



### **NSIC Director proposes radical suggestions to support MSMEs**

Micro small and medium enterprises (MSMEs) sector has always been the centre of any debate on reviving economic growth or strengthening local manufacturing. The voice for supporting the MSME sector has only strengthened with the outbreak of the COVID crisis.

In an article to the SME World magazine, Mr. P. Udayakumar, Director (Planning and Marketing), National Small Industries Corporation Ltd. (NSIC) shares some radical suggestions to support MSME sector.

Some of his suggestions are as follows:

**Creation of multiple credit guarantee trusts:** Currently, India has two credit guarantee trusts for promoting bank credit to MSMEs. Mr. Udayakumar suggests setting up multiple credit guarantee trusts with the corpus of Rs. 20000 Crore to Rs. 1 lakh crore with equity participation from multinational companies, foreign direct investors, public sector undertakings, pension funds, state governments etc. He also recommends using the government fund allocated for Rural Infrastructure Development Fund (RIDF) and other unutilized government funds.

According to him, multiple credit guarantee trusts should be set up across various sectors, or activity or across various states. Credit guarantee trusts can also be set up for different types of bank loans, such as working capital loans, long term loans, short term loans for paying wages, loans for paying taxes etc.

The loans extended by banks and NBFCs to MSMEs will be guaranteed by these trusts so that any default by the borrower will not lead to the risk of rising NPAs for these lenders.

In order to boost exports from MSMEs, he suggests the establishment of credit guarantee trust for export guarantee mechanisms. The trust should monitor the export performance of the MSMEs availing benefit under this mechanism. In case of any potential defaults or poor performance, the trust will reserve the right to takeover the asset of the MSMEs and auction the same to any buyer including to foreign entities depending upon FDI cap limits.

His other recommendations are aimed at improving ease of doing business and attracting foreign direct investment so that Indian MSMEs can become ancillary units to these investor companies.

Mr. Udayakumar suggests the setting up of a task force jointly by the MSME sector and Ministry of Commerce to attract FDIs and multilateral agencies for setting up anchor industries. State governments may provide further incentives to attract FDIs in their respective states.



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Another radical recommendation is the setting up of a Centralized National Land Bank Authority with the support of state governments. This authority will support the MSMEs and foreign cluster partners in allocating land on the spot through digital or online platform.

Mr Udayakumar suggests cluster mapping to connect Indian clusters and industrial estates to successful clusters in Europe, USA, South Korea and Japan. According to him, cluster mapping will attract major manufacturing industries to India on a mission mode.

Another suggestion is that every state should identify and develop anchor Industries based on the raw material availability, port facilities consumption pattern etc in their respective states. Once anchor industries are identified and developed, MSME ancillaries will grow around these anchor industries.

## Notifications

### Press Information Bureau, Government of India

Daily Bulletin on COVID 19

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1647359>

Promoting domestic manufacturing in pharma sector

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1647248>

### CBIC

Exchange rate notification

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-nt2020/csnt80-2020.pdf>