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What MSME sector requires post second wave of Covid-19?

As the Monetary Policy meeting will initiate on June 2 and the result of its deliberations will be announced on June 4, there are expectations of policy announcements for MSMEs either from the central bank or the government. The expert speaks on behalf of the MSME sector, the policy initiatives taken and recommendations for some more.

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The second wave of Covid-19 caught

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following suggestions are made for the revival of this vital clog in the economy.

everybody on the wrong foot and the MSME Units are no exception. **MSME sector** was completely unprepared, given the fact that since July 20 last year onwards economic activity had started and the policy initiatives of the government were supporting the economic revival. However, the second wave has affected MSME sector on three accounts:

Spread of the virus to the rural areas: It is a cause of concern from where many MSME units operate.

The MSME sector has not only been affected economically but on account of workers leading to a 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 have had to dip into their personal savings** to take care of medical exigencies.

The second wave which started in mid-March is now showing some signs of abating, and the government has yet to announce policy initiatives for the MSME Sector and the following suggestions are made for the 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 reintroduced for a period of at least three to four months, if not more, to allow MSME units some breathing space.

For the MSME units borrowed monies in the last **ECLGS scheme** the instalment payments are likely to arise from June 2021 based on the expiry of the one-year moratorium period. This moratorium period may be unilaterally extended by three months.

Lenient view to be taken by banks during Credit Appraisal of MSME Loans given the fact the Financial Statements will reflect revenue of six to nine months operation but will have 12 months expenses.

Further, the Drawing Power on Book Debts for genuine borrowers having an SMA rating below one should be allowed up to 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 September 2021 at a nominal rate of interest of 7.5%. No late fee to be levied for delayed returns filing till Q2 of FY 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 that have undisputed debts exceeding Rs 50 lakh from the Private Sector which are overdue for more than 90 days and give them access to the [TREDS](#) 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 impose stringent conditions for

qualification. Bank Guarantee/EMD and Security Deposit requirements should be completely waived for such procurement.

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