



ISSUE - 59, EDITION - JULY 2021

NEWSLETTER




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

www.ficci-cmsme.in
www.ficcicmsmeconnect.in



connect 
Bringing Businesses Together
www.ficcicmsmeconnect.in

**ARE YOU LOOKING FOR BUSINESS
OPPORTUNITIES ?**

REGISTER AT FICCI-CMSME CONNECT PORTAL

www.ficcicmsmeconnect.in

Online Directory & B2B Portal

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

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



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



What we do.....

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

Areas of focus.....

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

Services & Benefits.....

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

Opportunities.....

1 Networking <ul style="list-style-type: none">Platform to interact amongst members, state & central governmentsPlatform to meet global business and political leadersParticipation in seminars, training programmes, conferences and meetingPlatform to network with industry leaders	10% discount for CMSME members on participation Fee of FICCI events (<i>applicable only on the fee component charged by FICCI</i>)
2 Business Services <ul style="list-style-type: none">Opportunity for participating in Sectoral delegations both in India and OverseasParticipation in trade fairs and exhibitionsDevelop business through buyer-seller meetsGovernment Notification UpdatesConnect with other CMSME Members and Explore Business possibilities	10% discount for CMSME members on participation Fee of FICCI events (<i>applicable only on the fee component charged by FICCI</i>)
3 Knowledge series	Free Access to Policy Papers, Studies & Surveys, MSME Newsletters

Membership

Membership Categories

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

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

How to Apply for Membership

- Online Application:** Link: <http://ficci-cmsme.in/membership/member-login.asp> Membership can be applied at the above link by selecting 'New Registration'. After a brief registration, one will receive an auto generated email in inbox (sometimes in spam folder) of registered email ID containing login-ID & Password for CMSME Membership. The above link may again be visited and now log-in can be done with the details received to registered email ID to complete the profile for Membership.
- Offline Application:** One can always apply offline by submitting Membership Form along with other necessary documents to the Secretariat. For forms you may contact FICCI-CMSME secretariat.

Membership Fee

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

For any query please feel free to contact:

Mr Hemant Seth/ Mr Sumitra Nandan Srivastava / Ms Medhavi Gupta

Treasurer & Director / Sr Assistant Director / Executive Assistant

FICCI- CMSME

Federation House, 1, Tansen Marg, New Delhi 110 001

Tel: 91-11-23487307 / 23487491 Fax: 91-11-23320714

Email: cmsme@ficci.com; Website: www.ficci-cmsme.com





S. No.	News Headline	Page No.
1	Cabinet approves ₹6.29-lakh crore relief package to boost Covid-hit economy	01
2	Services Exports Scheme for FY20 approved	01
3	RBI rings warning bell on rising bad loans, stress among MSMEs	02
4	Gadkari says GST was 'very essential', sees 'room for improvement'	02
5	Retail, wholesale trade brought under MSMEs: Gadkari	03
6	Committed to empowering our traders: PM Modi	03
7	RBI notifies inclusion of retail, wholesale trade under MSME category	04
8	Challenges galore for Rane to revive MSME sector	04
9	Goyal for faceless vetting of subsidy applications	05
10	UP drew ₹4-lakh-crore investments in MSMEs since 2017, says minister	05
11	June exports up 48% to \$32.5 bn; trade deficit widens to \$9.37 bn	06
12	India's economic growth to start hitting 6.5-7% from FY23 onwards: CEA	06
13	Services export may grow 10% in FY22 due to growth in various sectors: SEPC	07
14	Restructured MSME loan accounts worth over Rs 55k cr by PSBs double in 18 months	08
15	Rs.10,000-CR Scheme to Benefit 2 Lakh Micro Food Processing Units	09
16	Bengal govt starts GIS mapping of 570 MSME clusters to boost ease of doing business	09
17	Finance Minister directs all PSUs to clear pending dues to MSMEs within 45 days	10
18	Stimulus 'inadequate', 25% of MSME loans may default: Panel	10
19	Large corporates setting up small subsidiaries to get public procurement tenders, will hurt MSEs: Experts	11
20	MSME credit demand in June back to level before pandemic, says CIBIL	12
21	How resolution 'pre-packs' for MSMEs can speed up insolvency cases	13
22	MSMEs most in need of policy attention: Kumar	14
23	Service sector MSMEs need special focus: Rajiv Kumar	15
24	Factoring law to draw 9,000 NBFCs, boost MSME cash flow, says FM Nirmala Sitharaman	15
25	Power subsidy scheme for Haryana industry notified	16
26	Banks disburse over Rs 2 lakh crore under ECLGS till mid-July	16
27	Capital support, credit for micro units in rural Haryana: Dushyant	17

MSME NEWS UPDATE

1. Cabinet approves ₹6.29-lakh crore relief package to boost Covid-hit economy

The Union Cabinet today approved the ₹6.29-lakh crore relief package announced by Finance Minister Nirmala Sitharaman to help the revival of the economy battered by Covid-19. This was informed by Union Information and Broadcasting Minister Prakash Javadekar after the Cabinet meeting. Addressing a press briefing, Union Minister Ravi Shankar Prasad said the Cabinet has approved a public-private partnership mode for the rollout of the BharatNet project for broadband services in villages in 16 states with viability gap funding of ₹19,041 crore.

As part of the package to support the pandemic-hit economy, Union Finance Minister Nirmala Sitharaman had announced a slew of measures including ₹1.5 lakh crore of additional credit for small and medium businesses, more funds for the healthcare sector, loans to tourism agencies and guides, and waiver of visa fee for foreign tourists. "We are announcing about 8 economic relief measures, of which four are absolutely new and one is specific to health infrastructure," FM Sitharaman had informed. Together with previously announced ₹93,869-crore spending on providing free foodgrains to the poor till November and additional ₹14,775 crore fertiliser subsidy, the stimulus package, which is mostly made up of government guarantee to banks and microfinance institutions for loans they extend to Covid-19-hit sectors, totalled up to ₹6.29 lakh crore.

The finance minister provided ₹23,220 crore of additional funding to set up children and paediatric care at hospitals to prepare healthcare infrastructure to deal with any emergency arising due to the Covid-19 wave hitting kids. Further, to incentivise job creation, the government committed to paying the employer and employee's share to provident fund (PF) for all new recruitments done till March 2022. Previously, the government paid ₹902 crore for 21.42 lakh beneficiaries of 79,577 establishments.

With the tourism sector being hit hard by the pandemic, the minister had announced a financial support to over 11,000 registered tourists, guides, travel and tourism stakeholders, in addition to free one-month tourist visa to first five lakh tourists. Other announcements included an additional ₹19,041 crore to provide broadband internet cover to all village panchayats, an extension of tenure of a production-linked incentive (PLI) scheme for large-scale electronics manufacturing by a year and ₹88,000 crore of insurance cover for goods exporters. The central government has announced the support measures as states start lifting restrictions after new coronavirus infections showed a decline. Two announcements made by the finance minister regarding the additional subsidy of ₹14,775 crore for DAP & P&K fertilizers, and extension of Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) — free food grains from May to November 2021, were previously approved by the Union Cabinet.

Mint, June 30, 2021

2. Services Exports Scheme for FY20 approved

Fulfilling a long-pending demand of services exporters, the government has approved incentives under the Services Exports from India Scheme for 2019-20. The government will be announcing the scheme shortly, the Services Export Promotion Council said after meeting the minister of commerce and industry Piyush Goyal and officials. As recommended, there will be a cap for the benefits under the scheme so that MSMEs get the maximum benefit. However, some of the matured industries will be precluded from the incentives.

The Asian Age, July 01, 2021

MSME NEWS UPDATE

3. RBI rings warning bell on rising bad loans, stress among MSMEs

The Reserve Bank of India (RBI) has cautioned that bad loans of the banking system are expected to hit 11.22 per cent of the advances under a severe stress scenario. The central bank also warned about the incipient signs of stress among medium and small units. The Financial Stability Report of the RBI said macro stress tests indicate that the gross non-performing asset (GNPA) ratio of banks may increase from 7.48 per cent in March 2021 to 9.80 per cent by March 2022 under the baseline scenario and to 11.22 per cent under a severe stress scenario. However, have sufficient capital, both at the aggregate and individual level, even under stress, it said.

Within the bank groups, NPAs of public sector banks are expected to rise to 9.54 per cent in March 2021 and edge up to 12.52 per cent by March 2022 under the baseline scenario. However, this is an improvement over earlier expectations and indicative of pandemic proofing by regulatory support, it said. For private banks and foreign banks, the transition of the NPA ratio from baseline to severe stress is from 5.82 per cent to 6.04 per cent to 6.46 per cent, and from 4.90 per cent to 5.35 per cent to 5.97 per cent, respectively.

While banks' exposures to better rated large borrowers are declining, there are incipient signs of stress in the micro, small and medium enterprises (MSMEs) and retail segments, the FSR warned. The demand for consumer credit across banks and non-banking financial companies (NBFCs) has dampened, with some deterioration in the risk profile of retail borrowers becoming evident, it said.

On the domestic front, the ferocity of the second wave of COVID-19 has dented economic activity, but monetary, regulatory and fiscal policy measures have helped curtail the solvency risk of financial entities, stabilise markets, and maintain financial stability, according to the FSR. The capital to risk-weighted assets ratio (CRAR) of scheduled commercial banks increased to 16.03 per cent and the provisioning coverage ratio (PCR) stood at 68.86 per cent in March 2021.

Going forward, as banks respond to credit demand in a recovering economy, they will need to reinforce their capital and liquidity positions to fortify themselves against potential balance sheet stress, the RBI FSR said. According to the RBI, only 0.9 per cent of the total loans were restructured. The micro, medium and small enterprises (MSME) sector saw the maximum debt recast at 1.7 per cent followed by the corporate loans, which saw 0.9 per cent of the sector loan being restructured. Retail segment saw only 0.7 per cent loans restructured. Banks' resort to restructuring under the COVID-19 resolution framework was not significant and write-offs as a percentage of GNPA at the beginning of the year, fell sharply as compared to 2019-20, except for private banks, the RBI said.

The Indian express, July 02, 2021

4. Gadkari says GST was 'very essential', sees 'room for improvement'

With the Goods and Services Tax (GST) regime completing four years, Union minister Nitin Gadkari said this tax reform was "very essential", while observing that there is a room for improvement in the indirect tax regime. Gadkari, who holds MSME portfolio along with road transport, further said there is a need to build consensus with states to bring petroleum products and alcohol under the GST regime as the country has a federal structure.

"This tax reform (GST) was very essential... though we have completed four years of GST, I feel there is room for improvement, and we can make it better with support of stakeholders," he said at an event

MSME NEWS UPDATE

organised on GST Day. A nationwide GST, which subsumed 17 local levies like excise duty, service tax and VAT, was rolled out on July 1, 2017. Gadkari, who is known for expressing his frank views, also lamented that some problems related to GST are still troubling the MSME sector.

The minister said when MSMEs bill any material and give them to firms, then it remains the responsibility of MSMEs that whether they receive payments or not, they are required to deposit tax. "And in the government, particularly with the MSME, there are a lot of problems, their delayed payments are a big problem for us. And all small MSMEs are already facing the problems," he said. The road transport and highways minister said there is a need to find a way out so that some relief can be provided to the people.

"Because the state governments, the state government undertakings, central government, central government undertakings, different departments, major industries, and big people... are not giving their payments (to MSMEs), delayed payments are there, that is one of the reasons that we have a lot of economic issue," Gadkari noted. The minister said the GST will help achieve the goal of USD 5 trillion economy by 2025. He said GST is founded on the notion of "One Nation, One Market, One Tax" which has helped and will be helping the trade and industry a lot despite the prevailing pandemic situation. The minister said digitalisation and information technology have an important role to play.

He said for transparent and time-bound decision making, process performance audit along with financial audit is very important. The minister pointed out that 2 billion e-way bills were generated in less than three years. Gadkari noted that India has got all the potential to become number one economy in the world. "We are giving the highest priority for development of infrastructure in the country. We are constructing 38 km of road per day. We are making green highways," he said while listing out achievements of his ministry. The minister stressed on the need to create more jobs, and said for that reason, the country needs more investments and upgradation in technology.

Business Standard, July 02, 2021

5. Retail, wholesale trade brought under MSMEs: Gadkari

MSME minister Nitin Gadkari announced inclusion of retail and wholesale trade under MSMEs as per which they will also now get the benefit of priority sector lending under RBI guidelines. He said the retail and wholesale trade sector was left out of the ambit of MSMEs (micro, small and medium enterprises). "Now under the revised guidelines, retail and wholesale trade will also benefit from priority sector lending under RBI guidelines," the Minister added.

In a tweet, he said the government is committed to strengthening MSMEs and make them engines of economic growth. The revised guidelines will benefit 2.5 crore retail and wholesale traders. The move would also allow them to register on Udyam portal. Commenting on the development, an association said, with this decision, traders will be able to avail requisite finances from banks and financial institutions under priority sector lending. Besides, now the traders can avail the benefits of several other government schemes for MSMEs, it said in a statement.

The Indian Express, July 03, 2021

6. Committed to empowering our traders: PM Modi

Prime Minister Narendra Modi described as "landmark" the decision to include retail and wholesale trade as MSMEs, which will allow traders the benefits of priority sector lending, and said his government

MSME NEWS UPDATE

is committed to empowering the community. Earlier, Union Minister Nitin Gadkari announced the inclusion of retail and wholesale trade under MSMEs (micro, small and medium enterprises) as per which the traders will now get the benefit of priority sector lending under RBI guidelines.

In a tweet, the Prime Minister said, "Our government has taken a landmark step of including retail and wholesale trade as MSME. This will help crores of our traders get easier finance, various other benefits and also help boost their business. We are committed to empowering our traders." Official sources said the move will have an immediate impact on smaller retailers and wholesalers with businesses up to ₹250 crore of turnover in availing immediate-term finance as part of various schemes announced under "Atmanirbhar Bharat" programme.

This landmark decision will have a structural impact for the sector, helping it get formalised by giving better finance options for businesses that want to get structured, they said, adding it will give retail MSMEs the support they need to "survive, revive and thrive". Retail and trade associations have welcomed the move, saying it will enable traders to get access to much-needed capital having been impacted greatly due to the COVID-19 pandemic.

The Hindu, July 03, 2021

7. RBI notifies inclusion of retail, wholesale trade under MSME category

The Reserve Bank notified the inclusion of retail and wholesale trade under the micro, small and medium enterprises (MSME) category. This will help retail and wholesale trade benefit from priority sector lending under RBI guidelines. Earlier, the Ministry of Micro, Small and Medium Enterprises had decided to include retail and wholesale trade under MSMEs for the limited purpose of priority sector lending. The revised guidelines will benefit 2.5 crore retail and wholesale traders. The move would also allow them to register on the Udyam portal for MSMEs.

Financial Express, July 07, 2021

8. Challenges galore for Rane to revive MSME sector

With the appointment of Narayan Rane as new Micro, Small and Medium Enterprises (MSMEs) minister, Prime Minister Narendra Modi has made it clear that the MSME sector, which is one of the worst affected by the two waves of Covid-19 infections, is in the dire need of an overhaul. Modi has banked upon Rane to revive the sector. Notably, Rane, who rose from ward chief of Shiv Sena to chief minister of Maharashtra, has experience of handling portfolios such as animal husbandry, industry, ports, employment and self-employment. Rane has been appointed as MSME Minister replacing Union Minister Nitin Gadkari in the Cabinet reshuffle.

His past experiences may be the reason behind allocating the MSME portfolio to Rane to bail out the worst-affected sector which has a potential of employment generation. However, despite all the credentials of handing the pertinent portfolios in the past, challenges galore for Rane as he would face several challenges associated with the MSME sector. One of the biggest challenges with the MSMEs sector in the country is the huge shortage of finance and financial literacy among small business owners. As per CRISIL's SME tracker, the credit gap between the available and required working capital has been widening since 2015.

Due to Covid-19 pandemic, the credit gap has worsened due to disruptions in the cash flow cycles. The other major challenge is bank's reluctance in lending funds to MSME units as banks are not sure of

MSME NEWS UPDATE

MSME unit's repayment capabilities which may lead to small units becoming non-performing assets (NPAs). Such a situation has worsened the liquidity crunch in the sector. Rane would have to create a holistic ecosystem for the overall growth of the MSME sector by pumping in liquidity in it. It has also been observed that most of the MSMEs forced to take loans from informal 'banking system' at high interest rates due to which sustainability of their operations doesn't last for a longer period. The non-availability of modern technology and equipment is another major issue that has put a brake on MSMEs growth. The majority of MSME units' owners cannot afford to have modern equipment as the workforce is unskilled and they don't have the knowledge to operate it.

Millennium Post, July 09, 2021

9. Goyal for faceless vetting of subsidy applications

The applications received under subsidy-oriented schemes for the textile industry should be processed transparently, using automation so that personal contact between industry and department is eliminated, Piyush Goyal, who has taken charge as the textile minister, suggested.

"The applications received under subsidy-oriented schemes should be processed in a transparent manner using automation keeping in view the broad objective of each scheme and necessary mechanisms should be devised so that personal contact of industry and department can be eliminated," he said while talking to industry representatives. He also suggested a special dispensation for MSMEs. According to A Shaktivel, chairman of the Apparel Export Promotion Council, automation and elimination of human interface will reduce the delay in the processing. Once automated, there would be a specific timeline to process the applications, and this will benefit the industry.

Goyal said the formats for submission of statutory returns from industry needs to be simplified and emphasised on rationalisation and optimal use of manpower at the Office of the Textile Commissioner and Textiles Committee. In order to increase productivity of cotton, the minister suggested that the Cotton Corporation of India can work out possibilities for providing kapas plucking machines to the cotton farmers. These machines can be provided by start-ups by availing of mudra loan. He also suggested a meeting with stakeholders to make a strategic plan to eliminate child labour in the textiles sector.

The Asian Age, July 12, 2021

10. UP drew ₹4-lakh-crore investments in MSMEs since 2017, says minister

Uttar Pradesh minister for Micro, Small and Medium Enterprises (MSME) Sidharth Nath Singh said that the identity of the state has transformed due to the flexible attitude of the government towards industries and turned it into an emerging backbone of India's industrial hub. "It is because of the various proactive measures taken by the state government towards transforming the state into a favourable place for industries to grow such as ODOP because of which the exports of UP have skyrocketed by 35%," Singh said during a virtual interaction.

He added that loans worth ₹2.5-lakh-crore were disbursed to the MSMEs in four years, due to which a thumping investment of about ₹4-lakh-crore has come into the state. "Around 2.6 crore people have got direct and indirect employment opportunities," Singh said. He went on to say that the MSME sector of UP generates employment opportunities and has emerged as the backbone of industrialisation.

MSME NEWS UPDATE

"In 2017, when the BJP government took over the reins of the state, a roadmap was prepared to fix the rural economy. An innovative initiative called 'ODOP' was rolled out in 2018 while Common Facility Centers (CFCs) have been set up in 40 out of all 75 districts of the state," the minister outlined.

The minister said that during the first wave of Covid-19, industries related to essential commodities and export units continued to operate in the state. "Whereas during the second wave a partial corona curfew was imposed, in which industries and businesses operated as usual," he further said, adding, "The New MSME Act 2020 got implemented amid the ongoing pandemic itself, under which no-objection certificates are being given in 72 hours and exemption from various types of licenses has been given for around 1,000 days."

Singh said that work is being done on cluster development by connecting CFCs. In this, eminent fashion designers of the country have been associated with the cluster. Along with this, the Quality Control of India has also been added. Navneet Sehgal, additional chief secretary, MSME said, "ODOP is a big reason for the increase in the exports of UP. For this, efforts were made at every level and an export policy was formulated. Export Development Center has been set up at the district level. The export of the state was ₹88,967 crore in 2017-18, which has increased by 35 percent i.e. ₹1,21,139 crore in 2020-21.

Hindustan Times, July 15, 2021

11. June exports up 48% to \$32.5 bn; trade deficit widens to \$9.37 bn

India's merchandise exports in June grew by 48.34% to \$32.5 billion, for seventh month in a row, but increase in imports pushed trade deficit at \$9.37 billion. According to the data released by the commerce ministry, exports were driven by shipments across sectors including petroleum products, gems and jewellery, chemicals, leather and marine goods.

Imports in June too rose by 98.31% to \$41.87 billion, driven by a rise in oil and gold imports, leaving a trade deficit of \$9.37 billion as against a trade surplus of \$0.79 billion in the same month last year. Oil imports in June were \$10.68 billion, which were 116.51% higher compared to \$4.93 billion in June last year.

For the period between April-June 2021, the exports increased by 85.88% to \$95.39 billion. The top sectors, which performed impressively during the first quarter starting with 3-digit growth were iron-ore, rice, cotton, handloom products, engineering goods among others.

The New Indian Express, July 16, 2021

12. India's economic growth to start hitting 6.5-7% from FY23 onwards: CEA

The country's economy will start witnessing a growth of 6.5 to 7 per cent from fiscal 2023 onwards, helped by various reforms undertaken by the government so far and also as Covid-19 vaccination drive progresses, Chief Economic Advisor Krishnamurthy Subramanian said. He said the second wave of Covid-19 is unlikely to have a very significant on the economy. The country's economy contracted by 7.3 per cent in fiscal 2020-21. "Together with the reforms and focus on vaccination, I expect growth to start hitting close 6.5 to 7 per cent from FY23 onwards and accelerate from there on," Subramanian said at a virtual event.

"Given the significant reforms that have been done over the last one and a half years, I have no hesitation in saying that I look forward to a decade of high growth for India." He said the momentum in

MSME NEWS UPDATE

recovery that was seen in the fourth quarter of FY21 and overall, in the second half of FY21 got impacted to some extent by the second wave of Covid-19.

While the second wave was quite devastating on the health side, the economic impact of that has been limited because the second wave was much shorter in duration compared to the first wave and the economic restrictions that were placed were primarily at the state level, he said. "We expect the impact of the second wave to be not very large."

Subramanian said the supply-side reforms undertaken by the government in sectors such as agriculture, labour, export PLI scheme, change in MSME definition, creation of the bad bank, privatisation of public sector banks among others, are going to push growth in the future. He said vaccination is important for the country to recover from the pandemic.

Addressing the event earlier, Economic Advisory Council to the Prime Minister (EAC-PM) Chairman Bibek Debroy said GDP growth rate is a function of what the base was in the last year. He expects a real rate of growth of around 10 per cent during FY22. Debroy said the pandemic has resulted in whittling away of two years of economic development. "So, it is not only the target of \$5 trillion dollar (economy by 2024-25) moves far away, but also the fact that adhering to the 2030 SDGs (Sustainable Development Goals) target for India will be a little more difficult... One of the worrying signs is there aren't any robust signs of employment picking up in the urban areas."

Business Standard, July 16, 2021

13.Services export may grow 10% in FY22 due to growth in various sectors: SEPC

The country's services exports are expected to grow 10 per cent in 2021-22 due to healthy growth of sectors such as professional and management consulting, audio visual, freight transport, and telecommunications, according to SEPC. Services Export Promotion Council (SEPC) Chairman Maneck Davar said despite the pandemic, the sector recorded a decline of only 3 per cent in exports in 2020-21 to USD 205.27 billion.

"Based on the RBI data, we are confident that we will again experience high growth as services exports are projected to grow by 10 per cent in 2021-22 due to the performance of sectors such as professional and management consulting services, audio visual and related services, freight transport services, telecommunications, computer and information services," he said.

The exports in 2019-20 and 2018-19 stood at USD 214.61 billion and USD 205.79 billion, respectively. To further boost the shipments, Davar suggested that the government should frame an incentive scheme in the forthcoming foreign trade policy which should be result-oriented and support MSMEs, which accounts for over 90 per cent of the services sector.

"We have submitted a Duty Remission on Export of Services scheme (DRESS) similar to RoDTEP (Remission of Duties and Taxes on Exported Products), I personally think that a less complex scheme can be devised which will truly incentivise services exports and link the same to growth," he added. He said there are a lot of sectors with huge potential such as telemedicine, business services, healthcare and education where exports can be increased substantially. "We are preparing a roadmap to submit to the government to further increase services exports," the chairman said. Over the years, the key markets for India's services exports are advanced countries like the US, UK, Germany, the Netherlands and France. However, in recent years, he said, the Council has experienced a massive growth in

MSME NEWS UPDATE

exports to Ireland, Croatia, Romania, Bulgaria and Slovenia. India is looking to expand its exports in sectors such as professional and management consulting services, charges for intellectual property rights, financial services, entertainment services including audio visual and gaming, auditing services, education and healthcare. "Given India's Act East Policy and strategic partnership with East Asia and Asia Pacific region, there is immense potential to increase our services trade with countries like Japan and Australia which could be new destinations for our exports," he added.

Business Standard, July 18, 2021

14. Restructured MSME loan accounts worth over Rs 55k cr by PSBs double in 18 months

MSME loan accounts restructured by the public sector banks (PSBs) have grown 2.1X in the nearly one-and-a-half-year period. From 6,19,562 accounts involving Rs 22,650 crore restructured as of January 31, 2020, 13.06 lakh accounts with an aggregate amount of Rs 55,333 crore were restructured as of June 26, 2021, MSME Minister Narayan Rane said in reply to a question in the Lok Sabha. The last year's data was shared by former Finance Ministry MoS Anurag Thakur in the Rajya Sabha in March 2020. Since 2019, weakness in the MSME portfolio of banks and NBFCs has drawn regulatory attention, with the Reserve Bank of India (RBI) permitting restructuring of temporarily impaired MSME loans up to Rs 25 crore.

"During Covid, it is good that government realised the MSME sector, which has been facing challenges since it doesn't have deep pockets, needs support. The mortality rate in MSMEs is very high but since the government was able to provide some support, banks continued to provide resources to the MSME sector. Many MSMEs don't come to the banking system for support directly, they come through the non-banking finance entities. Hence government was kind in the sense that it allowed the flow of credit to NBFCs so that they can continue support to the MSME sector," said an expert.

The RBI in its Financial Stability Report earlier this month had noted that while PSBs have actively resorted to restructuring under all the schemes, participation by private banks (PVBs) was significant only in the Covid restructuring scheme offered in August 2020. The aggregate restructured portfolio of PSBs stood at Rs 26,190 crore under January 2019 scheme before it dropped to Rs 5,860 crore in February 2020 scheme. However, post-Covid, there was a sharp increase to Rs 24,816 crore during the August 2020 scheme. In contrast, PVBs' stood at Rs 1,364 in February last year but increased to Rs 11,027 during the August 2020 scheme.

Nonetheless, despite the restructuring, the stress in PSBs' MSME portfolio remains high with the NPA rate at 15.9 per cent as of March 2021 in comparison to 13.1 per cent as of December 2020 even as it is down from 18.2 per cent as of March 2020. RBI had asked banks for close monitoring of asset quality of MSME and retail portfolios. "This calls for banks to shore up capital positions while favourable market conditions prevail. The banking sector will be required to specifically guard against adverse selection bias while being alive to the credit demand from productive and viable sectors," RBI had said in the report. To provide resolution to the Covid-19 related stress of MSMEs, the RBI had extended the facility for restructuring existing MSME loans (where the aggregate exposure of all lenders to the MSME does not exceed Rs 50 crore as of March 31, 2021) without a downgrade in the asset classification till September 30, 2021.

Financial Express, July 22, 2021

MSME NEWS UPDATE

15.Rs.10,000-CR Scheme to Benefit 2 Lakh Micro Food Processing Units

The government is implementing a Rs 10,000-crore scheme to either upgrade or set up two lakh micro food processing units. "PM Formalisation of Micro food processing Enterprises Scheme", implemented by the Ministry of Food Processing Industries, aims at providing financial, technical and business support for upgradation and setting up of two lakh micro food processing units based on One District One Product (ODOP) approach in a period of five years from 2020-21 to 2024-25. The enterprises can be set up or upgraded through credit linked subsidy during these five years, MoFPI minister Prahlad Singh Patel told the Rajya Sabha. The new scheme will benefit micro units as the Production Linked Incentive scheme announced by the government for the sector mostly caters to large entities. An expert said the new scheme is meant for small units run by farmers or self-help groups. "The Rs 10,000 crore credit-linked subsidy scheme can reach out to a large number of micro units, and this is significant in terms of employment generation." The government has also approved 792 projects out of a total of 818 project submissions for setting up food processing units under the Production Linked Incentive scheme. The grants in aid for the approved projects is Rs 5,792 crore. The PLI scheme for food processing has a total outlay of Rs 10,900 crore to support creation of global food manufacturing champions and support Indian brands of food products in international market. The PLI scheme largely favours large food processing entities. Of the scheme outlay, only 2 per cent or Rs 250 crore will go into the kitty of SMEs, that too to those who are producing organic and innovative products.

The Asian Age, July 24, 2021

16.Bengal govt starts GIS mapping of 570 MSME clusters to boost ease of doing business

The West Bengal government has started GIS mapping of 570 clusters for micro, small and medium enterprises (MSMEs) in the state to assess availability of infrastructure and skill of workers in these industrial facilities and help improve ease of doing business, an official said. This mapping exercise will help the government identify the infrastructural gap in the clusters and develop a strategy to strengthen its services there, the MSME department's secretary Rajesh Pandey said. "We are carrying out a GIS mapping project which will cover all 570 clusters. Such an exercise will help the government know details of infrastructure, availability of land and skill of labourers working in these industrial areas. The initiative is expected to be completed in one month," he said.

Handloom and khadi sectors are also part of the mapping project, and the outcome of the exercise will be available on the department's website, he said. "Results of the survey will enable the government to take quick decision on providing support in the clusters if required. For businessmen, this would be a ready reckoner of getting information about infrastructure and resources. They will be able to know details of land, skill and services required to set up a business," he said. As part of e-governance initiatives, the state government is aiming at giving clearance for projects without any physical contact, and the entire process will be on a digital platform as part of the ease of doing business, another official said. "West Bengal Industrial Development Corporation is also working on it and has already put all the details of industrial plots on its website," he said. Ten years ago, there were only 30 MSME clusters, now the number has gone up to 570, the state government official claimed. Efforts are on for creation of a GIS-enabled database of industrial areas across several states for greater logistics planning.

The Week, July 26, 2021

MSME NEWS UPDATE

17. Finance Minister directs all PSUs to clear pending dues to MSMEs within 45 days

Finance Minister Nirmala Sitharaman said the Centre is deeply concerned about the delay in payments to MSMEs and steps have been taken to ensure that all dues are paid within 45 days. Responding to a question in the Lok Sabha on government dues to the MSME sector, Sitharaman said she is “personally monitoring it”.

“I have reviewed it from the point of view of central government and various departments which owe money to the MSMEs. We have made sure that standard, as per rule 45 days, be not crossed and all dues be paid from the government side to the MSMEs,” Sitharaman said.

The FM clarified that the pendency is also on the part of state governments and state PSUs. Sitharaman also said the Centre is actively encouraging MSMEs to use the Trade Receivables Discounting System (TReDS) platform from which “these payments can be discounted”. In January, Union minister Nitin Gadkari had said delayed payments to the MSME sector was becoming a huge problem and the Centre was planning a new law to make it mandatory that MSME receivables are paid within 45 days.

The FM also introduced a Bill in the Lok Sabha to provide a pre-packaged resolution process for financially stressed MSMEs. The Bill will replace the Ordinance, which came into effect from April 2021 to help small enterprises. The law allows for a prior bankruptcy-resolution agreement between a creditor, such as a bank, and an investor without initial approval from the National Company Law Tribunal. The proposed amendments would also help notify the threshold of a default not exceeding Rs. 1 crore for initiation of pre-packaged resolution process. The Centre has already prescribed a threshold of Rs. 10 lakh for this purpose. On GST relief to the sector, the FM said it’s up to the GST Council to take a call.

The New Indian Express, July 27, 2021

18. Stimulus ‘inadequate’, 25% of MSME loans may default: Panel

A parliamentary panel studying the impact of Covid-19 on MSMEs has noted in its report that the stimulus package announced by the Central government is “inadequate” as the measures were more of loan offerings and long term, instead of improving the cash flow to generate demand as immediate relief. Expressing concern over the grim situation of small enterprises, the committee recommended the government to unveil a “larger economic package aimed at bolstering demand, investment, exports and employment generation to help the economy, including MSMEs.”

Noting that MSMEs have been severely impacted by Covid, the Department-related Parliamentary Standing Committee on Industry pressed for soft loans to MSMEs at minimal interest rate of 3-4 per cent, liquidity support to small enterprises, and setting up of a National Electronic Employment Exchange along with a new employment policy.

In their submissions to the Committee, various industry associations argued that MSMEs are facing an acute cash crunch, as the pandemic affected their earnings by 20-50 per cent. “It is estimated that almost 25 per cent of MSME loans could slip into default as several MSMEs are finding it tough to draw working capital from banks,” the chambers told the Committee, as per the report released.

The committee, chaired by Rajya Sabha MP K Keshava Rao, suggested the Reserve Bank of India to relax non-performing asset classification (NPA) norms for MSMEs and align these to payment cycle. “...the 90 days limit fixed by RBI for classifying overdues of MSMEs should be increased to 180 days

MSME NEWS UPDATE

so that MSMEs are not constrained to divert their working capital towards servicing of their loan-installments and clearing their dues at the cost of normal business operations. This proposed change in the RBI guidelines will save a large number of MSMEs from turning sick or getting closed resulting in loss of economic activity and employment,” according to the report. MSME sector contributes around 30 per cent to the country’s production and about 45 per cent of exports.

Stressing that the Central government did not conduct any study to ascertain the extent of losses suffered by MSMEs due to lockdown, it called for a detailed examination of the issue. “The committee notes from the written replies furnished by the Ministry that no intensive study has been conducted by the Ministry of MSME to ascertain the actual losses suffered by the MSME sector as a whole due to nationwide lockdown imposed by the government. More so, the second wave of the pandemic exposed the vulnerabilities of MSMEs like never before and highlighted the problems faced by them such as delayed payments, high informality, low financial resilience, scarcity in raw material availability etc,” it said.

Apart from subsidised soft loans to MSMEs, the panel recommended inclusion of traders and retailers in the Emergency Credit Line Guarantee Scheme (ECLGS) and restructuring of the existing subordinate debt scheme which has failed to take off. Traders, retailers as well as wholesalers have all now been reinstated in MSME category, making nearly 2.5 crore traders eligible under ECLGS.

The panel suggested ways to promote domestic manufacturing and encourage import substitution. “Availability of soft loans to MSMEs at minimal interest rate of 3-4 per cent with extended repayment tenure, easy land acquisition, less parameters of compliances etc. could help in developing import substitution in the country. Besides, Special Economic Zones (SEZ) focusing upon import substitution could be developed across the country,” it said.

The Indian Express, July 28, 2021

19. Large corporates setting up small subsidiaries to get public procurement tenders, will hurt MSEs: Experts

Even as the government has been surpassing its annual public procurement target of 25 per cent from micro and small enterprises (MSEs) of their overall buying, a number of large corporates have been setting up MSE subsidiaries to eat into standalone MSEs’ share of public procurement tenders, experts told. While on one hand, procurement from MSEs has been 26 per cent, 30 per cent, and 28 per cent during FY19, FY20, and FY21 respectively as per the available data on the public procurement policy monitoring portal MSME Sambandh, large enterprises have tapped into the public procurement opportunity for MSEs through their own sister MSEs concerns on the other hand.

“There are certainly around 5-5.5 lakh MSEs that are basically subsidiaries of some of the very well-known Indian corporates and have a stronghold in the public procurement process. Businesses operate them without lending their names to them. Since June, the number seems to have increased,” an expert told. While the MSME sector has been struggling to overcome the challenges imposed due to the Covid pandemic, the government had last year announced relaxation in the public procurement process. As per the initiative – part of the Atmanirbhar Bharat programme — Department of Expenditure had amended Rule 161 (iv) of General Financial Rules, 2017 to restrict global tenders up to Rs 200 crore, unless prior approval is obtained from the Cabinet Secretariat, in order to benefit MSEs. As the

MSME NEWS UPDATE

government is one of the biggest buyers of goods and services in the country, this restriction had boosted the morale of MSEs as it aimed at providing a level playing field to MSME units in public procurement.

“This announcement, hence, posed a risk of loss of business to large entities and as a result, they set up MSE units with the sole motto of participating in the revised public procurement process. Large firms have inherent advantages such as funds, extending the use of their existing systems for running their MSEs leading to lower operations cost and overall cost of product and services, advantages of bulk procurement from their existing suppliers extended to their MSEs for latter to sell at a lower price without compromising on the margins, hiring better talent, and more, that will only worsen the sufferings of MSEs,” another expert told.

Interestingly, the government has not been aware of large companies setting up their wholly-owned MSE subsidiaries to acquire public procurement tenders. In response to a question in the Rajya Sabha in March this year on whether the government is aware of the situation, former MSME Minister Nitin Gadkari had replied, “No”. “The observation that the large sector is setting up their own offshoots as MSME units to take extra advantage of the government procurement scheme meant for MSMEs is not appreciated. Even though there may be certain loopholes in the system, which the government may take time to plug, it is the responsibility of the large sector not to violate the sensitive MSME space. There have also been occasions when products reserved for MSMEs were de-reserved for the benefit of the large sector. This is worrisome considering the advantages of the MSME sector to the nation’s economic fabric,” an expert told.

Competing with MSEs backed by large enterprises, which offer competitive pricing, is likely to shrink the margins of regular MSEs. This might further defeat the purpose of giving dedicated space to MSEs in the public procurement process. Moreover, the number of MSE players vying for the opportunity has also been increased after the government recently reinstated retailers and wholesale traders under the MSME definition. Also, the MSME definition was revised last year to enhance turnover limit to up to Rs 50 crore for small units while for micro-units, it was increased to Rs 5 crore that expanded the volume of enterprises in these categories.

Importantly, corporate-backed MSEs cannot be questioned as they are registered entities operating in the market. “We are observing the situation but we cannot stop them as anyone can do business, but the government should take necessary steps to help MSEs,” added the expert. “The government should look into the MCA/ ROC data to validate this scenario. In addition, the government should come up with the revised guidelines for public procurement and restrict wholly-owned MSE units of such large entities to stop participating in the public tendering process,” said another expert.

Financial Express, July 28, 2021

20.MSME credit demand in June back to level before pandemic, says CIBIL

Credit demand by micro, small and medium enterprises (MSMEs) increased to near pre-pandemic levels in June 2021, recovering after a drop in loan enquiries in April and May due to the second wave of Covid-19 infections, revealed the Small Industries Development Bank of India (SIDBI)-TransUnion CIBIL report. The reading on the index of credit enquiries fell from 139 in March to 67 in April before

MSME NEWS UPDATE

inching up to 75 in May. It moved up to 95 in June. Lockdowns in cities in June to rein in the spread of the contagion led to a bounce-back in credit demand (measured as credit enquiries) by MSMEs.

Also helped by the government guarantee cover, lenders disbursed Rs 9.5 trillion as credit to MSMEs in the fiscal year ended March 2021 (2020-21, or FY21), up from Rs 6.8 trillion in the preceding fiscal year (2019-20, or FY20). MSME lending in FY21 was helped by the government's Emergency Credit Line Guarantee Scheme (ECLGS), which provided 100 per cent credit guarantee to lenders. Sivasubramanian Ramann, chairman and managing director of SIDBI, said the ECLGS has played a major role in 40 per cent growth in disbursements year-on-year to the sector. This has revived business sentiment among MSMEs. There is revival in credit to new-to-bank (NTB), which has returned to pre-Covid levels, while credit to existing-to-bank remains buoyant.

The recent additional relief measures, especially in health care, and travel and tourism, are expected to improve credit offtake in the MSME sector, he said. Credit disbursals to NTB MSMEs had dropped 90 per cent in April 2020, compared to pre-Covid levels, and have gradually returned to 5 per cent higher than pre-Covid levels in March 2021. Diving further into geographies, the disbursement trends are similar in urban, semi-urban, and rural regions, which experienced sharper rise in disbursements in June 2020, compared with metros.

Business Standard, July 29, 2021

21.How resolution 'pre-packs' for MSMEs can speed up insolvency cases

The Insolvency and Bankruptcy Code (Amendment) Bill, 2021, passed by Lok Sabha has proposed 'pre-packs' as an insolvency resolution mechanism for Micro, Small and Medium Enterprises (MSMEs). The Bill will replace The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021, which was promulgated on April 4 this year. A pre-pack envisages the resolution of the debt of a distressed company through a direct agreement between secured creditors and the existing owners or outside investors, instead of a public bidding process.

This system of insolvency proceedings has become an increasingly popular mechanism for insolvency resolution in the United Kingdom and Europe over the past decade. Under the pre-pack system, financial creditors will agree to terms with the promoters or a potential investor and seek approval of the resolution plan from the National Company Law Tribunal (NCLT). The approval of at least 66 per cent of financial creditors that are unrelated to the corporate debtor would be required before a resolution plan is submitted to the NCLT. The NCLTs will be required to either accept or reject an application for a pre-pack insolvency proceeding before considering a petition for a CIRP.

One of the key criticisms of the CIRP has been the time it takes for resolution. At the end of March 2021, 79 per cent of the 1,723 ongoing insolvency resolution proceedings had crossed the 270-day threshold. A major reason for the delays is the prolonged litigation by erstwhile promoters and potential bidders. The pre-pack in contrast, is limited to a maximum of 120 days with only 90 days available to stakeholders to bring a resolution plan for approval before the NCLT.

Another key difference between pre-packs and CIRP is that the existing management retains control in the case of pre-packs; in the case of CIRP, a resolution professional takes control of the debtor as a representative of financial creditors. Experts note that this ensures minimal disruption of operations relative to a CIRP.

MSME NEWS UPDATE

According to sources aware of the developments, pre-packs are largely aimed at providing MSMEs with an opportunity to restructure their liabilities and start with a clean slate while still providing adequate protections so that the system is not misused by firms to avoid making payments to creditors. Currently, only corporate debtors themselves are permitted to initiate a PIRP after obtaining the approval of 66 per cent of their creditors.

The pre-pack mechanism does, however, allow for a 'Swiss challenge' to any resolution plan that provides less than full recovery of dues for operational creditors. Under the Swiss challenge mechanism, any third party would be permitted to submit a resolution plan for the distressed company, and the original applicant would have to either match the improved resolution plan or forego the investment. Experts say the timeline for the PIRP may be difficult to meet for lenders and distressed firms, and that forensic audits were particularly important in cases where the control of the firm remains with the same management.

"Ordinarily where haircuts are involved, forensic/transaction audits become imperative, and a negative report becomes a roadblock in resolution involving the same management," an expert said. The expert also said that if a firm restructures its outstanding debt through a PIRP with the existing management retaining control, the NPA status of the company's account with lenders may not be automatically upgraded under RBI guidelines. "In order to motivate resolution under the PIRP, the RBI guidelines on account status may be aligned with the objective of IBC and the lenders may be given the benefit of account upgradation upon resolution. There is a need for the IBBI and RBI to find middle ground on these regulations to make the PIRP more attractive," he said.

Experts also noted that the debtor-in-possession model may militate against the Swiss challenge option, as the existing management may create hurdles for an outside investor seeking information to potentially invest in the company. Under CIRP, a resolution professional is in charge of running the company and providing information to potential investors. Experts have noted that the pre-pack mechanism is effective in arriving at a quick resolution for distressed companies, and that the regime should be rolled out to all corporations over time as legal issues are settled through case law.

The Indian Express, July 29, 2021

22. MSMEs most in need of policy attention: Kumar

The MSME sector needs policy attention the most, and the government will continue to do whatever is required to promote the sector, NITI Aayog Vice-Chairman Rajiv Kumar said on Friday.

Speaking at a virtual event organised by the Institute for Studies in Industrial Development (ISID), Mr. Kumar said the government and the Reserve Bank of India (RBI) had announced several measures to help the micro, small and medium enterprises (MSME) sector.

"The MSME sector needs most policy attention of all stakeholders. A lot has been written about the MSME sector but some of the challenges of the sector remained unmet till recently," he said.

Mr. Kumar said MSME earnings had been hit by 50%, and one out of three such firms suffered revenue and profit decline during the pandemic. "We will continue to do whatever is required to promote the MSME sector."

The Hindu, July 30, 2021

MSME NEWS UPDATE

23. Service sector MSMEs need special focus: Rajiv Kumar

Small businesses in contact-intensive services sectors such as hospitality have suffered much more because of the coronavirus pandemic than large corporations and hence deserve special attention, NITI Aayog vice chairman Rajiv Kumar said. The manufacturing sector was important, but micro, small, and medium enterprises (MSMEs) in the services sector also have their challenges and deserve special attention, Kumar said at a virtual conference on sustainable growth of MSMEs organized by Institute for Studies in Industrial Development, a think tank, and the UN Industrial Development Organization.

Kumar referred to the government's recent decision of including wholesale and retail traders in the MSME category as a step taken in this regard. "Yes manufacturing is important. However, there is a large number of MSMEs in the services sector too. The recent government decision of including wholesale and retail trade as part of MSMEs is a signal that they also need modernization and that they also face challenges as in the manufacturing sector," he said. The impact of the pandemic has been hard on this sector. Kumar said.

One of Kumar's worries was its disproportionately higher impact on smaller businesses. "It has led to some sort of inequitable growth," he said. Large corporate houses have declared better results, while many small firms in the contact-intensive services industry suffered, he said. MSME earnings have declined by up to 50% in large segments of the sector, Kumar said. "A very large number of businesses have unfortunately not been able to keep pace with the changes and have folded up especially in the areas called close-contact service areas.... I think they merit our attention much more," said Kumar.

Mint, July 30, 2021

24. Factoring law to draw 9,000 NBFCs, boost MSME cash flow, says FM Nirmala Sitharaman

The amendments to the factoring law, which were approved by the Rajya Sabha, would enable as many as 9,000 non-banking financial companies (NBFCs) to participate in the factoring market, instead of just 7 now, boosting cash flow to small businesses, finance minister Nirmala Sitharaman said. Factoring is essentially a transaction where an entity (like MSME) sells its receivables (dues from a customer) to a third party (a 'factor' like a bank or NBFC) for immediate funds. It often helps a firm satiate its working capital requirement. Many MSMEs, whose payments against supplies are stuck, participate in the factoring business with receivables.

However, thanks to certain restrictive provisions in the extant law, amendments were brought in to widen the participation of entities, especially NBFCs, in the factoring business, thus expanding the avenues of working capital credit to even small businesses. The Bill also empowers the central bank to come out with norms for better oversight of the \$6-billion factoring market. The Lok Sabha already cleared the Factoring Regulation (Amendment) Bill, 2020. Speaking on the Bill in the Rajya Sabha, Sitharaman said, "You can imagine the number of MSMEs that will directly benefit because of this."

Even as the economy is reviving, for MSMEs to have greater access to liquidity and working capital and have the opportunity to sell their receivables to a third party in exchange for cash will make a great difference to them, the minister said. The new Bill will basically allow all NBFCs, instead of a select few, to engage in factoring business.

Despite growth in recent years, the factoring market accounts for only 0.2% of India's GDP, way behind comparable developing economies such as Brazil (4.1%) and China (3.2%), according to a report of

MSME NEWS UPDATE

the parliamentary standing committee on finance, which endorsed the Bill. The factoring market worldwide is projected to reach \$ 9.2 trillion by 2025. The House panel, in its report submitted in February, stressed the need for the RBI to build sufficient regulatory resources to ensure effective supervision of factoring activities now that a large number of players may take part in such businesses with the implementation of the new norms.

Financial Express, July 30, 2021

25. Power subsidy scheme for Haryana industry notified

The Haryana Government has notified the 'power tariff subsidy' scheme under the Haryana Enterprises and Employment Policy 2020 with the view to ensure affordable power supply to enterprises located in the state. An official spokesperson said the scheme would be applicable with effect from January 1, 2021. He added that all existing and new enterprises situated in C and D category blocks of the state, having connected load of 40 kW in D category blocks and 30 kW in C category blocks or less, would get the benefit of the scheme.

The enterprise will be eligible for this benefit till it remains in production. The spokesperson said enterprises would not be required to apply for availing the benefit. The Uttar Haryana Bijli Vitran Nigam and Dakshin Haryana Bijli Vitran Nigam (UHBVN/ DHBVN) will provide this benefit by deducting the subsidy amount in the electricity bills. The amount of power tariff subsidy granted by UHBVN/DHBVN will be reimbursed by the MSME Department from its allocated budget.

The Tribune, July 30, 2021

26. Banks disburse over Rs 2 lakh crore under ECLGS till mid-July

Nearly 17 months after the launch of the Emergency Credit Line Guarantee Scheme (ECLGS), banks have sanctioned Rs 2.76 lakh crore, with disbursements adding up to Rs 2.14 lakh crore till mid-July. Similarly, the PM SVANidhi scheme, providing loans of up to Rs 10,000 to street vendors, has seen flows of a little over Rs 2,500 crore to 25 lakh vendors, although the internal target was more ambitious, with banks nudged to give loans. Although the government has announced an increase in the ECLGS limit from Rs 3 lakh crore to Rs 4.5 lakh crore, officials do not expect a major surge, amid demands that eligibility norms be eased to enable more small businesses to use the window. When the scheme was announced last year, it was meant for micro, small and medium enterprises (MSMEs), but the scope was enlarged later as the demand was not sufficient.

Up to July 2, a little less than 1.1 crore MSME borrowers have been provided guarantee-based support amounting to Rs 1.65 lakh crore, which translates into an average ticket size of Rs 1.5 lakh. Under the originally announced scheme, MSMEs that had loans of up to Rs 50 crore at the end of February 2020 were eligible even with past dues of up to 60 days. MSME industry groups say that the conditions are such that it is difficult for businesses to get a loan. "The requirements were such that only a certain set of entities with existing loans were eligible. Now banks are reluctant to lend. The government should have dropped the condition of prior credit because we are seeing cash flows being disrupted for a lot of MSME units," said an expert. Recently, the parliamentary standing committee on industry noted that there is a huge gap between sanctions and disbursements as banks feared defaults in the wake of the second wave.

The Times of India, July 31, 2021

MSME NEWS UPDATE

27.Capital support, credit for micro units in rural Haryana: Dushyant

Haryana government has decided to provide capital support and affordable credit to new micro enterprises in rural areas of 'B', 'C' and 'D' category blocks to spur rural industrial growth in the state, deputy chief minister Dushyant Chautala said. He said new micro enterprises established under the Haryana Rural Industrial Development Scheme will also get other incentives specified for MSME sector under Haryana Enterprise and Employment Policy, 2020.

Approval letter for providing benefits under the scheme will be issued within 45 days, acceptance letter within seven days and benefit disbursement within seven days. He said that under the Haryana Rural Industrial Development Scheme, 15 per cent subsidy will be provided on investment made on machinery and building up to maximum of ₹20 lakh for general category entrepreneurs, while 15 per cent subsidy will be provided on the investment up to maximum of ₹25 lakh for women and SC entrepreneurs.

He said a subsidy of up to 50 per cent will be given on the cost of diesel generator set, the maximum limit of which has been fixed at ₹8,000 per KVA. In addition, interest subsidy of 7 per cent or maximum of ₹8 lakh per annum will be given on the term loan for 7 years. The deputy CM said in order to provide incentives, the scheme will be considered effective from January 1, 2021, and will be operational for a period of five years.

Hindustan Times, July 31, 2021



**For CMSME Membership,
MSME Toolkit and
Advertisement Opportunities
in Newsletter**

**CONTACT US
CMSME@FICCI.COM**

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

**www.ficci-cmsme.in
www.ficcicmsmeconnect.in**

