement of industrial disputes. The government has raised the threshold on number employees needed in an organisation for retrenchment and closure of establishments without government approval to 300 from 100, significantly improving the ease of firing for employers.

The Code on Social Security, 2020, will amend and consolidate laws relating to social security. It intends to provide for universal social security to all workers, including the unorganised and the gig and platform workers. These together account for over 90% of India’s total workforce estimated at 50 crore. The Economic Times, September 25, 2020

24. Banks sanction loans worth Rs 1.77 lakh cr to 44 lakh MSMEs under credit guarantee plan

The Finance Ministry said banks have sanctioned loans of about Rs 1.77 lakh crore to 44.2 lakh business units under the Rs 3 lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) for the MSME sector reeling under the slowdown caused by the coronavirus pandemic. However, disbursement against the sanctioned amount stood at Rs 1,25,425 crore to 25.74 lakh MSME units till September 21.

The scheme is the biggest fiscal component of the Rs 20 lakh crore Aatmanirbhar Bharat Abhiyan package announced by Finance Minister Nirmala Sitharaman in May to mitigate the distress caused by the lockdown due to COVID-19 by providing credit to different sectors, especially micro, small and medium enterprises (MSMEs). The latest numbers on ECLGS, comprise disbursements by all 12 public sector banks (PSBs), 24 private sector banks and 31 non-banking financial companies (NBFCs).

"As of 21 Sept 2020, the total amount sanctioned under the 100% Emergency Credit Line Guarantee Scheme by #PSBs and private banks to #MSMEs and individuals stands at Rs 1,77,353 crore, of which Rs 1,25,425 crore has already been disbursed," the finance minister said in a tweet.

The ambit of the scheme was expanded to include MSMEs with a turnover of up to Rs 250 crore and individuals for business purposes in August and included certain individual loans given to professionals like doctors, lawyers and chartered accountants for business purposes under its ambit.

As of September 21, 2020, Rs 9,849.74 crore of loans to 2.8 lakh individuals have been sanctioned, of which Rs 2,617.08 crore has been disbursed to 49,393 professionals. To include more companies to take benefit of the scheme, the Finance Ministry increased the upper ceiling of the loan outstanding as on February 29 for being eligible under the scheme from Rs 25 crore to Rs 50 crore. The maximum amount of guaranteed emergency credit line (GECL) funding under the scheme was also correspondingly increased from Rs 5 crore to Rs 10 crore.

"Compared to 03 Sep 2020, there is an increase of Rs 16,335.32 crore in the cumulative amount of loans sanctioned & an increase of Rs 11,711.85 crore in the cumulative amount of loans disbursed by both #PSBs and private sector banks combined as on 21 Sep 2020," Sitharaman said. The loan amounts sanctioned by the PSBs increased to Rs 79,347.73 crore, of which Rs 65,051.89 crore has been disbursed as of September 21, she said. At the same time, private sector banks have sanctioned Rs 88,155 crore of loans and disbursed Rs 57,756 crore. Market leader SBI has sanctioned Rs 24,632 crore of loans and disbursed Rs 19,748 crore. It is followed by Punjab National Bank with a sanctioned amount of Rs 10,677 crore.

On May 20, the Cabinet approved additional funding of up to Rs 3 lakh crore at a concessional rate of 9.25 per cent through ECLGS for MSME sector. Under the scheme, 100 per cent guarantee coverage will be provided by the National Credit Guarantee Trustee Company (NCGTC) for additional funding of up to Rs 3 lakh crore to eligible MSMEs and interested Micro Units Development and Refinance Agency (MUDRA) borrowers in the form of a guaranteed emergency credit line (GECL) facility.

For this purpose, a corpus of Rs 41,600 crore was set up by the government, spread over the current and next three financial years. The scheme will be applicable to all loans sanctioned under GECL facility during the period from the date of announcement of the scheme to October 31 or till the amount of Rs 3 lakh crore is sanctioned under GECL, whichever is earlier.

The Economic Times, September 26, 2020