

MSMEs
IN
SHORT & MEDIUM TERM

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INDIAN MSMEs

- India's Micro, Small & Medium Enterprises (MSMEs) sector has been one of the **primary drivers of its economy** contributing significantly to the country's **industrial production, exports, and employment**.
- Of 63 million MSMEs in the country (MSME Ministry report 2019-20, based upon National Sample Survey available data), and 99 % in numbers are micro enterprises.
- **As less than 10% of MSMEs have access to formal sector credit**, the ones deprived of access to formal sector credits are predominantly micro-enterprises.
- *Challenges of not getting access to formal credit could be attributed for the lack of credit information, Cash intensity in transactions, Inadequate financial disclosure practices, etc.*



MSMEs in SHORT TERM

COVID PANDEMIC MEASURES : MORATORIUM OF 6 MONTHS ON TERM LOANS

- *On May 12, 2020* **Govt** announced a **₹20-lakh crore monetary help bundle titled Atmanirbhar Bharat Abhiyan, to address the challenges of MSMEs & Industries in the light of unprecedented COVID-19 situation necessitating intermittent lockdowns & restrictions across the country, resulting into disruptions of normal business activities.**
- RBI announced an extension of the **moratorium on loan EMIs** by three months, i.e. **August 31, 2020** in a press conference dated May 22, 2020. The **earlier three-month moratorium** on the loan EMIs was ending on **May 31, 2020**. A **total of six months moratorium** on loan EMIs starting from **March 1, 2020 to August 31, 2020**
- *RBI issued guidelines for easing of working capital requirements through reduction in margins, extension of the cover period on receivables and also on interchangeability between fund-based working capital and non-fund based working capital.*
- *Government of India and RBI have been announcing various schemes/ measures to mitigate the economic impact of the pandemic.*

EMERGENCY CREDIT LINE GUARANTEE SCHEME (ECLGS):

- A key announcement has been the **liquidity support to MSME via Emergency Credit Line Guarantee Scheme (ECLGS)**. Government operationalized Rs. 3,00,000 crore collateral free loan scheme, with an intent to benefit 45 lakh MSMEs. Of which Rs 20,000 crore has been made available as subordinate debt for stressed MSMEs.
- **ECLGS 1.0** Under 1.0, an emergency credit line is offered to MSMEs and other businesses from banks and NBFCs up to **20 per cent of their entire credit outstanding** as of **February 29, 2020**. **MSMEs with up to Rs 25 crore outstanding** and Rs 100 crore turnover were eligible. However, the turnover cap was removed post amendment in November 2020.
- *Repayment of principal and interest in 36 months under ECLGS 1.0*
- **ECLGS 2.0** ECLGS was amended on November 26, 2020
- Amended version focused on entities in 26 stressed sectors identified by the Kamath Committee along with the healthcare sector with **credit outstanding of more than Rs 50 crore and up to Rs 500 crore as of February 29, 2020**. The scheme also mandated borrower accounts to be less than or equal to 30 days past due as of February 29, 2020, that is, they should not have been classified as SMA 1, SMA 2, or NPA by any of the lenders as of February 29, 2020

EMERGENCY CREDIT LINE GUARANTEE SCHEME (ECLGS):

- **ECLGS 3.0** In March 2021, government to cover enterprises in **hospitality, travel & tourism, leisure & sporting sectors** as well and had extended overall emergency credit scheme including the previous two versions by three months from March 31, 2021, **till June 30, 2021**, or until guarantees for the entire Rs 3 lakh crore amount are issued.
- Also, Finance Ministry extended its scope to cover stressed businesses that have **loan dues for up to 60 days (SMA-1 accounts)**, vis-a-vis 30 days earlier (SMA-0).
- Government also removed current limit of Rs 500 crore loan outstanding for eligibility under ECLGS 3.0 subject to **maximum additional ECLGS assistance to each borrower being limited to 40 per cent or Rs 200 crore**, whichever is lower. Ministry also extended the scope of ECLGS 3.0 to cover the Civil Aviation sector.
- **ECLGS 4.0** now be able to avail for a tenor of **five years** for their **ECLGS loan**, that is, repayment of interest only for the first 24 months with repayment of principal and interest in 36 months thereafter
- **100 per cent guarantee cover to loans up to Rs 2 crore to hospitals, nursing homes, clinics, medical colleges for setting up on-site oxygen generation plants** with the interest rate capped at **7.5 per cent**

EMERGENCY CREDIT LINE GUARANTEE SCHEME (ECLGS):

- *ECLGS has helped a lot to businesses.*
- Even if MSMEs were able to reduce their cost by 5 per cent then also it is a huge relief. The scheme has certainly helped in the viability of the unit as the entire financials of a business became stronger. Moreover, they have also been able to attract labour back.
- *Lot of this money was used for **repayment of an existing debt by MSMEs as the interest rate charged under ECLGS by banks was capped at 9.25 per cent** instead of the usual 14-15 per cent in a regular bank loan. So, MSME used ECLGS credit to repay their existing loans as they were not receiving their payments from buyers and were not able to pay their debts. But how much of that money went for growth capital and how much for servicing of old debt is not known.*
- *With now **100 per cent guarantee cover to loans up to Rs 2 crore** to hospitals, nursing homes, clinics, medical colleges for setting up on-site oxygen generation plants with the interest rate capped at **7.5 per cent**, is another cost-effective relief.*

ECLGS STATUS

ECLGS amount	ECLGS sanctioned	ECLGS disbursed	Of these benefits to MSMEs
3 lakh Cr	2.54 lakh Cr	2.40 lakh Cr	95% (+87 lakhs in numbers)

RS 20,000 CRORES SUBORDINATE DEBT FOR STRESSED MSMEs

- Two lakh MSMEs are likely to benefit
- ***Functioning MSMEs which are NPA or are stressed will be eligible***
- *Govt. will provide a support of Rs 4,000 Cr. to CGTMSE*
- ***CGTMSE will provide partial Credit Guarantee support to Banks***
- *Promoters of the MSME will be given debt by banks, which will then be infused by promoter as equity in the Unit.*

RS 50,000 CR. EQUITY INFUSION FOR MSMEs THROUGH FUND OF FUND

- The ***fund is meant to address the problem of shortage in growth capital for MSMEs, helping those companies in nascent and initial stages as there are no prospects for such units to raise funds through venture capitalists and professional corporations.***
- ***The FoF scheme proposes to buy up to 15 percent equity in MSMEs, with high credit rating.***
- Fund of Funds with Corpus of Rs 10,000 crores will be set up.
- ***Will provide equity funding for MSMEs with growth potential and viability.***
- *FoF will be operated through a Mother Fund and few daughter funds. Fund structure will help leverage Rs 50,000 cr of funds at daughter funds level*
- ***Will help to expand MSME size as well as capacity. Will encourage MSMEs to get listed on main board of Stock Exchanges.***



MSMEs in MEDIUM TERM

MSME NEW DEFINITION

Revised MSME Classification

Composite Criteria: Investment and Annual Turnover

Classification Micro Small Medium

Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 cr. And Turnover < Rs.5 cr.	Investment < Rs. 10 cr. and Turnover < Rs.50 cr.	Investment < Rs. 50 cr. and Turnover < Rs.250 cr.

Objective behind the move to shift from a definition based on investment in plant and machinery was to incentivise entities to modernise without worrying about losing their MSME status

GLOBAL TENDERS TO BE DISALLOWED UPTO RS 200 CRORES

- *Indian MSMEs* and other companies have often faced *unfair competition* from foreign companies.
- Therefore, *Global tenders will be disallowed in Government procurement tenders up to Rs 200 crores*
- *This will be a step towards Self-Reliant India and support Make in India*
- This will also help MSMEs to increase their business.

MSME SAMADHAAN INITIATIVE: DELAYED PAYMENT ISSUE

- Delay in payment beyond 45days, MSEs suppliers may approach the Micro and Small Enterprises Facilitation Council(MSEFC) constituted under the Act in all State/UTs.
- U/ S 16 of MSMED Act, delayed payment to supplier units, attracts compound interest with monthly interests at three times of the bank rate notified by the Reserve Bank.

Total Applications Filed (30.10.2017 to 12.01.2021)		DISPOSAL			
		MUTUAL SETTLEMENTS		CASES UNDER CONSIDERATION	
Number	Amount (Rs Cr)	Number	Amount (Rs Cr)	Number	Amount (Rs Cr)
65142	18466	5798	885	15943	9032

TREDS INITIATIVE

- *Companies with turnover of more than Rs. 500 crore to be brought on the Trade Receivables e-Discounting System (TReDS) to enable entrepreneurs to access credit based on upcoming receivables.*
- All CPSUs (of which 170 onboarded) to be onboarded on TReDS platform.

+ Rs 500 Cr Turnover companies identified	Companies registered on TReDS
4599	1461

MSME-SAMBANDH INITIATIVE: PROCUREMENT

CPSEs procurement		Share of All MSEs, SC/ST-owned MSEs, Women owned MSEs						
No.	Amt Cr	All MSEs share			SC/ST-owned MSEs		Women owned MSEs	
		No.	Amt cr	%age	No.	Amt Cr	No.	Amt Cr
III	57016							
		89911	18963	33	3621	349	2374	358

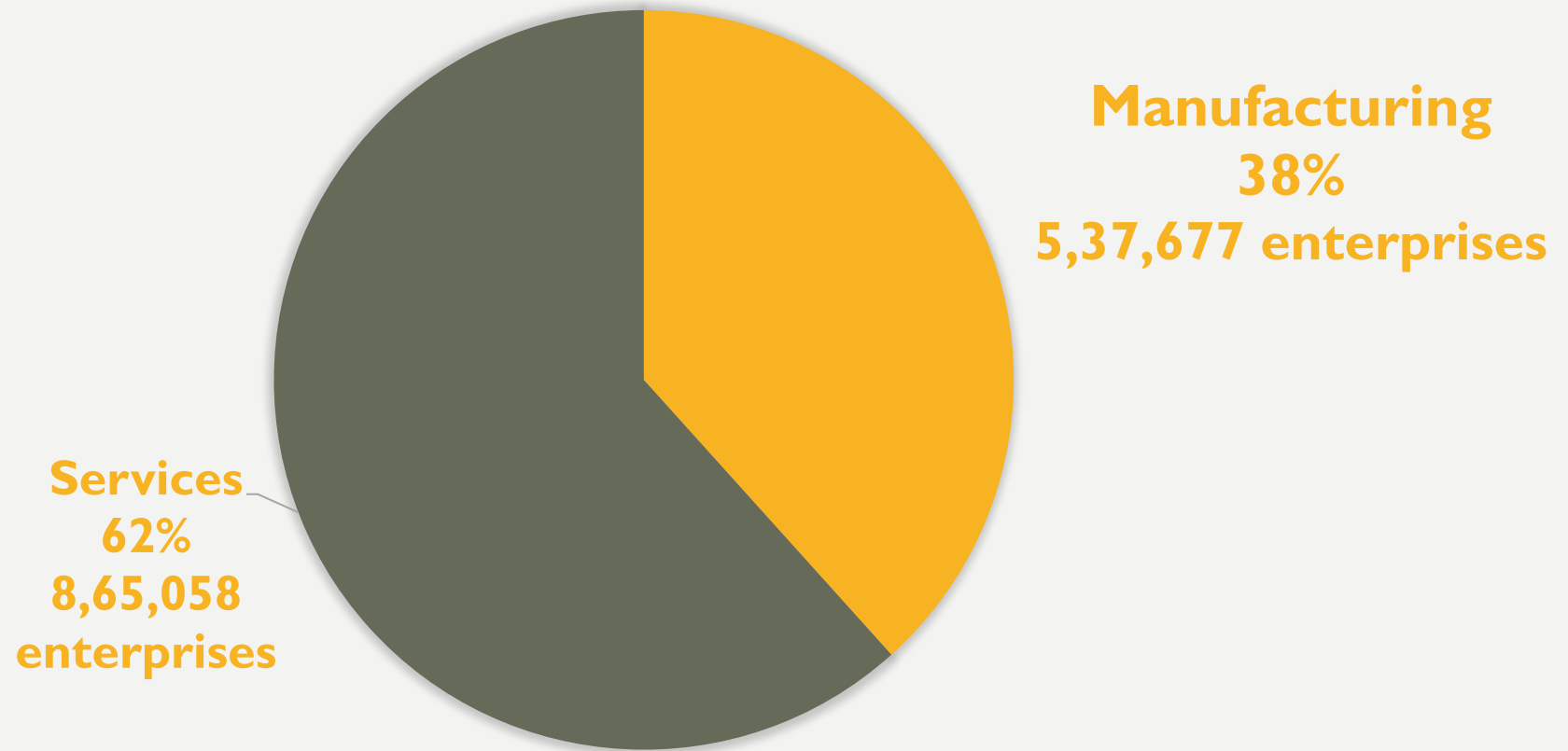
59 MINUTE LOAN PORTAL

- Launch of 59-MINUTE LOAN PORTAL to enable easy access to credit for MSMEs. In-principle approval of loans up to Rs. 1 crore through the portal. Portal link through GT.

Sanctioned		Disbursed	
Number	Amount Rs Cr	Number	Amount Rs Cr
2,20,518	70418	2,06,433	58,044

UDYOG AADHAAR MEMORANDUM: 'UDYAM' REGISTRATION

SHARE OF UDAYAM REGISTRATIONS- MANUFACTURING AND SERVICES AS
ON 31 DEC, 2020



DIGITAL TRANSFORMATION IN MSMES

- *Critical to **build upon the digital literacy in MSMEs** for optimal use of technology-enabled platforms such as **Cloud Computing for ICT**(Information and Communication Technology) adoption, **Big data, Machine Learning, Data Mining & the Internet of Things (IoT)** could improve **quality of products and services, standardization of their business processes, ERP, etc***
- **Digital transformation could enable MSMEs to fulfill the following needs:**
 - Access to knowledge and international best practices**
 - Operational excellence across wider geographies** through **real-time insights** and **achieving resource conservation, energy efficiency & low carbon growth**
 - **Financial prudence, decision-making** and **risk mitigation**
 - Targeted marketing reach** and sales
 - Efficient provisioning of products & services**



THANK YOU