

Subordinate Debt for Stressed MSMEs scheme needs to be relooked

The government had introduced the Subordinate Debt for Stressed MSMEs scheme last year as part of its Atmanirbhar Bharat package. The scheme aims to provide personal loans to the promoters of stressed MSMEs for infusion as equity in their business.

The scheme is applicable for those MSMEs whose accounts have been standard as on March 31, 2018, and have been in regular operations, either as standard accounts, or as NPA accounts during FY19 and FY20. It is valid for MSME units which are stressed, viz. SMA-2 and NPA accounts as on April 30, 2020 that are eligible for restructuring as per RBI guidelines on the books of the Lending institutions.

Promoters of these MSMEs can raise credit equal to 15 per cent of their stake in the company or Rs 75 lakh whichever is lower. However, the scheme has not found many takers, as the loans are being provided to individual promoters and not their business accounts, Considering that these MSME units are stressed, the promoters' stake may have dwindled, and therefore, the credit limit needs to be enhanced.

Further, at a time when business activity is disrupted, and future demand prospects are uncertain, MSME promoters are wary that the loan amount may get utilized towards meeting day-to-day expenses for running the business, rather than towards capital investment, and therefore, repaying the same may become a liability in future.

Hence, in order for the scheme to be a success, it needs to be supported with simultaneous handholding in payment of utility charges, rents and wages, in order to keep the business up and running, Moratorium on the payment of principal and repayment period of working capital loans, as under the Emergency Credit Line Guarantee Scheme (ECLGS), also need to be enhanced.

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