



NEWSLETTER

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1. Gadkari launches portal for innovative MSME ideas

Union Minister Nitin Gadkari launched a portal for uploading ideas and innovations regarding the micro, small and medium enterprises (MSME) sector. The 'MSME Bank of Ideas, Innovation and Research' portal was launched via videoconference. Registered users on the portal can share ideas, innovation and research, which will be reviewed by the officer concerned and published for public view. The users can rate these ideas for crowd sourcing and venture capitalists can also connect with the users. Besides, while interacting with members of the Maharashtra Economic Development Council, the minister said initiatives will have to be taken to locally produce all goods that are imported from China. Gadkari also said he believes the global sentiment against China in the wake of COVID-19 crisis was a "blessing in disguise" for India and presents an excellent opportunity for the country to boost its exports and attract more foreign direct investment. He also inaugurated the 'Ayush Entrepreneurship Development Program' via video conference.

Business Line, April 30, 2020

2. Haryana to help MSME units pay their staff

To facilitate industrial units in the state retain their employees, Haryana notified its micro small and medium enterprises (MSME) revival scheme under which 100 per cent interest benefit on loans, availed for payment of employees' wages and other expenses up to a maximum of Rs 20,000 per employee, will be provided by the government. A decision in this regard was taken by the Haryana Cabinet that met under Chief Minister Manohar Lal Khattar yesterday, but a notification of the scheme has been issued. TVSN Prasad, Additional Chief Secretary, Finance Department, Haryana, said he was confident that the scheme would catalyse the revival of the industry in the state. The benefit will be limited to the interest paid by the industrial unit to the bank or financial institution up to a period of six months. The benefit will be calculated at maximum 8 per cent rate of interest or the actual rate charged by the bank. For eligibility, the industrial unit should have been in commercial production for at least 80 per cent of the days between February 1 and March 15 and it should have a running account of term loan or working capital loan from a commercial bank or financial institution. To pay loan interest for employee wages:

- The state government will provide 100% interest benefit on loans availed for employees' wages up to a maximum of Rs. 20,000 per employee
- The benefit will be limited to the interest paid by the industrial unit up to a period of six months
- It will be calculated at maximum 8% rate of interest or actual rate charged by the bank
- The government will directly pay to the banks

The Tribune, May 01, 2020

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3. Will ensure survival of small biz: MSME Secretary

Arvind Kumar Sharma, the new secretary for micro, small and medium enterprises (MSMEs), has said that it is imperative to protect the backbone of the units and entrepreneurs during the coronavirus pandemic and ensure that small businesses sail through the tough times, without impacting jobs and livelihood.

“Ridh ki haddi bachi rahegi to phir se khade ho jayengey (if the backbone is intact, they will stand again),” Sharma told his colleagues in the ministry after taking charge.

Besides, he suggested that the crisis should be seen as an opportunity and units should look for new opportunities in domestic and international markets, pointing out that India had to initially depend on imports to meet its requirement for masks and personal protection equipment. “...with little effort, after our group (of officials) put some dots together, we have started producing more than one lakh PPEs daily. We have to just bring certain players and processes together,” Sharma, who has moved from PMO, said.

But the key thrust for the ministry in the coming days will be to ensure that small businesses come out of distress, a key theme being pursued by the Narendra Modi government. The much-anticipated second stimulus package is expected to respond to challenges of MSMEs, apart from the poor.

The Times of India, May 04, 2020

4. Centre working on Agro MSME policy: Nitin Gadkari

The government is working on an agro MSME policy which will focus on entrepreneurship development in rural-, tribal-, agricultural- and forest areas for manufacturing products using local raw material, Union Minister Nitin Gadkari said. The Minister for MSME and Road Transport and Highways was speaking during the meetings held via video-conferencing with the representatives of MSMEs and representatives of beauty and wellness industry on the impact of coronavirus (COVID-19) on MSMEs, according to an MSME Ministry release.

Mr. Gadkari called upon the industry to ensure that necessary preventive measures are taken to prevent the spread of coronavirus. He emphasised upon usage of PPE, masks and sanitiser and advised the industry to maintain social-distancing norms during business operations. The Minister highlighted the need to focus on export enhancement as well as import substitution to replace imports with domestic production. He observed that the industry should focus more on innovation, entrepreneurship, science and technology, research skill and experiences to convert knowledge into wealth.

The Minister recalled that the government of Japan has offered a special package to its industries for taking out Japanese investments from China and moving elsewhere. He opined that it is an opportunity for India which should be grabbed. He further emphasised that work on new alignment of Delhi-Mumbai Green Express Highway has

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already started and this is an opportunity for industry to make future investments in industrial clusters, logistics parks equipped with state-of-art technology.

Mr. Gadkari opined that there is a need to expand the horizon of industrial clusters in areas other than metro cities and urged industries for participation. He suggested to the wellness and beauty industry to encourage use of Indian Ayurvedic products instead of imported products. Mr. Gadkari informed that the Ministry of MSME has signed an MoU with AYUSH Ministry to promote the AYUSH sector through various schemes of Ministry of MSMEs in the areas of training, skilling, handholding, and entrepreneurship development.

He also advised that members of wellness and beauty industry should register as Micro, Small and Medium Enterprise (MSME) so that they could benefit from various schemes of the Ministry of MSME. During interactions, the representatives expressed concerns regarding various challenges being faced by various MSMEs amid the COVID-19 pandemic along with few suggestions and requested support from the government to keep the sector afloat.

The Hindu, May 04, 2020

5. Govt mulling introduction of import substitution policy, says Gadkari

Union Minister Nitin Gadkari said the government is considering introducing a policy on import substitution and urged India Inc to upgrade technologically and come up with cost-effective substitutes to reduce the country's inward shipment. The Minister for MSME and Road Transport and Highways said a policy on import substitution is being thought of in the wake of the economic situation created by the COVID-19 pandemic.

He urged various stakeholders to convert knowledge into wealth by improving quality through innovations and cutting cost. The minister emphasised that special focus towards export enhancement is the need of the hour, and necessary practices shall be adopted to reduce the cost of power, logistics and production to become competitive in the global market.

Further, he said there is also a need to focus on import substitution to replace foreign imports with domestic production. Gadkari said the industry should focus more on innovation, entrepreneurship, science and technology, research skill and experiences to convert the knowledge into wealth. He also stressed the need for greater formalisation of the entertainment industry.

Business Standard, May 05, 2020

6. Karnataka government announces Rs 1,610 cr Covid-19 relief package

The Karnataka government announced a Rs 1,610 crore relief package for the benefit of those in distress due to the Covid-induced lockdown. The measures announced by the chief minister BS Yediyurappa would bring relief to

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farmers, flower-growers, washermen, auto rickshaw and taxi drivers, MSMEs, large industries, weavers, building workers and barbers.

The government also announced a 11 per cent excise duty hike, which is in addition to the six per cent announced in the budget. People from all sections of society are facing financial difficulties due to lockdown of more than one and a half months, the chief minister noted.

Covid-19 has also affected service professionals such as barbers and washermen (dhobis) both in urban and rural areas, and it has been decided to provide a one time compensation of Rs 5,000 each to benefit about 60,000 washermen and about 2.3 lakh barbers. A decision has also been taken to help about 7.7 lakh auto and taxi drivers by providing one time compensation of Rs 5,000 each.

MSMEs have also suffered huge production losses due to the lockdown. It takes some time for them to revive, Yediyurappa said. The monthly fixed charges of electricity bills of MSMEs will be waived for two months. Payment of fixed charges in the electricity bills of the large industries would be deferred without penalty and interest for a period of two months.

The state government has already announced Rs 109 crore weavers loan Waiver scheme, of which Rs 29 crore has been released during 2019-20. Balance amount of Rs 80 crore would be released immediately. This would help weavers get fresh loans to continue their occupation. The chief minister also announced a new scheme, Weaver Samman Yojana (Nekarara Sammana yojane) for the benefit of the suffering weavers. Under this scheme, the government would deposit Rs 2,000 directly into the bank account of the handloom weaver through DBT. This will benefit about 54,000 handloom weavers in the state.

There are 15.80 lakh registered building workers in the state. The government has already transferred Rs 2,000 to the bank account of 11.80 lakh building workers through DBT. Action has already been initiated to transfer Rs 2,000 to the accounts of the remaining four lakh construction workers soon after verifying beneficiaries bank account details. In addition to this, the government has decided to transfer additional amount of Rs 3,000 to building workers through DBT.

The above compensation would be provided with an estimated cost of Rs 1.6k crore, which would help those who are in distress due to lockdown, the chief minister added.

The Times of India, May 06, 2020

7. MSME default rate lowest in biz loans

As risk-averse banks shy away from lending, an analysis of loan defaults reveals that delinquencies among micro, small and medium enterprises (MSMEs) continue to be lower than large corporations.

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Credit bureau TransUnion Cibil has said that two out of three MSMEs entered this lockdown with structurally strong positions. Of these, about half are very strongly positioned.

The total lending to businesses in India stood at Rs 64.45 lakh crore as of January 2020, of which the MSME segment holds a Rs 17.75-lakh-crore credit exposure. The large corporates segment's credit exposure is at Rs 46.7 lakh crore and this has had a year-on-year expansion of 6.3%. In January, the non-performing asset (NPA) rate for large corporates was at 19.7%, while the NPA rate in the MSME segment stood at 12.5%.

The NPA rate for the micro segment at 9% has been lower than the small and medium segments, which was at 11%. NPA rates are highest for medium-sized MSMEs at 18% across all lenders. These findings strengthen the case for support of credit flow to the MSME segment, which is facing a liquidity issue due to the absence of sales even as these enterprises have to meet fixed costs of salaries, rent and maintenance.

TU Cibil said public sector banks accounted for 40% of fresh disbursements in 2019 in the micro segment, followed by private banks (38%) and NBFC (22%). This segment saw fresh credit disbursements worth Rs 92,262 crore in 2019. Many lenders expect the government to announce a special package for the MSME sector to support flow of credit. Punjab National Bank has launched an MSME outreach programme where executives have contacted 1 lakh MSME borrowers to update them about a Covid emergency finance scheme. Additionally, they are told about the facility to receive finance against outstanding bills under the online platform of Trade Receivables Discounting System (TReDS). TU Cibil has calculated the structural strength of MSMEs by using its Cibil MSME Rank (CMR), and credit utilisation of MSMEs are used to identify and map their position. Structurally stronger MSMEs are expected to be in a position of low leverage and high liquidity prior to the pandemic situation.

“This hypothesis is back-tested under two earlier stress scenarios — the first being the goods and services tax (GST) implementation period starting July 2017, while the second covers the period starting July 2018, which includes the NBFC liquidity crunch and MSME credit growth slowdown after March 2019.

Structurally strong MSMEs are better positioned to survive the current pandemic situation and emerge stable. These MSMEs are the most eligible to receive financial assistance from credit institutions,” said TU Cibil MD and CEO Rajesh Kumar.

“There is an opportunity here for banks and financial institutions to identify and fund these entities and build a healthy portfolio. Such targeted interventions can help refuel the economy through these unprecedented times, while ensuring that portfolio risk is under control.”

The Times of India, May 08, 2020

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8. Request for registering retailers, construction professionals as MSMEs to be examined: Nitin Gadkari

Union Minister Nitin Gadkari assured the representatives from Retailers and Practicing Engineers, Architects and Town Planners that their request for registering as MSMEs will be examined expeditiously. He felt that this needs to be explored from the point of these enterprises being employment creators and whether various benefits such as insurance, medical, pension, etc can be provided to workers.

Gadkari, the minister for MSME and road transport and highways, also called upon the retailers to start exploring option of home delivery. He also asked them to adhere to necessary guidelines like safe social distancing, making available sanitisers for customers/employees and use of masks at all retail outlets.

During the interaction, the representatives expressed concerns regarding various challenges being faced by them amid COVID-19 pandemic and also came out with few suggestions and requested support from the government to keep the sector afloat.

Gadkari also called upon the engineers, architects and town planners to participation in the development of rural, tribal and backward regions especially along the green expressways like the new Delhi-Mumbai Expressway which is passing through such areas. He said various clusters and logistics parks will come up on this ambitious project, offering huge opportunities.

The Economic Times, May 09, 2020

9. Haryana announces measures to bring MSMEs back on track

In view of the role of Micro, Small and Medium Enterprises in economic and industrial development, Haryana Chief Minister Manohar Lal has announced several measures to bring these industries back on track.

These include setting up of bank complaint information centres to redress bank related issues by the Finance Department, extending the date of depositing electricity bills without penalty till May 31, providing guarantee to MSMEs for bank loans from Small Industries Development Bank of India by the State government, fixing the power rate at ₹4.75 per unit for agriculture-based industries up to 20 kW, and pre-fabricated housing for labourers in the factories itself.

The Chief Minister announced the measures while interacting with the representatives of MSMEs of all the districts of the State through videoconferencing in Chandigarh. Deputy Chief Minister Dushyant Chautala, who holds the portfolio of Industries and Commerce Department, was also present.

Mr. Lal said that during the nationwide lockdown, the economic activity of all the States was affected and now they were being reopened in a phased manner. Haryana's enterprise promotion policy, 2015, was appreciated all over the country. The State government was now committed to make the best industrial policy in the country again. A new

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enterprise promotion policy will be formulated from August, for which suggestions will be invited from all stakeholders, he added.

The Chief Minister said that the revenue collected in the last two months had been almost negligible. The revenue is mainly collected from GST, Excise, Stamp Duty, VAT refund from Central government, and mining, he added. He said these were now being operationalised in a phased manner.

Mr. Lal assured that a separate nodal officer would be appointed for issues related to the Haryana State Industrial and Infrastructure Development Corporation.

In addition, issues related to VAT refunds of 2017 were being resolved in a timely manner. For about 1,300 applications, a refund of ₹162 crore has been made since April. He also assured to re-assess MSMEs' bank loans. The scheme to provide 10% working capital has also been announced by the Central government, the Chief Minister added.

The Hindu, May 10, 2020

10. Rs 4.5 lakh-crore fiscal support need of hour, Ficci tells FM

Seeking immediate support for the Indian economy hit by Covid-19, industry body Ficci said an additional fiscal support of Rs 4.5 lakh crore is required at the current juncture besides a quick release of Rs 2.5 lakh crore stuck in refunds and other government payments.

In a letter to Finance Minister Nirmala Sitharaman, Ficci president Sangita Reddy also made a case for the need to create a self-sufficiency fund for innovation, construction and manufacturing clusters to make use of the emerging opportunities in the wake of disruption in global supply chain.

The fund can be provided in tranches in the medium term, she said. Seeking an "immediate support", Reddy said the problem being faced is largely that of liquidity, and immediate release of money stuck in refunds and other government payments to the tune of Rs 2.5 lakh crore will immensely help tide over the crisis. "This may have already been provided for in the Budget," she said. Further, additional fiscal support is required for vulnerable communities over and above the sum provided for in the Garib Kalyan Yojana announced earlier.

Fiscal support is also needed for MSMEs in order to help them get back on track. Besides, funds are needed for upgrade of healthcare infrastructure to effectively deal with the current situation and for support to sectors like aviation and tourism that have been hit hard due to the lockdown.

"Additional fiscal support required at the current juncture for this purpose is about Rs 4.5 lakh crore," the letter said.

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The fiscal support sought includes “small amount” of Rs 10,000 crore towards proposed Covid-19 liquidity bridge required to give comfort to banks to restructure/provide additional loans to large companies whose balance sheets have been impaired due to the virus outbreak, it added.

The Tribune, May 12, 2020

11. Credit guarantee, equity support for small business

Finance minister Nirmala Sitharaman offered struggling small businesses, the country’s dominant job creator, a rescue package that includes credit guarantees, equity support and a better chance to win government contracts as part of the ₹20 trillion package to revive the economy.

Sitharaman sought to tackle the problems faced by micro, small and medium enterprises (MSMEs), which have been battered by loss of business, flight of workers and a severe liquidity crunch, with a package that addresses their problems. The definition of MSMEs will also be expanded to remove the perverse incentive for such businesses to stay small with an eye on continuing to enjoy the benefits.

India’s 63 million MSMEs accounted for 29% of the country’s gross domestic output in FY17, according to official data. They account for about 45% of manufacturing output; more than 48% of exports and employ about 111 million people. Helping them restart is key to address job losses across the country and to restore demand for goods and services amid fears of a contraction in the economy.

“Essentially, this is to spur growth and to build a very self-reliant India,” Sitharaman said, explaining the 15 measures announced, out of which six were for MSMEs. The others are aimed at giving more cash in the hands of people and businesses pertain to provident fund, non-banks, mortgage lenders and micro lenders, power distributors, contractors, real estate, and taxation.

MSMEs usually have little collateral to offer for getting bank credit. For non-defaulting small businesses with outstanding debt of Rs. 25 crore and sales of up to Rs. 100 crore, Sitharaman offered extra working capital finance of 20%. “The units will not have to provide any guarantee or collateral. The amount will be 100% guaranteed by the government of India providing a total liquidity of Rs. 3 trillion to more than 4.5 million MSMEs,” said the minister. “This will be available till 31 October,” Sitharaman said.

Provision for loans to promoters of stressed or defaulted MSMEs up to 15% of their stake in the unit is offered so promoters can infuse capital and bring the companies out of trouble. Such credit will be limited to a maximum of Rs. 75 lakh. Equity funding support will also be offered to MSMEs with growth potential by way of the government setting up a Rs.10,000 crore fund, which will raise more funds to finance equity infusion of Rs. 50,000 crore into small businesses.

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The minister also announced that the definition of MSMEs will be tweaked to include higher investment limit and an additional norm based on revenue. It will replace the current one based on self-declared investment in plant and machinery. The new definition is meant to encourage ease of doing business and persuade them to be more aggressive in their growth strategy. For instance, in case of micro manufacturing and service enterprises, the investment limit will be increased to up to Rs. 1 crore and revenue limit to up to Rs. 5 crore. Till now, for micro manufacturing enterprises, the investment limit was Rs. 25 lakh and Rs. 10 lakh for the service sector. The new definition will not distinguish between manufacturing and service sectors.

“Some MSMEs felt that if they outgrow in size (as per current definition), they will lose the benefit (given to them). That is the reason for a change in definition,” Sitharaman explained.

Industry representatives welcomed the announcements. “The six measures announced by the finance minister for MSMEs are very well targeted and meet the immediate as well as longer term requirements of the sector,” said one of industry bodies.

Hindustan Times, May 14, 2020

12. PE, VCs eye slice of Rs 50,000-crore MSME fund

Private equity (PE) and venture capital (VC) firms are eyeing a potential slice of the Rs 50,000-crore fund of funds for equity investments into micro, small and medium enterprises (MSMEs) with “growth potential” announced by finance minister Nirmala Sitharaman. While the government is expected to contribute Rs 10,000 crore for the fund, Rs 40,000 crore is expected to be raised from external parties.

This is a model similar to the startup fund of funds run by Sidbi, which has been able to leverage Rs 3,798 crore of government contribution to raise 5-6 times the amount at close to Rs 20,000 crore. This has been done through the contribution of 10-20% to the corpus by dozens of independent VC funds, which then mobilise more money from other backers and invest in startups.

Government is looking to repeat the success of that fund for MSMEs. “For that to happen, family offices, insurance companies, provident funds and various other pools of capital will need to participate. We are keen to work closely with the government to ensure this happens,” said Rehan Yar Khan, Managing Partner, Orios Venture Partners.

As a part of the fund of funds initiative, the government also plans to encourage MSMEs to be listed on the main board of stock exchanges. “This money will end up in the hands of younger startups that are below the revenue threshold as they are service MSMEs effectively, and will have to register that way,” added Khan, saying that overseas capital for startups is likely to remain slow over 1-2 years.

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But if the fund remains limited to just SMEs and does not include startups, it will be hard to leverage external investors, added other VC investors tracking the development. The fund had been in the works before the Covid-19 pandemic. But many questions if it will be able to leverage capital if the definition excludes startups. “If equity investment in SMEs was an attractive asset class, then there would be several funds dedicated to it already,” said a VC fund manager briefed on the matter.

The Times of India, May 15, 2020

13. Uttar Pradesh launches portal for giving loan to MSMEs

Close on the heels of the Union government’s Rs 3-lakh crore credit guarantee to reboot micro, small & medium enterprises (MSME), the Uttar Pradesh launched an online loan portal for the MSME sector. Loans up to Rs 2,002 crore were disbursed to 56,754 entrepreneurs, which is expected to provide an additional employment to more than two lakh people. Uttar Pradesh, which has approximately 90 lakh MSMEs, is expected to be the largest beneficiary of the MSME package announced by the Centre.

The loan mela is aimed at hand holding MSMEs by way of helping them to get loans from banks, get refunds from GST and get pending payments from government departments and PSUs. Launching a dedicated portal for MSMEs by the name of ‘Sathi’, chief minister Yogi Adityanath said workers and labourers are the biggest strength and capital of Uttar Pradesh.

“We will utilise their labour and skills to make UP a manufacturing hub. This is the best opportunity for us to eradicate the stigma of migration,” he said and added that a record of the skill set of every labourer is being prepared so that those coming from other states can contribute to rebuilding of Uttar Pradesh. “There is unlimited possibility of generating employment in the MSME sector”, the chief minister said, adding that ‘Sathi’ will help MSME units to take maximum benefit under government of India’s latest packages announced.

Stating that the MSME sector of Uttar Pradesh is the largest in India, the chief minister said that the products of many units in this sector are popular across the country and the world. “The only need is to give them opportunities,” he said, adding that there will be special focus on the ODOP (one district-one product) scheme.

“There are immense opportunities in the ODOP sector. Many products have already established themselves as a brand within the country. Such units will benefit from this economic package as the products of these districts will now be recognised and strengthened. This will also help in giving maximum employment at the local level through minimum capital. This will also boost the per capita income of the state,” he stated, adding that by making the local the new global, India can become self-reliant.

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"The Sathi app is aimed at creating employment opportunities for unemployed including migrants by financing new micro and MSME units by the banks," said an official, adding that in view of the current lockdown, the MSME department has put all its schemes such as ODOP, Mukhyamantri Yuva Swarojgar Yojana and Vishvkarma Shram Samman Yojana online so that migrants and others could apply online for training and self-employment schemes of the department.

Financial Express, May 15, 2020

14. World Bank to lend \$1 billion to support India's Covid fight

The World Bank on Friday announced \$1 billion (approximately ₹ 7,500-7,600 crore) loan for India to support its Covid-19 Social Protection Response Programme. Meanwhile, the Bank has said it is revising its India's GDP (Gross Domestic Product) growth estimate downward from the previous projection of 1.5 per cent.

Junaid Ahmad, World Bank Country Director in India, said that this support programme would leverage the package of \$23-24 billion already announced by India. This new support will be funded in two phases – an immediate allocation of \$750 million for the fiscal year 2020 (July 1, 2019-June 30, 2020) and a \$250 million second tranche that will be made available for the fiscal year 2021 (July 1, 2020-June 30, 2021). With the latest tranche, total commitment from the Bank towards emergency Covid-19 response in India stands at \$2 billion. A \$1 billion support was announced last month towards immediate assistance to India's health sector.

The first phase of the operation will be implemented countrywide through the Pradhan Mantri Garib Kalyan Yojana (PMGKY). It will immediately help scale up cash transfers and food benefits, using a core set of pre-existing national platforms and programs such as the Public Distribution System (PDS) and Direct Benefit Transfers (DBT); provide robust social protection for essential workers involved in Covid-19 relief efforts; and benefit vulnerable groups, mainly migrants and informal workers, who face high risks of exclusion under the PMGKY. In the second phase, the programme will deepen the social protection package, whereby additional cash and in-kind benefits based on local needs will be extended through state governments and portable social protection delivery systems.

"The response to the Covid-19 pandemic around the world has required governments to introduce social distancing and lockdowns in unprecedented ways. These measures, intended to slow down the spread of the virus have, however, impacted economies and jobs – especially in the informal sector. India, with the world's largest lockdown, has not been an exception to this trend," Ahmad said. In this context, cash transfers and food benefits will help the poor and vulnerable access a 'safety bridge' towards a time when the economy will start to revive.

GDP Growth and Unemployment

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As India is planning to enter another phase of lockdown after the end of 54 days nationwide lockdown on May 17, there is strong apprehension that India's GDP growth rate will take a severe hit and so unemployment. Ahmad said India's GDP growth rate is expected to go down from 6-7 per cent. "In the last estimates that we did around 1.5 per cent and now even revising it lower, because we're learning that the lockdown has to continue or the impact of the virus continues," he said while adding that because of the downturn, unemployment will go up.

Support for MSME

Ahmad informed that World Bank and Indian Government is in discussion for support to MSME. Taking note of policy measures announced for MSMEs, the Bank hoped that it would enable more and more liquidity for these enterprises. The challenge now is to take the liquidity and bring it into the hands of MSMEs. "There are several interventions already announced, interventions around guarantee schemes intervention around soft credit enhancement. We will be coming into support that. Where exactly and how much, these are something we are in discussion with Government," he said.

Business Line, May 15, 2020

15. Workforce crunch in industries may lead to skill mismatch

Businesses, especially small and medium-sized enterprises in the industrial hubs of Bengaluru, Mangaluru, as well as sectors like construction, plantation and transportation are staring at a massive crisis, with the reverse migration of workers. The industrial estates in Bengaluru are facing an acute shortage of labourers after the return of migrants to their natives following the lockdown. An estimated one million workers have left Bengaluru since the beginning of the lockdown in March. Migrant workers are typically employed in the construction, transportation sectors and also work as domestic workers, daily wage labourers and artisans.

"Currently, the exodus of these personnel will impact the construction segment negatively, including the large projects like National Highways Authority of India. It might positively impact agriculture sector in their home states till the sowing season," says one of experts. The stress in the manufacturing sector in India is not visible currently, as factories now only work on one shift. Shortage in the sectors such as transportation, warehousing or production will be felt only when they resume work in two-three shifts, expert says.

The micro, small and medium enterprises (MSMEs) in Karnataka employ around seven million workers, of which close to 40% are migrants, predominantly seen working in Bengaluru. They come from Uttar Pradesh, Bihar, Rajasthan, and north-eastern states. As economic activity ramps up, labour shortage will become visible and painful. This might lead to some sectors hiring workers from unrelated spaces, like delivery functions in e-commerce

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companies, gig workers, where wage rates might come under pressure. “Temporarily this may be beneficial for the workers who are still left in the cities. However, it will lead to added cost to doing business,” expert says.

“The employers are facing several challenges to restart their business, especially retaining workers. The reverse migration will lead to wage escalation. They may even face mismatch in finding skilled workers for a temporary period of time,” he adds.

Deccan Herald, May 17, 2020

16. New bankruptcy cases suspended for one year

India will suspend fresh bankruptcy proceedings against defaulters for one year so that companies are not dragged into tribunals at a time they are trying to get back on their feet, finance minister Nirmala Sitharaman said.

The government will also make provisions in the law to exclude all debt associated with the novel coronavirus pandemic from defaults covered under the Insolvency and Bankruptcy Code (IBC) for triggering action against defaulters by creditors, the minister said while announcing a raft of legislative measures to help businesses tide over the crisis. The measures will be brought to effect through an ordinance, Sitharaman said. Details of the proposed amendments will be known once the ordinance and subsequent notification of the proposals are issued.

The government will also notify a special framework for dealing with the bankruptcy of micro, small and medium enterprises (MSMEs). Also, the minimum payment default threshold for triggering bankruptcy proceeding against a company will be raised from Rs 1 lakh currently to Rs 1 crore, the minister said.

“Many businesses have got severely affected particularly during the lockdown and the coronavirus pandemic. Debt related to Covid-19 shall be excluded from the category of ‘default’ under IBC. No fresh insolvency proceeding shall be initiated for up to one year,” Sitharaman said explaining the provisions in the proposed ordinance.

While pausing fresh bankruptcy proceedings could be a breather for many companies, it could deprive lenders the opportunity to restructure certain companies which may be beyond redemption. Experts said the uncertainty surrounding the economy warrants more fundamental changes in the IBC than suspending it for a period.

“Bankruptcy laws have undergone fundamental changes during uncertain times like these in the past. What we need is a revolutionary rehash of the insolvency law and not a pause of the bankruptcy proceedings for a year. A brand new, out-of-the-box resolution approach is needed, which incentivises banks and public sector institutions to proactively participate in rescuing businesses. The government should take another leap of faith on IBC,” said one of the experts.

Hindustan Times, May 18, 2020

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17. BSE, NSE cut SME listing fee by 25%

As part of their attempts to lower the compliance costs for companies during the ongoing COVID-19 pandemic, BSE and NSE have reduced the annual listing fees for small and medium enterprises (SMEs) by 25%.

While a statement issued by BSE stated that the reduced listing fee structure would be applicable for currently-listed companies as well as for all the firms waiting to be listed on the bourse, NSE said that the rebate is for all existing listed entities.

There are about 322 SMEs listed on the BSE platform, while the NSE has 209 such listed entities. The separate segment for SMEs was launched by both the exchanges in 2012.

The Hindu, May 18, 2020

18. Govt notifies changes in rules disallowing global tender for procurement up to Rs 200 cr

The government has notified amendments to General Financial Rules (GFR) to ensure that goods and services valued less than Rs 200 crore are being procured from domestic firms, a move which will benefit MSMEs. "Govt has notified the amendments to the General Financial Rules 2017 to ensure that henceforth global tenders will be disallowed in government procurement up to Rs 200 crore, as announced in the Aatmanirbhar Bharat Package.

A big boost to domestic suppliers, especially MSMEs," the Office of Finance Minister Nirmala Sitharaman said in a tweet. Sitharaman had announced an economic support package for micro, small and medium enterprises (MSMEs), which includes disallowing global tender for government procurement up to Rs 200 crore. Amending the GFR, the Department of Expenditure under Ministry of Finance said, "No Global Tender Enquiry (GTE), however, shall be invited for tenders up to Rs 200 crore or such limit as may be prescribed by the Department of Expenditure from time to time."

"Provided that for tenders below such limit, in exceptional cases where the Ministry or Department feels that there are special reasons for GTE, it may record its detailed justification and seek prior approval for relaxation to the rule from competent authority specified by the Department of Expenditure".

Besides, an estimated Rs 1 lakh crore in dues to MSMEs by government and central PSUs will be released within 45 days.

The Economic Times, May 21, 2020

19. Small auto parts suppliers fear closure with demand freezing

Several micro and small auto parts suppliers, categorised as tier 2 or 3, or even smaller in the supply chain, fear shutdowns as liabilities, including wages, inventory costs, unutilized production capacities, interest on loans and other fixed overheads, continue to rise, industry executives said.

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"As the working capital dries up, many MSMEs may shutdown. Many small tool rooms, which function like MSMEs and are a critical link in the value chain, are also struggling for survival," said one of industry experts.

While the government announced several measures for MSMEs as part of its stimulus package, auto industry suppliers said the steps have not done much to revive demand or address major concerns, such as the inability of smaller companies to pay salaries. "Offering more loans is like telling stressed assets to add more debt to their books. How will small companies pay back those liabilities if there is no business," said one of experts on the matter. Wages is the single-biggest expense for small companies where the government could have helped through direct transfers, expert said, adding that as much as 30% of MSMEs (including auto ancillary units) may be forced to close. An average small company with annual turnover of ₹20 crore will employ 50-100 people, he said, hinting at the large number of jobs that will be lost if these MSMEs shut operations.

For small suppliers, the covid-19 pandemic and the lockdown could not have come at a worse time. Small suppliers were already bearing the brunt of falling domestic auto sales even before the crisis hit.

Sanjay Sabharwal, managing director of Jamshedpur-based Metaldyne Industries Ltd, a supplier of metal parts for automobiles, said 33% MSMEs in the auto component space may shutdown following the two years of recession. "MSMEs should be nurtured, but the government's new classification falls short of expectations. It is not practical, especially when these stressed companies have to compete globally." Sabharwal was referring to MSMEs capacity to invest in scaling up operations and adopting new manufacturing technologies.

Sabharwal said the industry would have welcomed a 100- or 200-day plan to revive the economy. He said a temporary GST cut on vehicles and vehicle scrappage policy could boost demand and offer immediate relief. The troubles faced by small suppliers may lead to a wave of consolidation in the auto supply chain, said experts.

Mint, May 21, 2020

20. Rajnath urges MSME to be self-reliant

Admitting that defence manufacturing industry was adversely affected due to the lockdown, Defence Minister Rajnath Singh urged the Micro, Small and Medium Enterprises (MSME) to be self-reliant and said Prime Minister Narendra Modi's call to be "atmanirbhar" will create scores of jobs within the country.

Appreciating the role played by the MSMEs in the ongoing national effort to fight coronavirus pandemic, Singh said the manufacturing sector has been affected the most due to lockdown and disruption in existing supply chains and the defence sector is no exception to this. "Rather, it can be said that the defence sector is more aggravated than other sectors as the only buyer of defence products is the government," he said while addressing a conclave.

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Keeping MSMEs strong is one of the priorities of the government, he said adding there are more than 8,000 MSMEs which are partners of ordnance factories, DPSUs and service organisations. They contribute more than 20 per cent of the total production of these organisations.

Citing the example of United States where domestic defence industry developed within a short span of two years during the World War-II, Chief of Defence Staff General Bipin Rawat said India should have its own defence industry. The Pioneer, May 22, 2020

21. Private banks overtake PSBs in number of borrowers, raise share in loan outstanding

Aggressive private banks have overtaken public sector banks (PSBs) in the country in terms of number of borrowers and expanded their share in loan outstandings in calendar year 2019. An RBI report states that private sector banks led the credit expansion with their share in the total credit successively expanding to 35.7 per cent in December 2019, from 32.2 per cent a year ago and 30.0 per cent two years ago. State-owned banks' share has fallen from 70 per cent to less than 65 per cent now.

According to the Reserve Bank of India (RBI), total credit outstanding of private banks was at Rs 35,34,855 crore as of December 2019, as against Rs 29,67,516 crore in December 2018 — a rise of 19.11 per cent. PSBs reported credit outstanding of Rs 58,49,986 crore, a marginal rise of just 1 per cent when compared to Rs 57,91,822 crore a year ago.

Private lenders reported a big expansion of their borrower base to 12.60 crore in December 2019 from 8.68 crore borrowers a year ago. PSBs just managed to increase their number of borrowers from 9.17 crore to 9.32 crore during the year, according to the RBI report 'Quarterly BSR-1: Outstanding Credit of Scheduled Commercial Banks for December 2019'.

Private banks also managed to increase their retail borrower base significantly last year. "Private banks have been focusing on the wholesale and retail customers — especially in the personal loan segment which includes auto and home loans. PSU banks started looking at the retail segment only recently. The year 2019 was tough for the banking sector in the wake of the woes in the financial sector and sluggish credit growth," said a banking source.

The RBI report said bank credit growth on a year-on year basis (y-o-y) decelerated for the fourth successive quarter in December 2019, as industrial credit growth (-0.8 per cent) moved to negative terrain for the first time after September 2017.

However, personal loans segment continued to grow at robust pace (17.1 per cent). The total bank credit of all scheduled commercial banks was at Rs 102,52,405 crore as of April 8, 2020 as against Rs 96,24,756 crore a year ago. Meanwhile, credit growth (y-o-y) by metropolitan branches decelerated to 5.2 per cent in December 2019 from

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14.7 per cent a year ago, whereas bank branches in rural, semi-urban and urban areas maintained double-digit credit growth.

The central bank said the share of private non-financial companies in total credit declined to 25.8 per cent (28.4 per cent a year ago), whereas for individual borrowers, it increased to 40.3 per cent (37.3 per cent a year ago). “The share of female borrowers in total loans also increased marginally,” the Reserve Bank report said. As branches in northern, western and southern states account for nearly 84 per cent of the total credit, bulk of the deposits were also from these regions.

According to the report, weighted average lending rate (WALR) for outstanding credit declined by 15 basis points (bps) during the quarter ended December 2019. “The decline was significant for industry (28 bps) and trade (29 bps) sectors,” it said. However, deposit rates also declined as part of asset-liability adjustment of banks.

The Indian Express, May 22, 2020

22. CBDT: Rs 26,242 crore of I-T refunds released till May 21 this fiscal

The Central Board of Direct Taxes (CBDT) said it has issued income tax refunds worth Rs 26,242 crore to 16.8 lakh assesseees during the April 1-May 21 period. The finance ministry said refunds are being expedited to ease cash flow issues being faced by assesseees during the lockdown.

The amount includes corporate tax refunds of Rs 11,610 crore to over one lakh taxpayers and Rs 14,632 crore to 15.8 lakh assesseees from other categories, including salaried individuals. Refunds are for income tax returns filed in the assessment year (AY) 2019-20. Of the total refund since April 1, the board said it has issued Rs 9,387 crore to 1.6 lakh taxpayers in the last week alone. An amount of Rs 6,714 crore has been given to corporate assesseees including trusts, MSMEs, proprietorships and partnerships, among others.

The Income Tax Department issues refunds after returns are processed at its central processing centre (CPC) in Bengaluru. From FY17 to FY19, the Department had cleared refunds worth Rs 1.63 lakh crore, Rs 1.52 lakh crore and Rs 1.61 lakh crore, respectively. As of November 28 last, the Department had said, it had processed 20 per cent more refunds as against the year-ago period.

“CPC processed 2.1 crore refund for returns in AY 2019-20, compared to 1.75 core in AY 2018-19 refund returns for the same period in FY2018-19, an increase of 20 per cent. The total amount of refunds issued in FY2019-20 till November 28 was Rs 1.46 lakh crore, as compared to Rs 1.19 lakh crore in same period previous year,” it added.

The Indian Express, May 23, 2020

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23. Extend loans without fear of 3Cs: FM

Finance Minister Nirmala Sitharaman said banks had been asked to extend loans automatically to eligible borrowers without 'fear of 3Cs — CBI, CVC and CAG'. She said clear instructions had been given in a meeting with CEOs and MDs of public sector banks and financial institutions that the banks should not be scared to extend loans as 100% guarantee is being given by the government.

In case of default, the individual bank or official will not be hauled up, she said in a conversation with BJP leader Nalin Kohli, uploaded on the party's social media platforms. "I reiterated that by saying if a decision goes wrong, and if there is a loss, the government has given 100% guarantee now. It is not at all going to be on the individual official and on the bank, and therefore without fear they should take this automatic route in the sense, everybody eligible for additional term loan and additional working capital should be given," she said.

As part of the ₹20.97 lakh crore economic package, the government announced the Emergency Credit Line Guarantee Scheme (ECLGS) worth ₹3 lakh crore for the MSME sector, hit hard by the COVID-19 crisis.

It is being said that the genuine bonafide decisions in the banking sector are being impacted because of the worry of undue harassment by 3Cs — Central Bureau of Investigation (CBI), Central Vigilance Commission (CVC) and Comptroller and Audit General (CAG).

The Finance Ministry has taken several steps to allay those fears including withdrawing some of the notifications which were causing fear among bankers, she said.

"... concerns these banks have had in their minds earlier and may have even now are absolutely well-founded. In fact, through my last 7-8 months, I have [reiterated] at least three different times with the banks to say that the fear of the 3Cs should not be in their minds," she said.

When asked about criticism about leaving many critical sectors including hospitality, auto and civil aviation out of the economic package, Ms. Sitharaman said the government has not taken a sectoral approach but a holistic approach.

"Except agriculture and the power sectors where reforms would be undertaken, other than that, I have not come up with any sectoral reference. What has now become to be called as the MSME package, includes MSME, and also aims at touching others (sectors) too... So the sectors that you are referring to can also benefit through this," she said.

It is based on the understanding that any enterprise "with a certain exposure to the bank and with a certain invested capital, or with a certain turnover if they need additional term loan, additional working capital in order to buy their own material to restart, in order to be able to pay some fixed cost, it can take that route."

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During the meeting with bankers, the Minister said it was emphasised that loans should be sanctioned in a simple manner and if possible, digitally to avoid any physical contact.

The Hindu, May 23, 2020

24. Andhra announces Rs 1,100 crore financial package for MSME sector

The Andhra Pradesh government announced a financial aid package of Rs 1,100 crore for the state's Micro, Medium and Small Enterprises (MSMEs) sector, which has drawn to a virtual standstill for nearly two months since the beginning of the nationwide Covid-driven lockdown.

Named as the 'Restart Package', the government released its first instalment of Rs 450 crore. It said the aid package is expected to benefit 98,000 units which employ more than 10 lakh people. The government also waived off the minimum power demand charges for MSMEs during the months of April, May, and June. According to officials, the move is expected to benefit over 72,531 micro-enterprises, 24,252 small and 645 medium scale industries.

The government is also planning to provide Rs 200 crore as investment capital by providing loans at very low interest rates to MSMEs. Under the plan, to help the MSME sector revive quickly, the state government will allocate Rs 200 crore as investment capital by providing loans in partnership with SIDBI at a low-interest rate.

Speaking to the media, Chief Minister Y S Jagan Mohan Reddy said that despite the deep financial crisis the state is facing, the government was giving a boost to the MSMEs. He claimed that the previous government did not pay industrial incentives worth nearly Rs 828 crore between 2014-2019. The Chief Minister further announced that the state government has identified around 360 items to be purchased from MSMEs and all those payments will be cleared in a period of 45 days.

Of the total purchases, almost 25 percent are to be done from micro and small enterprises, four percent from enterprises run by members of the SC/ST community, and three percent from enterprises run by women. The CM also instructed district collectors to lay special focus on the MSME segment and assign a Joint Collector exclusively for the sector's development.

The Indian Express, May 24, 2020

25. Major industries, govt agencies owe about Rs 5 lakh cr in outstanding dues to MSMEs: Gadkari

Union Minister Nitin Gadkari said the government agencies, public sector undertakings and major industries owe an estimated Rs 5 lakh crore in outstanding payments to MSMEs. The MSME minister said the Centre has decided that its ministries and public sector undertakings will clear outstanding payments of MSMEs within 45 days.

"State governments, their ministries and public sector undertakings, Government of India, its ministries and undertakings, and major industries combined owe an estimated Rs 5 lakh crore to MSMEs, money that is stuck and

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not cleared," Gadkari said. The minister said he has also requested state governments to clear dues owed by their departments and state-owned undertakings.

He has been repeatedly appealing to major industries during his interactions to clear the outstanding payments owed by them to micro, small and medium enterprises (MSMEs).

Gadkari said the government has devised a scheme to strengthen NBFCs as they play a significant role in financing. The government was thinking of creating a separate category of 'village industry' for MSMEs to encourage setting up of units in villages, he added.

Business Standard, May 25, 2020

26. CBIC clears Rs 11,052 crore GST refund claims since Apr 8 to benefit MSMEs

The Central Board of Indirect Taxes (CBIC) said it has sanctioned GST refund claims worth Rs 11,052 crore in 47 days. In a tweet, the CBIC said it is "committed to ensuring liquidity to GST taxpayers especially MSME sectors during the lockdown". The tweet added that 29,230 refund claims amounting to Rs 11,052 crore disposed of between April 8-May 24, the CBIC added.

Refunds have been sanctioned while ensuring work from home, it added. The finance ministry had on April 8 said that to provide relief during the corona, it has been decided to issue all pending GST and custom refunds which would benefit around 1 lakh business entities, including MSME. The total refund granted will be approximately Rs 18,000 crore, it had said.

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

The CBIC had said that the decision to process pending refund claims has been taken with a view to providing immediate relief to the taxpayers in these difficult times even though the GST Law provides 15 days for issuing acknowledgment or deficiency memo and total 60 days for disposing of off refund claims without any liability to pay interest. It is to be noted that the government is mulling ways to compensate states for the widening goods and services tax (GST) shortfall, which includes borrowing from the market and extending the cess repayment period further. Raising GST rates or rationalisation of tax slabs may be discussed by the GST Council in the next meeting to be scheduled early next month. Compensating states have become tough with dwindling cess collection in the compensation fund amid a sharp fall in revenue due to the coronavirus pandemic.

Business Standard, May 25, 2020

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27. Non-MSMEs to get cheap, govt-guaranteed loans too

Many businesses like hotels, restaurants and service providers — other than micro, small and medium enterprises (MSMEs) — will be eligible to receive funding under the Rs 3-lakh-crore emergency credit line guarantee scheme if they have bank loans, but for below Rs 25 crore. While the scheme has been broadly referred to as the MSME guarantee scheme, the terms of coverage are quite broad and will include other businesses as well.

This will be a major relief for retail-facing businesses with fixed obligations who have seen their top line disappear because of several weeks of lockdown. While banks have been cautious in lending to this segment because of the uncertainty of future cash flows, the government guarantee will provide them with the confidence to provide loans. One of the conditions for the guarantee is that the banks will not have a credit risk spread for the borrower. As a result, many banks are providing loans at 7.5%. This is despite interest rate being capped at 9.25% for banks and 14% for non-banking finance companies.

“This scheme has been expanded to include all business enterprises, anyone with loan limit up to Rs 25 crore, it does not have to be only MSME. It can be even a term loan and should be outstanding as on February 29,” said Union Bank MD & CEO Rajkiran Rai. He added that the bank was expecting to disburse nearly Rs 10,000 crore of loans under this scheme. The bank has an MSME portfolio of close to Rs 50,000 crore. Since the loans are backed by a sovereign guarantee, banks are expecting that the RBI will not require them to assign any risk weightage to these. This would mean that even after lending Rs 3 lakh crore to small businesses, the capital requirement for banks will not increase. Most banks are expecting to disburse around 20% of their loans under this scheme to the MSME segment.

Under the scheme notified by the government, 100% guarantee coverage will be provided by the National Credit Guarantee Trustee Company Limited (NCGTC) for additional funding of up to Rs 3 lakh crore to eligible borrowers, including those under the MUDRA scheme, in the form of a Guaranteed Emergency Credit Line (GECL) facility. For this purpose, a corpus of Rs 41,600 crore shall be provided by the government, spread over the current and the next three financial years. One of the eligibility criteria is that the loan should not be more than 60 days past due. Loans provided under the scheme will have a tenure of four years with a moratorium period of one year on the principal amount.

Times of India, May 27, 2020

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28. Government proposal: MSMEs may seek own insolvency

While insolvency proceeding against fresh defaulters are proposed to be suspended for a year to soften the Covid-19 blow, the government is considering a proposal to allow MSMEs to approach the adjudicating authority to declare them insolvent if they so wish to pursue a resolution of their stressed assets.

However, creditors can't drag MSMEs to the National Company Law Tribunal (NCLT) during this one year. If approved, the move will be part of a special framework under Section 240-A of the Insolvency and Bankruptcy Code (IBC) that the government has proposed to bring in to offer certain flexibilities to MSMEs battered by the pandemic, sources told.

Data available with insolvency regulator IBBI show, proceedings in 2,170 cases were going on as of March 2020. Typically, most of the insolvent firms are MSMEs, so any relief to such small businesses will benefit a large number of units, say analysts.

While sections 7, 9 and 10 of the IBC would remain suspended for all firms once a proposed Ordinance is implemented, the flexibility enshrined under section 10, which allows corporate debtors to approach the NCLT (typically to avoid coercive action by creditors), could be retained for just MSMEs to give them additional options, one of the sources said.

Another source said the government may consider allowing "pre-packaged" insolvency for MSMEs under the proposed framework. The "pre-packaged" bankruptcy scheme typically allows a stressed company to prepare a financial reorganisation plan with the approval of at least two-thirds of its creditors (and shareholders) before the filing of an insolvency application by any party at the NCLT. The resolution plan so reached can then be placed before the NCLT for approval, so that it can be implemented. Such a scheme, already prevalent in countries like the US, could aid the existing insolvency framework and cut costs and time of the resolution process. The corporate affairs ministry has been exploring the feasibility of implementing the "pre-packaged" scheme in the Indian context for quite some time.

In a huge relief to cash starved firms, the government recently said Covid-19-related debt would be excluded from the definition of default.

Already, in a bid to insulate small businesses from being dragged to the NCLT, the default threshold for triggering insolvency has recently been raised to Rs 1 crore from just Rs 1 lakh earlier.

While larger firms have greater abilities to absorb risks, MSMEs have been most vulnerable to the damaging impact of the pandemic. So, extending flexibility to them at this juncture remains critical.

This will also complement the Centre's latest measures under the Atmanirbhar Bharat Abhiyan scheme in ensuring that MSMEs get adequate credit to resume operations. For instance, MSMEs will be

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eligible for the recent package, including additional, collateral-free working capital loan (up to 20%) with a cap of Rs 3 lakh crore (with official guarantee), subordinate debt of Rs 20,000 crore and Rs 50,000-crore fund of funds to bolster the equity base of MSMEs that have growth potential and need some hand holding. Just the collateral-free loan move is expected to help 45 lakh units, the government has said.

Financial Express, May 27, 2020

29. Banks free to do due diligence on guaranteed MSME loans

While the government has pledged full guarantee for up to 20% additional, collateral-free working capital loans under the Rs 3-lakh-crore Emergency Credit Line Guarantee Scheme (ECLGS) for MSMEs, banks and shadow lenders have been given the flexibility to do their own due diligence and restrict advances below the stipulated limit on sound business principles.

This leaves the scope for some lenders to exploit the situation, unless the implementation of the scheme is monitored well by the government, according to a senior MSME industry executive.

No new MSME borrower will be eligible for the guaranteed loan under this scheme, which is part of the Rs 20-lakh-crore package recently announced by the government to tide over the Covid-19 impact.

A set of frequently asked questions (FAQ) released by state-run National Credit Guarantee Trustee Company, which will provide guarantee, says: "Under ECLGS, banks/ NBFCs are to offer loans up to 20%. Actual loan extended can, therefore, be less than 20%." While the bank/ NBFC is expected to be liberal in sanctioning such loans, it is also expected to evaluate credit proposals by using prudent banking judgement and use business discretion/due diligence in selecting commercially-viable proposals and conduct the account(s) of the borrowers with normal banking prudence," said the FAQ.

The government has earmarked a corpus of Rs 41,600 crore over the current and the next three financial years to implement this scheme.

Borrowers with up to Rs 25-crore outstanding as of February 29 and Rs 100-crore annual turnover will be eligible. Such loans will have four-year tenure with a moratorium of 12 months on repayment of the principal amount. The interest rate will be capped at 9.25% a year for banks and financial institutions and 14% for non-financial banking companies. The scheme can be tapped until October 31, or until the Rs 3-lakh-crore limit is exhausted, whichever is earlier. As many as 45 lakh units can resume business activity and safeguard jobs, the government recently announced.

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The scheme also aims at supporting stressed MSME borrowers who are not in default. So, borrowers with standard accounts (with timely repayment), SMA-0 (with overdue of up to 30 days) and SMA-1 (with overdues of up to 60 days) can also take advantage of this scheme.

Interested borrowers under the Mudra scheme, which supports budding entrepreneurs from vulnerable sections of the society, will also be covered under the guaranteed emergency credit line.

Financial Express, May 29, 2020

30. UP govt signs pacts with industry bodies for 11 lakh jobs to migrant workers

The Uttar Pradesh government signed initial agreements with various industry bodies to help in providing 11 lakh jobs to migrant labourers who have returned to the state in the wake of the coronavirus pandemic.

Of this 11 lakh employment opportunities, the Federation of Indian Chamber of Commerce and Industry (FICCI) and another Association accounted for three lakh jobs each. All memoranda of understanding (MoUs) were signed in the presence of Chief Minister Yogi Adityanath, whose promise to provide jobs to migrants returning to the state was fulfilled by the MSME department of the UP government, he said.

Commenting on the signing of pacts, Adityanath said it was the "top priority" of his government to provide employment to workers according to their ability, at the local level.

"Skill mapping of every worker, returning from other states, is being done by the Skill Development and Revenue Department," he said, noting that small scale industries are the biggest means to provide employment to workers in the state. The government is committed to provide employment to all, the chief minister said, adding that skill mapping of about 18 lakh workers has been completed so far. "Safe and dignified return of other workers is also our commitment," Adityanath said.

"I thank you wholeheartedly for the strength with which you all acted on the call of Prime Minister Narendra Modi in the fight against global epidemic Corona," an official release quoted him as addressing to the industry bodies.

The chief minister said the government is constantly trying to provide employment to all workers living in the state or coming from outside. "All the workers who are returning are our strength and capital, and now we will use them to build a new Uttar Pradesh. And the process has already started," he added. According to an official spokesperson, the state government is working on the policy of "job for every hand". Under this policy, the chief minister has appealed to investors to accelerate the production of indigenous goods in the state which will also help many people get employment.

The UP MSME minister, Singh, said "To those who had raised questions as to how the state government will carry out the gigantic task of providing 11 lakh jobs to skilled and semi-skilled labourers, the MSME department has given

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the answer." The minister, who is also a state government spokesperson, pointed out that certain states had considered UP labourers as liability, "but, Adityanath converted them into assets".

He said Adityanath has invited investors while emphasising on the production of indigenous goods. The chief minister said that with increasing production of indigenous goods in the state, employment opportunities will also increase, and its benefit will be given to workers. Adityanath had directed officials to complete the skill-mapping of migrant labourers in 15 days and get a survey conducted for their adjustment in MSMEs and industrial units. At a meeting with senior state officials to review the lockdown situation, he had asked for all-out efforts to increase industrial activity and directed that a survey be conducted in different industries, including the micro, small and medium enterprises (MSMEs), for adjusting the labourers and workers in accordance with their skills. Adityanath directed for a continuous communication through the Chief Minister Helpline with migrant workers and reiterated that his government is committed to ensuring a safe and respectable return of the workers, for which the state and central governments have made arrangements of free travel by trains and buses. He instructed the officials to write to different state governments for getting a list of those labourers and workers who are willing to come back to Uttar Pradesh. Around 1.25 lakh workers will be absorbed at Ghaziabad, Noida and Greater Noida in the national capital region, while the remaining 1.25 lakh will be taken for projects across other cities in UP.

The Outlook, May 29, 2020

31. Centre may announce 2nd stimulus to increase demand after lockdown is lifted

The government may unveil another stimulus package of fiscal, monetary and policy measures to boost demand in the economy after the nationwide lockdown imposed for the coronavirus disease (Covid-19) pandemic is completely lifted, three officials familiar with the development said.

A thorough assessment of the Rs 20.97 lakh crore Aatmanirbhar Bharat Abhiyan (Self-Reliant India Mission) will precede the likely announcement, the officials said, requesting anonymity. Some critics have said the package of fiscal and monetary measures, which included past announcements, didn't go far enough to address the economic fallout of Covid-19 and the ensuing lockdown.

The government has kept all its "options open" and will respond with appropriate measures to streamline supplies and boost demand to put the economy on a higher growth trajectory, one of the officials, who has direct knowledge of the matter, said.

The other two officials said the next package, which is expected at least after a month, will fill the gaps that could have been left by the series of measures already announced since March 26. The package would be prepared after discussions with all stakeholders in the economy, they said.

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The government is concerned about slack in demand in the economy despite the series of fiscal and monetary measures announced in the last two months, the officials said. One sign of weak demand is the poor credit offtake despite banks reporting record loan sanctions.

According to the finance ministry, public sector banks (PSBs) sanctioned loans worth Rs 6.45 lakh crore in just two-and-a-half months, between March 1 and May 15, to about 5.5 million accounts, but officials said the actual disbursement was minimal. According to the finance ministry, loan disbursement will start after the lockdown is lifted. Phase four of the lockdown is set to end on May 31. Experts say that borrowers are reluctant to avail of the sanctioned loans because they do not immediately see sufficient demand in the economy.

On May 22, the Reserve Bank of India slashed policy rates by 40 basis points (bps) and extended a moratorium on repayment of loans by another three months to provide relief to borrowers caught in the economic fallout of Covid-19. It was the third monetary intervention since March 27; The Atmanirbhar Bharat Package included RBI measures worth ₹8.01 lakh crore.

Commenting on the RBI decision, securities firm said: "While the policy easing is welcome, the effectiveness of rate cuts and excess liquidity (on delivering the growth bang) is incrementally diminishing in a scenario of rising credit risk aversion (among lenders)." The first official mentioned above admitted that the "disbursement and sanction mismatch" was a matter of concern to the government, which is examining the matter.

The government's relief packages are meant to provide temporary support and help in kickstarting the economy, said DK Srivastava, chief policy advisor at EY India. "Growth calls for a straight-forward push to demand, particularly investment demand. To kickstart this, it is the government's capital expenditure that should play a pivotal role. By augmenting this, private investment would also increase through multiplier effects," he said.

According to officials, the cash-strapped government is not in favour of raising taxes on non-essential items as that could further depress demand. Although dwindling Goods and Services Tax (GST) revenue is a concern for both the Centre and states, the Union government is not in favour of raising taxes on non-essential items because that could be detrimental for demand generation, the first official said.

The government has not yet released the monthly GST collection data for April, which is expected to be one-third of the March collection (Rs 97,597 crore) because economic activity was negligible during the lockdown period. GST collections had exceeded Rs 1 lakh crore for four consecutive months since November 2019.

The GST Council is expected to meet in June to discuss a sharp decline in revenue collection and could also consider raising money from the market to compensate states for their revenue shortfall, the other two officials said.

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They said the economy had been battered by a prolonged lockdown since March and its revival needs a series of booster doses. “The first round of announcements worth over ₹20 lakh crore was completed just on May 17. This is not all. There are more to come depending on how the economy respond to the stimulus already announced,” one of the officials said.

Hindustan Times, May 30, 2020

32. Lockdown bites credit growth, outstandings to housing and priority sectors decline in April

With lockdown hitting banking operations in April, credit growth to various segments, including priority sector, housing loan and credit card, of the economy has showed a contraction during the month. While the overall non-food credit growth contracted by 1.2 per cent, or Rs 1.10 lakh crore to Rs 91 lakh crore, loan outstanding in the personal loan segment fell by 2.50 per cent to Rs 24.90 lakh crore, a decline of around Rs 63,000 crore.

According to data released by the Reserve Bank of India (RBI), housing loan outstandings declined by around Rs 8,000 crore to Rs 13.30 lakh crore as of April 24 from Rs 13.38 lakh crore on March 27. The housing loan segment has been growing at a steady pace over the last several months. Credit card outstandings, which were rising rapidly till March, declined by Rs 11,000 crore to Rs 96,978 crore in April. Priority sector outstanding fell by 3 per cent, or Rs 86,000 crore, to Rs 28.11 lakh crore in a month as of April 24.

Credit flow to agriculture and allied activities also declined by around Rs 6,465 crore to Rs 11.51 lakh crore in April. “The decline could be due to lockdown. Credit flow which slows down in the beginning in the financial year will pick up when the lockdown is lifted in the coming months. We will have to see how credit growth is happening in the June-August period if lockdown continues beyond May 31,” said a senior banker with a public sector bank.

Even as the government announced a package for micro, small and medium enterprises (MSMEs), credit outstandings to the micro and small industry segment fell Rs 23,485 crore to Rs 3.58 lakh crore in the month of April. The decline is significant as the RBI has slashed the key policy rate — repo rate — by 115 basis points to 4 per cent since March 27 this year. Banks also cut lending rates, making funds cheaper for borrowers. Domestic economic activity has been impacted severely by the 2 months of lockdown. “The top 6 industrialised states that account for about 60 per cent of industrial output are largely in red or orange zones. High frequency indicators point to a collapse in demand beginning in March 2020 across both urban and rural segments. Electricity and petroleum products consumption — indicators of day to day demand — have plunged into steep declines,” RBI Governor Shaktikanta Das said while announcing the latest repo rate cut last week.

According to the RBI, on a year-on-year (Y-o-Y) basis, non-food bank credit growth decelerated to 7.3 per cent in April 2020 from 11.9 per cent in April 2019. Credit growth to agriculture & allied activities decelerated to 3.9 per cent



MSME NEWS UPDATE

in April 2020 from 7.9 per cent in April 2019. Credit growth to industry decelerated to 1.7 per cent in April 2020 from 6.9 per cent in April 2019. Credit growth to the services sector decelerated to 11.2 per cent in April 2020 from 16.8 per cent in April 2019. Personal loans growth decelerated to 12.1 per cent in April 2020 from 15.7 per cent in April 2019.

On a Y-o-Y basis, credit outstandings to the industry were at Rs 28.84 lakh crore in April 2020 as against Rs 28.35 lakh crore in April 2019. Within industry, credit growth to beverage & tobacco, petroleum, coal products & nuclear fuels, paper & paper products and rubber, plastic & their products accelerated. However, credit growth to mining & quarrying, chemicals & chemical products, construction, textiles, all engineering and basic metal & metal products decelerated/contracted, the RBI said.

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