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NEWSLETTER

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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

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Services	Benefits to Members
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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)*
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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:

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CONTENTS :

MSME NEWS UPDATE

1. India's September factory activity grew at fastest pace in over eight years

India's factory activity expanded at its fastest pace in over eight years in September as a relaxation in coronavirus lockdown restrictions drove a surge in demand and output, a private survey showed, though layoffs continued.

Signs of recovery are welcome news for Asia's third-largest economy, which is widely expected to mark its first full-year contraction since 1979 this year. The pandemic is spreading in India at the fastest pace in the world. The Nikkei Manufacturing Purchasing Managers' Index, compiled by IHS Markit, jumped to 56.8 in September from 52.0 in August, above the 50-level separating growth from contraction for a second straight month. It was the highest reading since January 2012.

"The Indian manufacturing industry continued to move in the right direction, with PMI data for September highlighting many positives. Due to loosened COVID-19 restrictions, factories went full steam ahead for production, supported by a surge in new work," noted Pollyanna De Lima, economics associate director at IHS Markit.

"While uncertainty about the COVID-19 pandemic remains, producers can at least for now enjoy the recovery." A sub-index tracking output hit its highest since December 2007 and new orders expanded at the sharpest pace since February 2012, helped by both domestic and foreign demand which grew for the first time in seven months.

Although input prices increased at a slower rate in September, manufacturers raised their selling prices after having cut them since March to secure sales. Despite the significant rebound, firms cut staff for the sixth month in a row. Coronavirus-related distortions have already made millions jobless.

The sector is unlikely to get much support from the Reserve Bank of India over the coming months as persistently high inflation is expected to force the RBI to remain on the sidelines. Still, business optimism about the coming 12 months hit its highest since August 2016.

Mint, October 01, 2020

2. Factories banking on digital push to get over covid blues

If the manufacturing sector was taking measured steps to embracing robotics, artificial intelligence (AI), cloud computing and big data analytics, the covid-19 pandemic only accelerated it. However, it is the integration of these technologies with one another that is key to transforming businesses, said experts at a webinar on the manufacturing sector.

“A digital revolution is unfolding in front of us. Within the factories, all our investments on robotics, IoT (internet of things) and data analytics really helped us. However, the ability to connect with 6,500 people on the field was helped by platforms that we have already invested in," said the expert. The company invested in an app where customers could order machine parts, expert said. During the lockdown, customers of company used it and there was a lot of positive feedback from the remotest parts of the country.

“Two months ago, we would never have understood how digital can be used across the business, but we do now. I am sure we will not go back," he said. The Indian manufacturing sector has historically focused on building physical capital to set up plants and get production going compared to western companies who have adopted digitalization early on to improve their processes and businesses. However, many companies that began walking the digitization path since 2017-18 came out unimpeded through the pandemic.

“I think we should follow the western world to drive higher valuation, profitability in the sector and make it attractive for young talent," said another expert. The top 100 manufacturers have only 4% of their assets in intellectual capital, which includes patents, software and digitalization initiatives, according to Fitch ratings. Software-driven intelligence services are key for Indian manufacturers, but it is the micro, small and medium enterprises (MSMEs) that are facing a challenge adapting to them. The shift from product manufacturing to service-based manufacturing has to happen, but organizations require new-age digital skills for this.

“Our customer base is primarily MSMEs in the textile downstream field. However, we have seen that either they do not have the capital or the inclination to digitize. This has been a bit of a drawback. We are trying to digitize our own processes, so that we can increase the productivity of the machines," said one of industry leaders. By FY22, India needs 120 million workers to learn new-age digital skills and the industry, government and academia need to come together for this, said the expert. India needs talent for intelligence design of products across AI, IoT and machine learning as the overall return on investment from digital is now being achieved much faster.

“The digital interface we have created with our end customer, whether it is doctors, stockists or retailers, is going to add or complement to what the company already does. However, post-lockdown, we know there are some areas where the absolute man-man interface will be still required," said the expert. In future, companies may not need to increase their salesforce because of digital technologies, the expert said.

Mint, October 02, 2020

3. **MSMEs in a fix over CBDT’s recent circular**

In the name of simplifying procedures and removing certain difficulties in the system, the Government is only complicating issues and making the process cumbersome, allege industry insiders, referring to the recent circular from the Income Tax Department.

The circular dated September 29, on “Guidelines under section 194-0 (4) and section 206C (1-1) of the Income Tax Act” is already in force (with effect from October 1, 2020). “The guidelines have been issued with immediate effect. But how are we to implement the same? The software vendor has to incorporate the change; and coming as it does at a time when we have just started to stabilise on the growth front, it is becoming too much of a task. Should we focus on business or on such notifications and compliance matters?” asked an entrepreneur of a small-scale unit, preferring anonymity.

While those in the know of the circular from the department voiced worry and confusion, others feigned ignorance, adding “our auditors will advise us accordingly.” Interestingly, auditors themselves seemed to be in a fix. The clock meanwhile has started to tick.

A cross-section of auditors this correspondent spoke to said that they were swamped by too many issues — GST returns, IT returns, taking cognisance of such notifications/changes in provisions. “There are bandwidth issues too,” said an audit professional.

Seeking clarity on some of the major issues, an industry source said, “the new clause inserted in section 206C (1 H) of the Income Tax Act mandates a seller receiving consideration (from sale of goods) in excess of ₹50 lakh in ‘any’ previous year to collect tax from the buyer at 0.1 per cent.”

“The word ‘any’ is vague,” the source said, seeking clarification, adding “is this 0.1 per cent inclusive of GST?” The department has clarified that since sec 206C (1H) applies only to receipt of sale consideration, and the threshold limit of ₹50 lakh is with respect to the previous year, the TCS would have to be computed from April 1, 2020. If a seller has already received ₹50 lakh or more up to September 30, 2020, from a buyer, the TCS would apply on all receipts during the previous year, from such buyer. The circular further said no adjustment on account of sale return or discount or indirect taxes including GST is required to be made for collection of tax under sec 206C (IH) as it is on receipt basis (receipt of amount of sale consideration).

An auditor in the know of the issue admitted there would be practical inconvenience, some administrative hassle, but it is not an impossible task. According to him, the possible reason for roll-out of such a clause could be “better tracking mechanism, and receipt of money upfront for the government. “The compliance burden is going to be quite high, but it is a move in the right direction,” he said, preferring anonymity.

Business Line, October 02, 2020

4. Centre in SC agrees to waive compound interest on loans up to Rs 2 cr for six-months

In a relief to individual borrowers and medium and small industries, the Centre has agreed in the Supreme Court to waive compound interest (interest on interest) charged on loans of up to Rs 2 crores for a six-month moratorium period announced due to the COVID-19 pandemic.

It said the government will seek due authorisation from parliament for making appropriate grants in this regard and “the endeavour shall be over and above the support of Rs 3.7 lakh crore to MSMEs, Rs 70,000 crore for home loans etc. already extended through the Garib Kalyan and Aatma Nirbhar packages announced by government earlier”.

In an affidavit filed by Union finance ministry on behalf of the Union of India, it said that the relief to all borrowers in respect of compounding of interest during the period of moratorium would be admissible to the categories specified irrespective of whether the borrowers had availed the moratorium or not.

“The government, therefore, has decided that the relief on waiver of compound interest during the six-month moratorium period shall be limited to the most vulnerable category of borrowers. This category of borrowers, in whose case, the compounding of interest will be waived, would be MSME loans and personal loans of up to Rs 2 crore," it said.

The loans were categorised into eight categories by the government including MSME (Micro, Small and Medium Enterprises), education, housing, consumer durable, credit card dues, auto, personal, and consumption. It further said that any individual/entity whose loan amount is more than Rs 2 crore will not be eligible for waiver of the compounding of interest. It said in view of the cumulative circumstances, after careful consideration and weighing all possible options, the government has decided to continue the tradition of hand holding of small borrowers.

The affidavit has been filed by the Centre in response to a batch of pleas in the apex court raising issues pertaining to validity of RBI's March 27 circular which allowed lending institutions to grant moratorium on payment of instalments of term loans falling due between March 1, 2020 and May 31 this year due to the pandemic. Later, the period of moratorium was extended till August 31. Earlier, in the matter, the Centre had told the top court that waiver of interest on deferred EMIs during moratorium period would be against "the basic canons of finance" and unfair to those who repaid loans as per schedule.

The Centre in the fresh affidavit said that waiving compound interest would result in very substantial and significant financial burden and it is impossible for the banks to bear the burden without passing on the financial impact to the depositors or affecting their net worth adversely, which would not be in the larger national economic interest.

It said that the only solution under the circumstances is that "the government bears the burden resulting from waiver of compound interest and this court would be satisfied that government bearing this burden would naturally have an impact on several other pressing commitments being faced by the nation".

Regarding downgrading of loan accounts from standard to Non-Performing Asset (NPA) and the consequential impact on credit ratings, the Centre said that any account becoming non-performing even due to the bank's or any other delay, will not suffer from being labelled as NPA. The Centre said that it has suspended from March 25, the operation of provisions of the Insolvency and Bankruptcy Code, 2016 (IBC) to protect corporate borrowers impacted by the COVID-19 crisis.

It said that the word "moratorium" is categorically defined by the RBI while issuing various circulars which show that "moratorium" was never intended to be "waiver of interest" but "deferment of interest". The government said borrowers have understood the difference between waiver in interest on loan and deferment of payment of instalments for that loan. Therefore, a majority of the borrowers have not taken benefit of moratorium which is nothing but deferment of payments of instalments. "Though it may not be possible to give the exact percentage of the borrowers who have not availed of the moratorium and have deposited payment instalments, approximately such class would be more than 50 per cent," it said. The Central government said that if it were to consider waiving interest on all loans and advances to all classes and categories of borrowers for a six-month period for which the moratorium was made available under the RBI circulars, the estimated amount foregone will be more than Rs 6 lakh crore.

“If the banks were to bear this burden, it would necessarily wipe out a substantial and a major part of their net worth, rendering most of the banks unviable and raising a very serious question mark over their very survival,” it said. On September 28, the Centre had informed the top court that a decision is likely in two to three days over charging of compound interest by banks on instalments which were deferred during the moratorium period in view of the COVID-19 pandemic.

On September 3, in a relief to stressed borrowers who are facing hardships due to the impact of the pandemic, the top court had said that accounts which were not declared as non-performing assets till August 31 this year, shall not be declared NPA till further orders.

The Indian Express, October 03, 2020

5. **Micro units to gain from interest waiver**

The government's suggestion of waiving compound interest on delayed payments during the moratorium period would predominantly benefit micro enterprises. While some small enterprises would also benefit from the waiver, medium- sized firms are feeling discriminated against. Industry is also keen to know whether banks will refund those who have already paid the compound interest.

The government filed an affidavit in the Supreme Court that it was ready to bear the burden of an interest waiver for small borrowers. Any individual or entity whose loan amount is less than Rs 2 crore, irrespective of whether they have availed of loan repayment moratorium or not, will be eligible for waiver of the compounding of interest. This includes micro small and medium enterprises (MSMEs), education, housing, consumer durable, credit card, automobile, personal, and consumption loans.

Among the MSMEs in India, only 15 per cent have access to the formal banking system. Reports suggest that 45 to 50 per cent of the MSMEs with loan outstanding have availed of moratorium. According to an expert, all the micro enterprises which have availed of the moratorium would benefit from the government decision and some of the small enterprises. too. Medium enterprises are not likely to benefit from the waiver.

"It is good that micro enterprises will get relief. But I wish they would have given it to all MSMEs, as it is not a waiver of interest but a waiver of interest of interest," the expert said. Another expert fears the waiver may disincentivise banks from providing loans to MSMEs in the future. ' The number of MSMEs which are into the formal banking system itself is miniscule. Government should fully compensate the banks for the waiver so that they won't be reluctant to lend to MSMEs in future," he said.

However, it is believed that banks will continue to lend MSMEs to meet priority sector lending targets. "Further, they lend to us for a higher interest rate compared to large corporates and there are a lot of other charges. The NPAs are also lower among MSMEs," the expert said. MSMEs also want to have clarity on whether those who have already paid the compound interest to the banks will receive a refund.

The Asian Age, October 05, 2020

6. Finance minister launches Indian Bank's new business mentoring programme for MSMEs

Union finance minister Nirmala Sitharaman launched MSME Prerana, an online business mentoring programme for MSMEs in local language by Chennai-based public sector lender Indian Bank. The initiative is meant for empowering entrepreneurs through skill development and capacity building workshops in the local language.

The programme is in collaboration with Poornatha & Co, a firm that designs entrepreneurial development programmes in vernacular languages using online web-based interactive sessions and case studies.

Sitharaman said that Indian Bank has taken an out-of-the-box initiative in launching MSME Prerana which will handhold the entrepreneurs through a mentoring programme. This novel initiative shall further inspire others in the banking sector to adopt similar measures.

Spread over 12 sessions, MSME Prerana programme enables MSME entrepreneurs to acquire expertise in handling finance and managerial skills, capacity to handle crises in business, understand the dynamics credit rating and risk management. While the sessions on managerial and financial skills will be handled by Poornatha, the banking related topics will be handled by faculty from Indian Bank. On completion, all participants would get a certificate, issued jointly by Indian Bank, Poornatha & Co and MADE (Michigan Academy for Developing Entrepreneurs), US.

Padmaja Chunduru, MD & CEO, Indian Bank said: "During the outreach programmes, webinars and interaction with our MSME units, one main takeaway was that there is still a lot of dependence on chartered accountants or agents for these units to access bank loans and scale up their operations. The barrier was language, it was the jargon, the confusion about what the bank looks for when they approach for loans, how to manage cash flows, which schemes of government are available and suitable to them and how to register themselves for these. Many units were remaining in the micro or small sector, despite opportunities to scale up due to the apprehension about the tax burden."

The first two programmes will be in Tamil for the Coimbatore clusters of Indian Bank, then it will be scaled up across the country in Hindi, Telugu, Kannada, Bengali and Gujarati for which work is already underway.

Financial Express, October 07, 2020

7. Interest subvention on MSME loans extended till end of March 2021

The two per cent interest subvention scheme for micro, small and medium enterprises (MSMEs) on loans extended by co-operative banks has been extended till March 31 next year, the Reserve Bank of India said. The terms of the scheme have also been tweaked. The government had announced the 'Interest Subvention Scheme for MSMEs 2018' in November 2018 for scheduled commercial banks for two financial years 2018-19 and 2019-20. It has been extended for the financial year 2020-21. Co-operative banks also became as eligible lending institutions effective from March 3, 2020.

The coverage of the scheme is limited to all term loans and working capital to the extent of Rs 100 lakh. The scheme provides for an interest relief of two per cent per annum to eligible MSMEs. In notification, the RBI said certain operational guidelines for the scheme have been further modified by the government. The validity of the scheme has been extended till March 31, 2021. "Accordingly, fresh or incremental term loan / working capital limit extended by co-operative banks with effect from March 3, 2020 will be eligible for coverage under the scheme," RBI said.

Further, requirement of Udyog Aadhaar Number (UAN) may be dispensed with for units eligible for GST. Units not required to obtain GST may either submit Income Tax Permanent Account Number (PAN) or their loan account must be categorised as MSME by the concerned bank, the RBI said.

RBI has asked co-operative banks to take appropriate action as envisaged in the operational guidelines and issue necessary instructions to their branches or controlling offices for successful implementation of the scheme. As per the scheme, the loan accounts on the date of filing claim should not have been declared as non-performing assets (NPAs). No interest subvention would be admissible for any period during which the account remains NPA.

The Times of India, October 07, 2020

8. **GST e-invoicing for all B2B transactions from April 1, 2021: Finance Secretary**

The government will roll out the electronic invoicing (e-invoicing) system for all business-to-business (B2B) transactions under the Goods and Services Tax (GST) regime from April 1 next year that will replace physical invoices, finance secretary Ajay Bhushan Pandey said.

The government introduced the e-invoicing system on October 1, 2020 for businesses with an annual turnover over Rs 500 crore. “By January 1, 2021, it will be available to taxpayers with an annual turnover over Rs 100 crore,” he said.

“It is a great step forward as e-invoicing has many advantages both for the business and the tax administration. Buyers and sellers will be able to have real-time information of the invoices. It replaces the physical invoice and will soon replace the existing e-way bill system and taxpayers will not have to generate separate e-way bills,” he said.

Pandey said the e-invoicing system may eventually dispense with the present system of filing GST returns for smaller businesses and micro, small and medium enterprises (MSMEs) because e-invoice will pre-populate returns for such businesses and they will be required to simply pay the taxes.

“The returns will be automatically generated for all supplies for which e-invoices have been issued,” he said after reviewing the progress of the e-invoicing system that was introduced on October 1 for businesses with an annual turnover of over Rs 500 crore. The meeting was attended by senior officials from the Central Board of Indirect Taxes and Customs (CBIC), the National Informatics Centre (NIC) and the GST Network (GSTN).

After review of the progress, Pandey said the implementation of e-invoicing is getting progressively robust. “This is the beginning of a new chapter of the ease of doing business and paying taxes in India.

From the first to the seventh day Invoice Reference Number (IRN) generation has grown by 163% and have touched the count of 13.69 lakh IRNs on the seventh day, i.e., on October 7," he said.

"As e-invoicing is an exceedingly progressive system, we expect that it will also have other major advantages of improving the payment cycle for the industry and give boost to invoice based lending to MSMEs," he said. India has been able to build and develop this massive e-invoice system in GST in just seven to eight months, he said. According to a note prepared by GSTN, between October 1 and October 7 more than 69.5 lakh IRNs were generated by over 71 thousand users. "On the very first day of e-invoicing system, more than 8.40 lakh IRNs were generated by 8,453 users while on October 7 about 13.69 lakh IRNs were generated by 14,100 users, it said.

To be sure, the introduction of e-invoicing system was initially scheduled from April 1, 2020, but it was postponed to October 1 because of the sudden outbreak of Covid-19 pandemic. In order to make the system gradually adjust to the e-invoicing system, it was prescribed that the taxpayers having aggregate turnover of Rs. 500 crore and above only would be required to issue e-invoice from October 1.

Hindustan Times, October 09, 2020

9. **Credit limit for retail borrowers, small businesses hiked**

Small businesses, professionals like doctors and chartered accountants, and high net-worth consumers will likely see a greater flow of credit ahead of the festive season, as the Reserve Bank of India (RBI) decided to allow lenders to raise their exposure to individual retail borrowers to Rs 7.5 crore from Rs 5 crore. Importantly, despite the higher threshold, the risk weight assigned to such loans has been retained at 75%, which will help reduce the cost of the extra credit amount. Under the extant guidelines, the 75% risk-weight is tied to certain conditions, including an individual exposure limit of Rs 5 crore.

Apart from individuals, businesses with an annual turnover up to Rs 50 crore will be covered. The elevated limit will apply to both fresh and incremental exposures. MSME industry executives said the central bank's move will complement the government's efforts in easing credit flow to individuals as well as MSMEs through official guarantee and soften the Covid-19 blows, although they also wanted the turnover limit of the firms to be raised as well. The move comes at a time when consumer demand, battered by the pandemic, is expected to pick up in the build-up to the festive season. "This measure is expected to increase the much-needed credit flow to the small business segment," the RBI said in a statement after a meeting of the Monetary Policy Committee. While credit to industry grew 0.5%, year on year, as of August 28, against 3.9% a year before, loan flow to micro and small units dropped by 1.2%, even on a low base of -2.1%. Under priority-sector lending, credit to MSMEs grew by 5.4% as of August 28, compared with 6.1% a year earlier.

Already, the government announced a Rs 3-lakh-crore credit guarantee scheme, rolled out on June 1, to help small businesses and professionals' tide over the Covid shock. As of October 5, lenders disbursed as much as Rs 1,36,140 crore under this so-called Emergency Credit Line Guarantee Scheme. According to Kotak Research, more than a half of the SMEs reported a year-on-year decline in revenue in FY20, with over 30% having reported revenue drop in excess of 10%. This clearly shows the SMEs, which were already in deep trouble, saw their fortune plummet further after the Pandemic hit them hard.

Financial Express, October 10, 2020

10. YEIDA allocates 700 plots through lottery system

Yamuna Expressway Industrial Development Authority (YEIDA) allocated 700 plots under different schemes through a lottery draw system. Officials said that the schemes under which plots were allocated included apparel scheme, toy park and MSME scheme. "The plots allocated are of small size measuring less than 4,000 square meters. A total of 2,290 applications were received and plots have been allocated to 700 applicants including 63 plots for startup," said Shailendra Bhatia, officer on special duty, YEIDA. The officer further said that once companies and start-ups are set up at these plots, thousands of job are expected to be created.

The Millennium Post, October 10, 2020

11. RBI urges SC to vacate stay on classification of loan a/c as NPA

The Reserve Bank of India (RBI) has prayed before the Supreme Court to lift the stay on classification of loan account as NPA (non-performing assets). At the same time the Centre has made it clear that no further relief is possible beyond waiver of interest-on-interest for certain categories of loan account having borrowing up to ₹2 crore.

These are part of the additional affidavits by the RBI and government filed before the Supreme Court in a matter related with loan moratorium. “It is humbly submitted that this Hon’ble court had given an across-the-board stay on classification of any account as NPA till further orders. If the stay is not lifted immediately, it shall have huge implications for the banking system, apart from undermining the regulatory mandate of the Reserve Bank of India,” the central bank said in consolidated counter affidavit filed before the Court. In its order dated September 3, the Court had said, “The accounts which were not declared NPA till August 31, 2020 shall not be declared NPA till further orders.”

It may be noted that the six-month loan moratorium period ended on August 31 under which borrowers were given option to defer EMI (equated monthly instalment). However, deferment came with a cost as banks made it clear that interest accrued during six-month period will be added to the principal amount and then interest will be charged on the expanded base. This is termed as ‘interest-on-interest.’ A petition was filed before the Supreme Court with a plea for waiver of interest during moratorium period. In its response, the Centre filed an affidavit earlier this month and said complete waiver is not possible. However, it informed the Court about its decision about waiver with regard to interest-on-interest up to ₹2 crore in eight categories (home loan, personal loan, credit card dues, MSME, etc). However, on October 5, the Court asked the Centre and RBI to file counter affidavits in other writ petitions where certain additional issues such as classification of NPA, relief for other sectors, have been raised.

The Hindu Business Line, October 12, 2020

12. Government guarantee ups MSME loans: Cibil

Data released by TransUnion Cibil on fresh loan disbursements to the micro, small and medium enterprises (MSMEs) sector shows that there has been a resurgence in lending to this segment in June. The bounce-back came after the government launched the Emergency Credit Line Guarantee Scheme (ECLGS). Although outstanding bank credit to MSMEs has shrunk by 5.7% year-on-year to just under Rs 17 lakh crore, there has been a sharp pickup from June onwards.

According to credit data released by TU Cibil, the ECLGS scheme has catalysed public sector banks to disburse a 2.6 times higher loan amount to MSMEs in June over February. Even private sector banks' credit disbursals to the MSME segment for June were back at February levels. Within MSMEs, the micro loans segment increased by 1% year-on-year to Rs 4.5 lakh crore of credit outstanding as of June.

In terms of numbers, MSME loans disbursed in urban, semi-urban and rural regions for June is over 3 times that of February and was at 1.9 times for metro regions. A similar trend is observed at the state level. That is, for the states of Bihar, Jharkhand, Punjab and Kerala, the number of MSME loans disbursed in June is over 4 times as compared to February, whereas for Maharashtra and Delhi it is 1.9 and 1.1 times respectively for the same period.

The total loan book of banks has shrunk to Rs 67 lakh crore in June from nearly Rs 70 lakh crore a year ago in June 2019. Of this, the share of MSMEs currently stands at Rs 16.9 lakh crore as of June this year, and there has been a reduction in credit exposure across most sub-segments of MSME lending except the very small and micro sub-segments. Large corporates' segment is at Rs 50.1 lakh crore outstanding as of June and has observed a y-o-y contraction of 3.3%.

The Times of India, October 13, 2020

13. Govt implements AI, ML tools on 'Champions' portal for assistance to MSMEs

The government has implemented artificial intelligence (AI) and machine learning (ML) tools on its single window system 'Champions', a move aimed at gaining insights into issues faced by MSMEs and providing assistance to them. The Champions system was launched by Prime Minister Narendra Modi on June 1, 2020. The multi-modal system has a portal at virtual level and technology equipped physical control rooms at around 69 locations of the country. "Artificial intelligence has started giving the MSME Ministry social media insights relating to micro, small and medium enterprises (MSMEs) for its policy action through Facebook, Twitter, Instagram, blogs, forums and online news which were not available to us on a holistic basis," an official statement said.

The ministry stated that till now, for grievance redressal, it was dependent on complaints and data coming through the Champions portal. However, now it will be possible to know the emotions of people involved with or dependent on MSME sector in real time, it said. The ministry said the next phase, which would be directed towards real-time grievance redressal and management, is in trial mode.

This includes increasing the performance of control rooms and officers through AI-enabled chat bots for faster response to query of portal users, giving real-time, detailed analytics and grievance redressal through the portal. The ministry is also working aggressively to take the nation and MSMEs in the direction of Industry 4.0.

Technology company Intel guided the ministry in implementing some of the AI and ML tools, the statement said. MSME Minister Nitin Gadkari had elaborated on the work done by the ministry in this direction during the AI Summit. He said the entire concept and scope analysis and design has been done in-house in the ministry with the help of National Informatics Centre (NIC) and under the guidance of local team of Intel, it added.

Business Standard, October 14, 2020

14. Standard loans alone eligible for debt recast, says RBI

The Reserve Bank of India (RBI) has clarified that loans which have remained standard without any defaults as of March 1, 2020, will be eligible for restructuring under the pandemic-related resolution framework issued in August. In clarifications issued to borrowers as well as lenders about the August 6 circular, RBI said a loan account that was due for more than 30 days as on March 1, 2020, but subsequently got regularised, will not be ineligible for resolution under the Covid-19 resolution framework. This is because the restructuring framework is applicable only for eligible borrowers who were classified as standard as of March 1, 2020.

However, such accounts may still be resolved under the prudential framework dated June 7, 2019, the central bank said. Similarly, the regulator said restructuring of under-implementation project loans involving deferment of date of commencement of operations are excluded from the scope of resolution framework and that such accounts will continue to be governed by the February 7, 2020, and the other relevant instructions as applicable to specific category of lending institutions. Also, in case of multiple lenders to a single borrower whose resolution is undertaken, all lending institutions will have to enter into an inter-creditor agreement.

On whether loans of ₹100 crore and above will require an independent credit evaluation by any one credit rating agency, the apex bank said, in case credit opinion is obtained from more than one rating agency, all such credit opinions must be RP4 rating or above. The clarification also said the new definition of MSMEs effective June 26, will not impact their eligibility for resolution but will be based on the definition that existed as of March 1, 2020.

RBI clarified that any company from any sector is eligible for resolution subject, except those exclusions prescribed in paragraph 2 of the annex to the August 6 circular and also those sector-specific thresholds not specified in the circular dated September 7. But lenders shall make their own internal assessments regarding eligibility.

Loans against property will also be eligible for recast if they don’t fall under the personal loan category. The quantum of the loan eligible for recast depends on the outstanding as on the date of invocation,

which is March 1, 2020, provided it was a standard account then. RBI clarified that all farm credit exposures, including NBFCs, can be recast under this scheme, but loans to allied activities such as dairy, fisheries, animal husbandry, poultry, beekeeping and sericulture are excluded from its scope. But loans given to farmer households are eligible for resolution if they are not under other exclusion conditions listed in the framework. On the loans to the realty sector, RBI said the requirement of inter-creditor agreement is a basic feature of the prudential framework for resolution issued on June 7, 2019, and consequently that of the pandemic resolution framework as well.
Hindustan Times, October 15, 2020

15. Kerala govt launches portal to support pandemic-hit MSME sector

The Kerala government launched an online portal for speedy and transparent delivery of concessions, including interest subsidy for the revival of Micro Small and Medium Enterprises, hit badly by the economic downturn triggered by the COVID-19 pandemic. The portal, inaugurated by Industries minister E P Jayarajan, carries all the details of various measures under the Vyavsaya Bhadratha Package, including financial support and concessions for MSMEs reeling under the impact of the pandemic.

Principal Secretary, Industries, Dr K Ellangovan, Industries secretary, APM Mohammad Hanish, were among those present on the occasion. The interest subsidy on capital credit and term loans availed by MSMEs from financial institutions is a major component of the package.

The Department of Industries has allocated Rs 37.65 crore for meeting this commitment through re-appropriation route, according to a press release. Under the scheme, MSME units which had availed additional capital credit or additional term loan, either separately or together, from April 1 to December 31 2020, will be entitled for 50 per cent interest subsidy for six months.

A ceiling of Rs 30,000 has been set for single loan and Rs 60,000 for both the loans under this facility, the release said. The benefit of interest subsidy is also eligible for MSMEs that have availed loans under the Emergency Credit Line Guarantee Scheme (ELGS) under the Centres Atma Nirbhar Bharat project. As per the current statistics, the banks in the state had provided Rs 4,863.53 crore as loan under 10,4588 accounts. Over 50,000 MSMEs that have availed loans will benefit from the interest subsidy scheme.

The Directorate of Industries and Commerce (DIC) launched the online portal with the intention of extending the concessions to eligible MSMEs in a time-bound and transparent manner. For availing the concession, the beneficiaries can directly apply through the portal available on the official website of Directorate of Industries and Commerce "http://Industry.kerala.gov.in"Industry.kerala.gov.in. The package, aiming at the overall development of the industrial sector, was worked out on the basis of discussions held by the government with representatives of various industries associations.
Business Standard, October 16, 2020

16. FinMin kick-starts Budget making exercise amid contraction pressure

The finance ministry kicked off the exercise to prepare the annual Budget for 2021-22 amid the urgency to push economic growth hit by the Covid-19 pandemic. The upcoming Budget will be crucial for the country as it will have to deal with impact of pandemic which has affected all segments of the economy, including revenue collection, disinvestment, expenditure, exports and food prices.

The economy is projected to contract by a massive 10.3 per cent this year, according to an IMF forecast. Even the Reserve Bank of India expects the economy to shrink by 9.5 per cent in the current financial year. As per the finance ministry schedule, the nearly one-month long exercise to finalise the Revised Estimate (RE) for 2020-21 and Budget Estimate (BE) for 2021-22 has begun.

Officials of the department of financial services, as well as ministries of MSMEs, housing, steel and power were among those who participated in the first meeting, as per the schedule. "This year, however, keeping in view the COVID-19 situation and the need to maintain social distancing, the number of participants for the pre-budget meetings may be restricted to a maximum of 5 officers (for each meeting) from a ministry/department, not below the rank of director/DS," the Budget Division of the finance ministry had said in a notice. It will be the third Budget of the Modi 2.0 government and finance minister Nirmala Sitharaman. Budget 2021-22 is likely to be presented on February 1.

The Prime Minister Narendra Modi-led government scrapped the colonial-era tradition of presenting the Budget at the end of February. The then finance minister Arun Jaitley had for the first time presented the annual accounts on February 1, 2017.

With the preponement of the Budget, ministries are now allocated their budgeted funds from the start of the financial year beginning April. This gives government departments more leeway to spend as well as allow companies time to adapt to business and taxation plans.

Previously, when the Budget was presented at the end of February, the three-stage Parliament approval process used to get completed sometime in mid-May, weeks ahead of onset of monsoon rains. This meant government departments would start spending on projects only from August-end or September, after the monsoon season ended.

The Times of India, October 16, 2020

17. Centre nudges 2,800 large corporates to clear dues of MSMEs by Oct-end

Encouraged by the strong response from the top 500 companies to its earlier entreaty to clear dues of MSMEs, the Ministry of Micro, Small and Medium Enterprises has now cast a substantially wider net. The Ministry has written to the top management of over 2,800 corporates by name, asking them to clear the pending dues of MSMEs by the end of this month.

“In September, the Ministry had written to the top 500 corporates about the pending payments of MSMEs… A very good response has been seen from corporate India. Over the last five months, the maximum payments to MSMEs happened in September,” said an official statement. Over ₹13,400 crore

has been paid by Central Public Sector Enterprises (CPSEs) alone to MSMEs in the last five months, of which ₹3,700 crore was cleared in September alone, said the Ministry.
Timely clearance of receivables will help MSMEs better leverage the festival season, it added. “Timely payment of their receivables at this time will not only support MSMEs and their dependants in this festival season but will also sustain many of them for a full year. Therefore, the Ministry has requested the corporates to make payment as soon as possible, preferably in the present month,” said the statement.
The MSME Ministry has also drawn the attention of Corporate India towards key administrative, legal and fintech-based provisions with regard to MSME payments. “It is ideal that payments are made in the stipulated time. However, to solve the cash flow problems of MSMEs in the absence of that, a bill discounting mechanism has been started by the RBI, called Trade Receivables Discounting System (TReDS). It is mandatory for all CPSEs and companies with a turnover of more than ₹500 crore to join this platform,” the statement added. The Ministry has also asked India Inc to give details about dues to MSMEs while filing half-yearly returns with the Ministry of Corporate Affairs.
Business Line, October 19, 2020

18. Finance minister hints at another round of stimulus package in FY21

Finance minister Nirmala Sitharaman said the government has not closed the option of a third stimulus package in the current financial year ending 31 March, 2021, a week after announcing demand measures to boost consumer spending and capital expenditure in the economy.
“I have not closed the option for another stimulus package if it comes out to be, because every time we announced one, it has been after a lot of consideration of inputs which have come from various different sections of the society. Then we sit and work it out within the ministry and prime minister’s office and then take a final call. So I have not closed the option to come up with one more stimulus, Sitharaman said participating in a panel discussion.
Finance minister announced a stimulus package worth ₹46,675 crore including incentives for central government employees to spend more on consumer durables and higher capital expenditure for both the centre and states. Rating agency Moody’s last week said the measures worth 0.2% of GDP will provide only limited support to growth and highlight the “very weak fiscal position" of the government.
In an interview, expenditure secretary T.V. Somanathan said though nothing is planned yet, another stimulus cannot be ruled out. “As of now, I don’t think there is anything else planned. But in real life nothing can be ruled out. Finance minister has always said that we will keep watching the situation and react periodically as and when the situation warrants. So I can’t give you a commitment either way," he added.
Asked whether the finance ministry will come out with its own projection for the GDP contraction for the current financial year, Sitharaman said that the ministry has just started making an assessment towards this after waiting for the first half of the financial year to be over. “We have got a lot of inputs

which are very different from what we had in July. Perhaps we will have to come up with a statement, whether we do it in public or whether I do it in the Parliament is one thing but obviously the finance ministry will have to make an assessment on what's it is going to be like," she added. The Reserve Bank of India has projected the economy to contract 9.5% in FY21 while the International Monetary Fund has estimated GDP to shrink 10.3% during the current financial year.

Replying to another question, Finance minister said the cabinet will soon take up the proposal of identifying the limited strategic sectors in which public sector enterprises should function letting other sectors open for private sector as announced earlier as part of the Atmanirbhar Bharat package. "There should be a clear cut mention of how Indian economy has to be; that shift away from the socialistic baggage that we have been carrying all the while, some desirable and some burdensome. That will make a big directional shift and I desire that to happen," she added.

Sitharaman said she wants to see federalism becoming robust in India. "Continuous real time robustness is what is going to make this country stronger. Even prime minister periodically mentions that every state has to develop. Even if one state is left behind, it will become a baggage. Otherwise you will have the speed with which you want to grow being slowed down because of the pull factor of those who are left behind," she added. Among other major reforms, finance minister said she wishes India's education system could match all needs of its youth and India becoming an education hub for foreign students to come and study.

Mint, October 19, 2020

19. FM urges CPSEs to meet 75% of capex target by Dec-end

Finance Minister Nirmala Sitharaman nudged central public sector enterprises (CPSEs) to meet three-fourth of the capital expenditure target by the third quarter of the current fiscal to help the economy recover from the covid-19 induced slowdown. While reviewing the performance of CPSEs, the finance minister also said that capital expenditure of CPSEs needs to be scaled up for the current and the next fiscal year as it a "critical driver for economic growth".

Sitharaman met secretaries of the ministries of petroleum and natural gas, coal ministry, along with the heads of 14 CPSEs belonging to these ministries via video conference, to review the capital expenditure in the current fiscal year. This was the fourth such meeting with the finance minister to review the progress in capex backdrop of the covid-19 pandemic.

In the first six months of the current fisca year, little less than a third of the capital expenditure of these 14 CPSEs was met. The target for 2020-21 is ₹1.15 trillion, according to finance ministry data. The target for 2019-20 was ₹1.11 trillion for these 14 CPSEs. "The finance minister asked the concerned secretaries to closely monitor the performance of CPSEs in order to ensure the capital expenditure to the tune of 75% of the capital outlay by the end of Q3 of FY 2020-21 and make appropriate plan for it," an official statement said, adding that the minister called for more co-ordinated efforts at the secretary-level of concerned ministries and heads of CPSEs to achieve the targets.

"While mentioning the significant role of CPSEs in giving a push to the growth of the Indian economy, the finance minister encouraged the CPSEs to perform better to achieve their targets and to ensure that the capital outlay for FY 2020-21 is spent properly and within time," the statement said. The finance minister has maintained that the capital expenditure has a high multiplier effect and has the potential to increase the current as well as future gross domestic product (GDP), making debt more sustainable.
Sitharaman said an additional budget of ₹25,000 crore will be provided as capital expenditure to develop roads, defence, water supply, urban development and domestically produced capital equipment to boost economic growth. This will be in over and above the ₹4.13 trillion provided for in the Union Budget for 2020-21. She also said that the government will offer ₹12,000 crore special interest-free 50-year loan to states, exclusively for capital expenditure.
Mint, October 20, 2020

20. Rajnath releases new DRDO procurement manual to engage private sector

Defence Minister Rajnath Singh released a new version of the procurement manual of the Defence Research and Development Organisation (DRDO) that lists simplified rules for forging partnerships with the private sector for research and development projects. Defence ministry officials have said the new version of the manual has been envisaged to encourage participation of private industry, including start-ups and micro, small and medium enterprises in defence research in sync with Prime Minister Narendra Modi's "Atmanirbhar Bharat' (self-reliant India) initiative. The previous revision of the procurement manual of the DRDO was in 2016.
The government has already announced its vision to make India a global hub of defence manufacturing and launched a series of reform measures to encourage the domestic defence industry. "The procurement manual-2020 will facilitate faster execution of R and D projects and programmes. The modified features in the manual will go a long way to facilitate participation of industry in various R&D projects," the defence ministry said in a statement.
Some of the salient features of the new manual include increase of threshold limit for advance payment, placement of order on second lowest bidder (L2) in case lowest bidder L1 backs out and 'bid security declaration option' for depositing earnest money. Several other enabling measures are exemption of bid security and performance security of up to ₹10 lakh and not having negotiations for commercial off-the-shelf (COTS) items and services where price discovery takes place by market forces, a defence official said.
The process for extension of the delivery period has been simplified for faster decision making and many of the internal procedures have been further simplified for deeper engagement with industry, the official said. In May, Finance Minister Nirmala Sitharaman announced a number of reform measures for the defence sector including making separate budgetary outlay to procure Indian-made military hardware, increasing FDI limit from 49 % to 74 % under the automatic route and generating a year-wise negative list of weapons which will not be allowed to import.

India is one of the most lucrative markets for global defence giants as it figured among top three importers of military hardware in the world for the last eight years. According to estimates, the Indian armed forces are projected to spend around USD 130 billion in capital procurement in the next five years. The government is eyeing a turnover of ₹1.75 lakh crore ($25 billion) in defence manufacturing by 2025.

Mint, October 20, 2020

21. Interest on interest for loans up to Rs 2 cr waived

The Union Finance Ministry issued operational guidelines for implementation of the interest waiver scheme for loans up to Rs 2 crore during the Covid-hit period of March 1 to August 31. Lending institutions will credit the difference between compound interest and simple interest to the eligible borrowers for six months, irrespective of whether the moratorium on repayment of the loan has been fully or partially availed.

All public and private banks, NBFCs, housing finance companies, co-operative banks, regional rural banks, National Housing Bank and All-India Financial Institutions, will have to claim the reimbursement from the government, but only after crediting the amount to borrowers' accounts. The scheme was announced on directions of the Supreme Court. A letter containing the operational guidelines was sent to all banks and NBFCs. The government has taken the stand that this is an ex gratia gesture due to the unprecedented and extreme situation. As per the scheme, the borrower's accounts should not be in the non-performing asset (NPA) category as on February 29. Housing, education, auto, MSME and consumer durable loans and credit card dues are covered.

For accounts that were closed between March 1 and August 31, interest would be credited from March 1, 2020, till the date of closure of the account. The government said the rate of interest would be as specified in the loan agreement. In case no interest was charged on EMI for a certain period on consumer durable loans, the interest would be applied at lenders' base rate. The ministry has told the lenders that for the purpose of reimbursement, the compound interest will be reckoned on a monthly basis.

The Tribune, October 24, 2020

22. To maximise liquidity for MSMEs, govt may extend credit scheme deadline

The government plans to extend the deadline for Emergency Credit Line Guarantee Scheme (ECLGS) for MSMEs beyond October 31 in case the targeted loan sanction amount of Rs 3 lakh crore is not achieved, sources said. Banks have sanctioned 62.52 per cent of the targeted Rs 3 lakh crore under the ECLGS for stressed MSMEs, while disbursements were at 45.38 per cent of the total amount as of October 5, up from 47.7 per cent sanctions and 32.9 per cent disbursements recorded as on August 12. Sources said the National Credit Guarantee Trustee Company Ltd (NCGTC), which is implementing this scheme, is running an aggressive campaign this month to enable increased funding to micro, small and medium enterprises (MSMEs). Launched on May 23, the ECLGS is open until October 31 or until Rs 3 lakh crore has been sanctioned, whichever is earlier.

"The NCGTC has increased its outreach substantially this month. The idea is put the entire Rs 3 lakh crore to use so that liquidity can reach the maximum number of enterprises. Loan sanctions have picked up after individuals were allowed to take benefit. But even if we reach Rs 2.90 lakh crore of sanctions, then also there is a ground for extension of scheme," a senior government official said.

As on October 5, 12 public sector banks, 24 private banks and 31 non-banking financial companies (NBFCs) sanctioned Rs 1.87 lakh crore under the scheme, of which Rs 1.36 has been disbursed to 27.37 lakh borrowers, government data showed. The amount of loan sanctions by private banks continued to remain higher when compared to state-owned ones. While public sector banks (PSBs) sanctioned loans of Rs 81,648 crore, private bank sanctions were Rs 95,510 crore. Disbursals by PSBs and private banks were at Rs 68,814 crore and Rs 62,848 crore, respectively. The Rs 3-lakh crore ECLGS provides additional 20 per cent collateral-free credit to MSMEs fully guaranteed by the central government against loan losses.

Of the total 27.37 lakh loan accounts which received disbursement under the scheme, PSBs catered to 22.19 lakh accounts — or 81.09 per cent of total accounts — while private banks served 3.89 lakh customers. Share of disbursement by state-owned banks has come down from around 90 per cent in earlier months, while private banks and NBFCs have stepped up lending. A total of 1.64 lakh individual borrowers were sanctioned Rs 17,460 crore and disbursed Rs 5,939 crore under the scheme.

The Centre had amended the ECLGS scheme in August to cover individual entrepreneurs, who run a large chunk of the over 6.3 crore MSMEs across the country. This enabled NBFCs to provide funding to borrowers who mostly take loans in their individual capacity, for instance, truck drivers, small shopkeepers, taxi drivers, lawyers, agriculture equipment owners and doctors and engineers with loans on equipment.

According to a recent survey published by the National Institute of Bank Management, micro enterprises have been the biggest beneficiary of the ECLGS, but it has been used mostly for immediate liquidity support, rather than business growth. The survey also highlighted various concerns — disbursement patterns being unequal as a large proportion of borrowers have received a small share of the total loan; low utilisation rate for the smallest borrowers and manufacturing firms. Though under the ECLGS banks are not supposed to take any collateral from borrowers, it allows extension of charge on security for the existing loans which involves documentation and registration and stamp duty charges.

Indian Express, October 26, 2020

23. RBI asks lenders to implement waiver of interest on interest scheme by Nov 5

The Reserve Bank asked all lending institutions, including non-banking financial companies, to ensure that the scheme of waiver of interest on interest for loans up to Rs 2 crore for the six-month moratorium period is implemented by November 5, as decided by the government. Earlier, the government had announced the scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts.

The lending institutions have been asked to complete the exercise of crediting the amount in the accounts of borrowers by November 5. Housing loans, education loans, credit card dues, auto loans, MSME loans, consumer durable loans and consumption loans are covered under the scheme.

The scheme mandates ex-gratia payment to certain categories of borrowers by way of crediting the difference between simple interest and compound interest for the period between March 1, 2020 to August 31, 2020 by respective lending institutions. “All lending institutions are advised to be guided by the provisions of the Scheme and take necessary action within the stipulated timeline,” the RBI said in a notification.

In a tweet, office of Finance Minister Nirmala Sitharaman said “RBI advises all lending institutions to be guided by the provisions of the scheme for grant of ex-gratia payment of difference between compound interest & simple interest for 6 months to borrowers in specified loan accounts & take necessary action within the stipulated timeline”. The finance ministry had issued the operational guidelines, in the backdrop of the Supreme Court’s direction to implement the interest waiver scheme.

The apex court directed the Centre to implement “as soon as possible” interest waiver on loans of up to Rs 2 crore under the RBI moratorium scheme in view of the COVID-19 pandemic saying the common man’s Diwali is in the government’s hands. As per the scheme, the lending institutions shall credit the difference between compound interest and simple interest with regard to the eligible borrowers in respective accounts for the said period irrespective of whether the borrower fully or partially availed the moratorium on repayment of loan announced by the RBI.

The scheme is also applicable on those who have not availed the moratorium scheme and continued with the repayment of loans. The lending institutions after crediting the amount will claim the reimbursement from the central government. The RBI had announced a moratorium on repayment of debt for six months beginning March 1, 2020 to help businesses and individuals tide over the financial problems on account of disruption in normal business activities.

Financial Express, October 27, 2020

24. Gadkari urges Walmart to work with khadi cos to take their products global

Union MSME Minister Nitin Gadkari urged retail giant Walmart to work with khadi and village industries to take their products, including khadi denim, to global markets. He also highlighted that the micro, small and medium enterprises (MSME) sector in India is a major job creator and contributor to the country's gross domestic product (GDP). "Khadi gram udyog has very good products. We are making khadi denim...the quality of products is good, of international standards... I will request if you can give opportunity to khadi gram udyog. I feel that will be a unique thing for Walmart also," Gadkari said at a virtual event. The minister noted that the MSME sector is the backbone of the country's economy, employing over 11 crore people and is an engine to economic growth. He said the government has taken a number of steps to help the MSME sector that has seen significant impact of the COVID-19 pandemic.

Gadkari suggested that Walmart can engage with sectors like handloom, handicrafts, and other village industries. "They (industries) have unique types of products that are definitely going to give you (Walmart) more business. At the same time, it creates job opportunities in India. Our target is to increase exports, and Indian MSMEs must become part of the global supply chain," he said.

He added that global corporates such as Walmart are contributing to expanding the footprint of India's MSME industry globally, by sourcing from these enterprises and also helping the sector enhance its quality standards. In December last year, US retail major Walmart said it would open 25 institute hubs in India over the next five years, which would train 50,000 entrepreneurs from the MSME sector. The institutes are to be opened under the Walmart Vriddhi Supplier Development Programe and would be strategically located near manufacturing clusters.

Walmart said it is adding interactive online training experiences and personalised mentoring to the programme, with access to resources and experts to support growth for MSMEs. This also supports the goals of Digital India by providing MSMEs with the tools to adopt new technologies to expand their business.

Walmart Vriddhi's first all-digital e-institute will initially be open to MSMEs in Panipat, Sonipat, and Kundli, an area that is a hub of textile, steel and kitchenware production with a strong entrepreneurial heritage and a skilled workforce. "Following the COVID-19 outbreak, the programme has been reshaped to emphasise digital experiences, and this allowed it to be rolled out to more MSMEs.

Business Standard, October 27, 2020

25. For MSMEs, cut in input costs to help quick revival, says Gadkari

Micro, small and medium enterprises (MSME) must focus on reducing costs of inputs, such as power and logistics, to grow and revive quickly in the post-Covid era, Union MSME Minister Nitin Gadkari said. “The MSME sector should make use of technology, innovation, research. Actually we need upgradation of technology. Such improvements can play a major role towards industrial development and global expansion,” Gadkari said during a training programme for MSMEs.

The Indian Express, October 28, 2020

26. Interest waiver: Outstanding as of February 29 to be reference for ex gratia relief

The loan outstanding as of February 29 would be the reference amount for calculating the differential interest amount under the ‘scheme for grant of ex gratia payment of difference between compound interest and simple interest’ according to the FAQs released by the Finance Ministry.

The Reserve Bank on Tuesday asked all lending institutions, including non-banking financial companies, to ensure that the scheme of waiver of interest on interest for loans up to Rs 2 crore for the six-month moratorium period is implemented by November 5, as decided by the government.

The government had announced the scheme for grant of ex gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts. The lending institutions have been asked to complete the exercise of crediting the amount in the accounts of borrowers by November 5.

According to the Frequently Asked Questions (FAQs) on the scheme, the relief shall cover the following segments MSME loans, education loans, housing loans, consumer durable loans, credit card dues, automobile loans, personal loans to professionals and consumption loans. Loan accounts with sanctioned limits and outstanding not exceeding Rs 2 crore (aggregate of all facilities with all the lending institutions) and such accounts should be standard in the books of the lending institutions as on cut off date of February 29, 2020, it said. The period reckoned for refund shall be from March 1 to August 21, 2020 that is six months period or 184 days, it said. The ex gratia relief will be credited to the account of all eligible borrowers without any requirement to apply, it said.

As per the scheme, the lending institutions shall credit the difference between compound interest and simple interest with regard to the eligible borrowers in respective accounts for the said period irrespective of whether the borrower fully or partially availed the moratorium on repayment of loan announced by the RBI on March 27, 2020. The scheme is also applicable on those who have not availed the moratorium scheme and continued with the repayment of loans. The scheme, which was announced as per the direction of the Supreme Court, is likely to cost the exchequer Rs 6,500 crore.

The Indian Express, October 28, 2020

27. Economic recovery faster than expected, confident of meeting $5-trillion target by 2024: PM Modi

The Indian economy is getting back on track faster than expected as a timely lockdown and various relief measures announced by the government helped address issues faced by all sections of society and all economic sectors due to the COVID-19 pandemic, Prime Minister Narendra Modi has said.

He also expressed confidence that the target of making India a USD 5-trillion economy will be achieved by 2024, saying that the crisis gave the government an opportunity to carry out reforms that were waiting to happen for decades but no one earlier took the initiative. “Reforms across sectors such as coal, agriculture, labour, defence, civil aviation and so on have been undertaken which will help us get back on the high growth path that we were on before the crisis,” Modi said in an interview published.

On COVID-19 vaccine, he said every Indian will be vaccinated as and when a vaccine becomes available, though the focus initially would be on protecting the most vulnerable and the frontline workers. Modi reiterated that there should be no room for complacency in fighting this virus and the only way forward is to take precautions such as wearing masks, hand washing and social distancing. He said the government in the very beginning decided to be proactive and introduced a timely nationwide lockdown. “We not only got the broad timing of various phases of lockdown right, we also got the unlock process right and much of our economy is also coming back on track. The data for August and September indicates that" he said.

He said this is a new virus and countries which had initially controlled the outbreak are now reporting a resurgence. "The geographical spread of India, population density, the regular social gatherings must be kept in mind when we look at these numbers and seek to compare with others. Many of our states are larger than countries," he added. Modi said India's response in tackling the crisis has been focused on increasing capabilities to handle the situation, making people more aware, creating more facilities etc in keeping with the dictum 'Hope for the best but prepare for the worst'.

Asked about plans for further stimulus for the economy, he said, "We will take all measures needed to constantly stimulate the economy in a timely manner while ensuring overall macro-economic stability.

"Remember, we are still not over with the pandemic. Yet, our economy has shown a remarkable capability to bounce back, largely because of the resilience of our people. "This is something that is not captured in these numbers but is the reason behind those numbers. The shop-owner, the trader, the person running an MSME, the person working on the factory floor, the entrepreneur, all these are the heroes responsible for the strong market sentiment and revival of the economy," he said.

Modi further said India has not started speaking about manufacturing only after the pandemic and the work has been continuing on increasing manufacturing for some time now. "India is, after all, a young country with a skilled workforce. But India doesn't believe in gaining from the loss of others. India will become a global manufacturing hub on its own strengths. "Our effort is not to become some country's alternative, but to become a country which offers unique opportunities. We want to see the progress of all. If India progresses, one-sixth of humanity will progress," he said.

Referring to a new world order that was formed after World War II, the prime minister said something similar will happen post-COVID-19. "This time, India will ride the bus of manufacturing and integrating in global supply chains. We have specific advantages in the form of democracy, demography and demand," he said.

On the USD 5-trillion target for the Indian economy by 2024, he said, "Our government has a track record of meeting our targets." "We met the rural sanitation target before the deadline, we met the village electrification target before the deadline, we met the 8 crore Ujjwala connections target too well before the deadline. So, going by our track record and continuing reforms, people also have confidence in our abilities to reach the target," Modi said.

Financial Express, October 29, 2020

28. SME exchanges gain traction as more firms raise funds

SME Exchanges have come a long way since they were launched in 2012. The BSE was the first to launch its BSE-SME platform for small and medium enterprises and start-ups to list directly on the bourses and raise funds. The NSE launched its NSE Emerge almost immediately. The first SME company raised funds in 2012 on the BSE-SME; since then about 330 companies have raised funds through the BSE-SME platform and over 200 firms on the NSE Emerge. The BSE-SME and NSE Emerge were launched amidst fanfare to provide much-needed equity funding to SMEs, without the latter having to go through the stringent, time-consuming and expensive due diligence and compliances required for the main board IPOs.

According to SEBI, an issuer company whose post-issue paid-up capital is not more than ₹10 crore is eligible to list its securities on the SME exchange. The offer document is required to be submitted to the merchant banker, who in turn, will file it with SEBI. The latter will not scrutinise the offer document of an SME IPO. In this fiscal so far, 15 companies have raised almost ₹100 crore through SME platforms on both the exchanges.

Though more companies are now taking interest on the SME platform, trading interest is low in most of these counters post listing. Not all stocks are traded regularly on daily basis. For instance, of the 239 stocks available for trading, only 55 companies were traded on the BSE-SME platform on Friday. On the NSE, just 47 stocks were traded on Friday out of 136. The main reason for this low activity is the entry barrier for retail investors.

Due to fewer compliance norms, many of the SME companies are very small with annual sales of as low as ₹5-10 crore and annual profit of about ₹1 crore or so. The sustainability of such companies will always remain suspect, and hence, SEBI and exchanges want only high net worth 'well-informed' investors who can understand the risks involved in these companies to trade in these scrips. Like in F&O, each stock will have a market lot in this segment. Hence, investors need to fork out at least ₹1 lakh.

However, according to the BSE, the SME-IPO index has produced an annualised return of 12.15 per cent over the five-year period. Of the 329 companies that raised funds on the BSE-SME, 90 have migrated to the BSE main platform. On the NSE, stocks of 42 companies moved to the NSE trading platform. This is a healthy sign, as almost one-fourth of the listed stocks have migrated to the main board, indicating the willingness of the promoters to adopt to strict listing disclosure norms.

For migration, the market capitalisation should at least be ₹25 crore in the preceding 20 traded days from the date of submission of application to the exchange. A special resolution should also be passed in the AGM with at least two-thirds of the shareholders (apart from promoter shareholders) favouring the migration.

However, migrating to the main board does not guarantee a solid return. Veto Switchgears, the first company that moved to the main board in April 2015, is currently hovering around ₹41.65, against ₹78 where it was then trading. It, in fact, dipped to a low of ₹26.30 in March but recovered since then. Similarly, Zota Healthcare, which migrated to the main board last October when the share price was ruling at around ₹185, is currently ruling at ₹138.70. Retail investors can stay away from SME stocks as the possibility of incurring losses is huge; they may also get stuck with the stocks due to lack of liquidity.

Business Line, October 30, 2020