

The Economic Package for the MSMEs

Announced by Hon. Finance Minister on 13th May, 2020

After Hon'ble PM's announcement yesterday to build a self reliant "Atmnirbhar Bharat", today's announcement by the Hon'ble FM and the MoS (Finance) further adds to the confidence that this Government is committed to make India totally self-reliant.

- Hon'ble PM's vision to raise India's profile on five Pillars of economy, infrastructure, technology driven systems, demography and demand is commendable.
- Moreover, his emphasis on reforming and streamlining some critical areas of economy is also very timely which includes land, labour, liquidity and law.
- It is heartening for us to know that in today's Package announcements out of 15 measures, more than 7 measures directly relate to MSMEs whereas, a few more have a sizeable bearing on the viability and operations of MSMEs.

(I) It is very satisfying to know that guarantee free and collateral free loans amounting to total Rs. 3.00 Lakh crores have been announced. It is also good that there will be a moratorium of 12 months on payment of Principal. It is expected that about 45 lakh units can take benefit and resume business activity and safeguard the employment of people.

(II) As per the recommendations of the Reserve Bank of India and U.K. Sinha Committee, we had recommended setting up of a Sub-ordinate Debt Fund, with partial guarantee support. It is heartening that

Government has announced making a provision of Rs.20000 crores and to provide a support of Rs. 4000 crores for this purpose.

- (III) Again, it is very satisfying that our demand for setting up Fund of Funds has been accepted and it is announced that Rs.10000 crore fund would be set up. We can leverage the fund for infusion of Rs.50000 crores through the market in the model of “Mother and Daughter Funds”.
- (IV) The matter of changing the definition of MSMEs upwardly has been hanging since few years. We had prepared a proposal in this regard. We are happy that the same has been accepted as a part of the Package. This will help the MSME Sector to grow. Basically, low threshold was being a dampner for an urge to grow.
- (V) One of the most important interventions as part of the announced Package is to say that in Government procurement, there would be no global tendering upto Rs. 200 crores. This will, help the domestic companies in general and on the other hand it will also help the MSMEs of the country in particular. These units are not able to withstand the pressure of undue competition from Companies of other countries.
- (VI) In the present circumstances, physical trade fairs and exhibitions would be difficult. The announcement to promote e marketing linkage would go a long way in helping the MSME Sector.

- (VII) Another important intervention is making it mandatory for the Departments of Government of India and the CPSEs to pay the receivables to MSMEs within next 45 days. This will greatly help easing the situation of working capital of the MSMEs.
- (VIII) The announcements that TDS and TCS will be reduced by 25% and that all refunds to entities including Proprietorship, Partnership firms and LLP etc. would be issued immediately, will also help the liquidity situation of MSMEs.
- (IX) Similarly, the extension in the compliance date of various income-tax related deadlines is also very satisfying. The small units will now have a peace of mind and will focus on work and productivity for next few months.

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