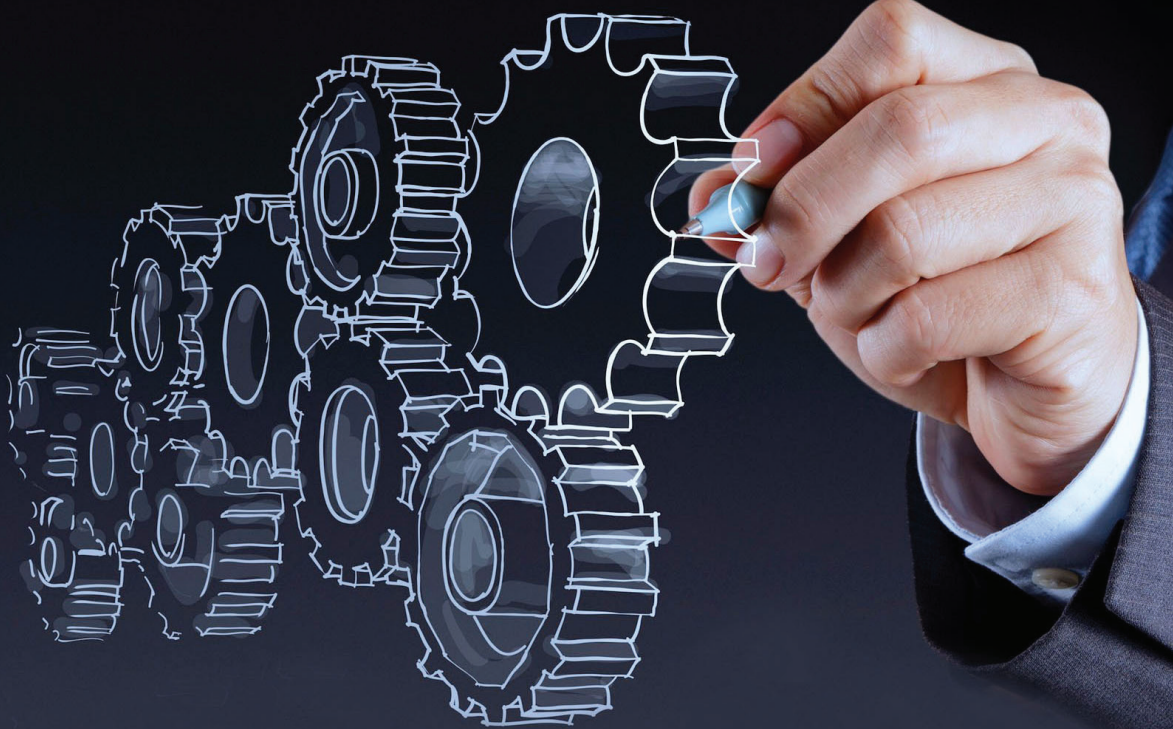


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## MSME REVIVAL PLAN - SOME POLICY INITIATIVES

Covid 2nd wave has caught everybody on the Wrong Foot and the MSME Units are no exception as they were completely unprepared given the fact that since July 20 onwards economic activity had started and the policy initiatives of the Government had helped the economic revival. However, this 2nd wave has affected MSME Sector on three accounts:

- The spread of the Virus to the Rural Areas is cause of concern from where many MSME units operate.
- This time around the MSME sector has not only been affected economically but also workers / entrepreneurs attached to the MSME Sector have also been affected leading to shortage of manpower to operate the units once the wave abates.
- Further the MSME Sector which is primarily driven by individuals has resulted in a scenario where the entrepreneurs / workers have had to dip into their savings to take care of medical exigencies which have arisen on account of COVID 2nd Wave.

The 2nd wave which started in Mid March is now showing some signs of abating, The Government has yet to announce policy

initiatives for but the MSME Sector and the following suggestions are made for revival of this vital clog in the Economy.

### Liquidity Injection Initiatives

- Announce Emergency Credit Line Guarantee Scheme (ECLGS) of a minimum of Rs. 5 Lakh Crores as the 1st Scheme last year has achieved its objective of reviving the economy from September 20 till March 21 as reflected from GST figures and E - Way Bill generations and disbursements made under the Scheme. It is also suggested that in this new scheme the GOI should allow additional borrowing of up to 25% of the Sanctioned Limits (both Fund and Non - Fund Based Limits) and the Banks discretion to lend to MSME units should be restricted to just 10% and the balance 15% should be automatic approval given to them. A cap for automatic approval route may be set for those units which have a borrowing of up to Rs. 10 Crores.
- The EMI Moratorium Scheme should be once again re introduced for a period of at least 3 to 4 months if not more to allow MSME units breathing Space.

- The MSME Units which had borrowed monies in the last ECLGS scheme the instalment payments is likely to arise from June 2021 based on the expiry of the 1 year moratorium period. This moratorium period may be unilaterally extended by 3 months.
- Lenient view to be taken by Banks during Credit Appraisal of MSME Loans given the fact the Financial Statements will reflect Revenue of 6 to 9 months operation but will have 12 months Expenses.
- Further, the Drawing Power on Book Debts for genuine borrowers having a SMA rating below 1 should be allowed upto 150 days.
- Further, there has to be an extension of the Statutory Payment dues as under:

Towards TDS / TCS – Minimum one month extension of time for all remittance falling due from June 2021 till Sep 2021 at a nominal rate of interest of 7.5%. No Late Fee to be levied for delayed returns filing till Q2 of 2021-22

Towards GST – Minimum one month extension of time for all remittance falling due from June 2021 till Sep 2021 at a nominal rate of interest of 7.5%. No Late Fee to be levied for delayed returns filing till October 2021.

Availment of Input Tax Credit till September 2021 is based on Self Declaration and readjusted cumulatively with the returns of October 2021.

Blocking of E - Way Bills should be kept in abeyance till November 2021.

Towards ESI and PF – One month extension for payment till September 2021 without any interest and a specific clarification from the Government that this delayed payment will not affect the deduction of the expenditure under the Income Tax Act.

### Other Policy Initiatives

- Government should go slow on punitive actions for recovery of taxes and other dues in genuine cases and allow a minimum time period of 6 months before initiating recovery measures.
- The Government should obtain a list of MSME units who have undisputed debts exceeding Rs 50.00 Lacs from the Private Sector which are overdue for more than 90 days and give them access to the TREDIS platform for discounting the debts without recourse to them.
- Pre Qualification Norms for domestic procurement of order values of up to Rs. 10 Crores should be made on the basis of the ability to perform and also on the price rather than to impose stringent conditions for qualification. Bank Guarantee / EMD and Security Deposit requirements should be completely waived for such procurement.

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