

Relief measures by FM to improve flow of credit to MSMEs welcomed

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The senior director also suggested that the government should help MSMEs resume operation in green and orange zones by facilitating the return of migrant labourers. Image Credit: Pixabay

MVIRDC World Trade Center Mumbai welcomes the generous relief measures announced by Hon'ble Finance Minister today to improve the flow of credit to micro, small and medium enterprises (MSMEs). Currently, bank credit to MSME sector stands around Rs. 15 lakh crore. The government's move to provide full credit guarantee for additional bank loans worth Rs. 3 lakh crore to MSMEs is pathbreaking as it represents 20% of the total bank credit to the MSME sector. This means, if MSMEs fully utilize this additional credit facility, it will boost bank credit to this sector by 20%.

Speaking on the relief measure, Ms Rupa Naik, Senior Director, MVIRDC World Trade Center Mumbai said, "Government guarantee will infuse confidence among bankers to lend to the MSME sector and thereby ensure the transmission of RBI's liquidity infusion to the industry. The government's liquidity support to NBFCs and microfinance institutions will also help credit flow to MSMEs. NBFCs account for 17% of total institutional credit to Medium enterprises and 9% to the overall MSME sector."

As an additional relief measure, Ms Naik suggested that the government should bear the wage cost of MSMEs and support the resumption of operation by facilitating the return of migrant labourers. Pointing to the plight of exporters, Ms Naik said, "Many MSME exporters have lost overseas orders, while goods of some exporters are stuck in foreign ports, in some cases, exporters have not received payment for goods delivered to foreign buyers. These enterprises need government support to pay wages to their workers and prevent them from migrating to their hometown."

She remarked, "MSMEs employ more than 11 crore labourers in the country. On account of lockdown and loss of business since March 25, these firms are finding it difficult to pay wages to their employees. The government could have borne the wage cost of MSMEs at least partially. This will not only support MSMEs but also promote consumption by infusing liquidity in the hands of workers."

The senior director also suggested that the government should help MSMEs resume operation in green and orange zones by facilitating the return of migrant labourers. According to an industry estimate, MSMEs in orange and green zones are operating with 20-25% of retained labourers as most of the migrant labourers have returned to their home town. The government has taken admirable measure to promote credit to MSMEs. However, unless MSMEs are allowed to resume operations by facilitating the availability of labourers and raw materials, they cannot avail of bank loans.

"One way to address the labour shortage is to launch a district-wise labour databank. The state governments, in coordination with district administration, can launch an online databank mapping labour availability in various districts. MSMEs that are facing labour shortage can access this databank and hire temporary labourers from labour surplus districts till such time migrant labourers return from hometown."

Ms Naik welcomed the move to define MSMEs based on turnover criteria. However, the disappointing aspect is that the government could have increased the turnover threshold for medium enterprises to Rs. 250 crore, as was proposed by the Ministry of MSME earlier, instead of Rs. 100 crore.

She said, "The government could have defined enterprises upto Rs. 250 crore as MSMEs so that maximum number of firms could take advantage of MSME schemes. We hope the government will consider this suggestion in future. For now, the government should implement the new definition immediately by passing an ordinance to amend the MSME Act 2006 to this effect."

Ms Naik raised hope that the government will provide support to migrant workers and announce reforms in land, labour and legal systems in the forthcoming phases of stimulus measures.

Some of the progressive reforms the Indian economy needs are the adoption of Model Land Leasing Act by all state governments, reforms in Special Economic Zones, rationalization of GST regime and speedy implementation of the proposed four Labour Codes without diluting its original provisions.



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Government should facilitate MSMEs to restart operations to avail bank credit

TOPICS: MVIRDC World Trade Center Mumbai



POSTED BY: SACHIN MURDESHWAR MAY 14, 2020

- **Credit guarantee to Rs. 3 trillion loans is path breaking as it will boost bank credit to MSMEs by 20%**

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As an additional relief measure, Ms. Naik suggested that the government should bear the wage cost of MSMEs and support the resumption of operation by facilitating the return of migrant labourers. Pointing to the plight of exporters, Ms. Naik said, "Many MSME exporters have lost overseas orders, while goods of some exporters are stuck in foreign ports, in some cases, exporters have not received payment for goods delivered to foreign buyers. These enterprises need government support to pay wages to their workers and prevent them from migrating to their hometown."

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