

**EMERGING ISSUES AND  
CHALLENGES IN COMMERCE AND  
MANAGEMENT**

**An Edited Volume Book – September 2020**

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**Navigation of MSMEs Post COVID-19: Strategic Measures through  
ATMANIRBHAR BHARAT**

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**Abstract**

The Micro, Small, and Medium Enterprises (MSMEs) sector is the lifeblood of industrial sector contributing significantly to the GDP and export while employing around 40 per cent of the Indian workforce. But now it is the most severely affected sectors among many by the Covid - 19 pandemic. The MSME's face disruptions in the thrust areas such as Cash flow management, Wage bills and Payments, Inventory management and others. The MSME's are experiencing inadequacy of capital and requires assistance from financial institutions to increase their financial strength to survive and perform. The Government and RBI have taken stringent efforts to keep the MSME segment afloat with financial aids and relaxations. The aim of this article is to portray the rejuvenation strategies taken by the government through Atmanirbhar Bharat to address the challenges of MSME's post COVID scenario.

**Introduction**

The Micro, Small, and Medium Enterprises (MSMEs) sector is the lifeblood of industrial sector contributing significantly to the GDP and export while employing around 40 per cent of the Indian workforce. But now it is the most severely affected sectors among many by the Covid 19 pandemic. The MSME's face disruptions in the thrust areas such as Cash flow management, Wage bills and Payments, Inventory management and others. The MSME's are experiencing inadequacy of capital and requires assistance from financial institutions to increase their financial strength to survive and perform. The

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Government and RBI have taken stringent efforts to keep the MSME segment afloat with financial aids and relaxations. The aim of this article is to portray the rejuvenation strategies taken by the government through Atmanirbhar Bharat to address the challenges of MSME's post COVID scenario.

### **Objectives**

The main objectives of the study are:

1. To study the effect of Covid-19 pandemic on MSMEs.
2. To deliberate the measures taken through Atmanirbhar Bharat.
3. To depict the challenges of MSMEs post Covid-19.

The latest Annual Report of Department of MSMEs says that there are 6.34 crore MSMEs in the country. About 51 per cent of MSMEs are situated in rural India. In total, they employ around 11 crore people. Out of which 55 per cent of the employment is done by the urban MSMEs.

According to the above statistics, on an average, less than two people are employed per MSME. But a breakup of all MSMEs into micro, small and medium categories is even more revealing.

As per the report, 99.5 per cent of all MSMEs fall in the micro category. Micro enterprises are equally distributed over rural and urban India, while small and medium ones are predominantly in urban India.

The medium and small enterprises employ the remaining 5 crore-odd employees. In terms of geographical distribution, seven Indian states alone account for 50 per cent of all MSMEs. These are Uttar Pradesh (14%), West Bengal (14%), Tamil Nadu (8%), Maharashtra (8%), Karnataka (6%), Bihar (5%) and Andhra Pradesh (5%).

### **Current Situation of MSMEs**

Most of the MSMEs are not registered formerly. They do not form part of the formal financial system of our Country. Most micro enterprises do not qualify according to the threshold of GST. This exclusion has some advantages

and also brings a lot of disadvantages to them. The cushion of being out of the formal network is they do not maintain accounts, pay taxes or adhere to regulatory norms etc. This reduces their costs of execution. But on the other hand, it becomes difficult to get the government aid at the time of crisis or pandemic as we are facing now. For instance, in some of the developed countries, the government has tried to directly provide wage subsidy and extra credit to smaller firms but that could happen because even smaller firms were being mapped.

In this context, the major hurdle faced by MSMEs is lack of financing. According to the report by the International Finance Corporation (part of the World Bank), the formal banking system supplies less than one-third (or about Rs 11 lakh crore) of the credit MSME credit need.

Mostly MSMEs depend on informal finances. That's why RBI and the Government's efforts to push more liquidity towards MSMEs is not successful. It has not reached the needy MSMEs. MSMEs also suffer of bad loans. As said above Government has introduced Atmanirbhar Bharat Scheme to revive the MSMEs from the effect of Covid 19. Though the scheme aims at providing financial assistance and relaxation, it will be a great task for the Government to execute and match the needs of the unmapped MSMEs.

According to the latest report by Nomura Research Institute (NRI) Consulting & Solutions, India MSMEs can play a vital role in achieving this vision, however, a lot more needs to be done for MSMEs to become a growth accelerator for India. Three critical aspects for the success of MSMEs are Availability of Skilled Labour in MSME clusters, Financial Stability, and Market Competitiveness of their products to both achieve import substitution as well as exports.

### **Challenges&Measures by “ATMANIRBHAR BHARAT”**

#### **Highlights of Scheme with Reference to MSMEs**

#### **Measures for Businesses including MSMEs**

- New definition of MSMEs
- Rs 3 lakh crore Collateral Free Automatic Loans for Businesses, including MSME
- Rs 20,000 crores was Subordinate Debt for Functioning of MSMEs which are Non-Performing Assets, or which are stressed Assets
- Rs 50,000 crore was allowed as Equity Infusion through Fund of Funds.
- International tenders will be disallowed in Government purchase tenders up to a maximum of Rs 200 crores.
- Other interventions for MSMEs
- Rs 2500 crores EPF support for Businesses and Workers for 3 months.
- EPF contribution reduced for Business & Workers for 3 months- Rs 6750 crore
- Rs 30,000 crores Liquidity facility for NBFC/HCs/MFIs
- Rs 45,000 crore Partial Credit Guarantee Scheme 2.0 for NBFC
- Rs 90,000 crore Liquidity Infusion for DISCOMs
- Relief to Contractors
- Extension of Registration and Completion Date of Real Estate Projects under RERA
- Rs 50,000 crore liquidity through TDS/TCS reductions.
- Other types of Direct tax measures.

### **New Definition of MSMEs**

- Low brink in MSME definition have formed a fear among MSMEs of advancing out of the aids and hence killing the impulse to expand.
- There has been a long-pending demand for revisions.

### **Existing and Revised Definition of MSMEs**

Revised MSME Classification			
Composite Criteria: Investment and Annual Turnover			
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. 20 cr. and Turnover < Rs.100 cr.
Existing MSME Classification			
Criteria: Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment < Rs. 25 lacs	Investment < Rs. 5 cr.	Investment < Rs. 10 cr.
Services Enterprise	Investment < Rs. 10 lacs	Investment < Rs. 2 cr.	Investment < Rs. 5 cr.

### Rs 3 lakh crores Collateral-free Automatic loans for Businesses which includes MSMEs

- Businesses/MSMEs have been badly affected due to **COVID -19**. So MSMEs require supplementary backing to meet working liabilities built up, get raw material and thus pick up business
- **Decision: Emergency Credit Line to Businesses/MSMEs from Banks and NBFCs up to 20% of entire outstanding credit as on 20.02.2020**
  - Borrowers with up to Rs.25 crores outstanding and Rs. 100 crores turnover qualified
  - Loans to have 4-year **drift with moratorium of 12 months** on Principal repayment.
  - **Interest** to be **covered**
  - **100% credit guarantee cover** Banks and NBFCs **on principal and interest**



- Scheme can be used **till 31 October of 2020.**
- **No guarantee fee, no fresh collateral**
- 45 lakh units can restart business bustle and protect jobs.

### Rs.20,000 crores Subordinate Debt for Stressed MSMEs

- Stressed MSMEs want equity funding.
- Government of India will enable provision of Rs.20,000 **crores** as subordinate debt
- **2,00,000 MSMEs** are likely to gain advantage because of the scheme
- Working MSMEs which are **Non-Performing Assets or those are stressed** will meet the criteria
- Government of India will deliver a backing of **Rs. 4,000 Crores** to CGTMSE
- CGTMSE will **bid Partial Credit Guarantee support to Banks**
- Advocates of the MSME will be given debt by Banks, which will then be pervaded by promoter as equity in the Unit.

### Equity infusion for MSMEs through Fund of Funds – Rs. 50000 Cr

- Severe shortage of Equity is faced by MSMEs
- **Corpus of Rs 10,000 crores of Funds of Funds** will be set up.
- Will provide equity funding **with growth potential and viability for MSMEs**
- Fund of Funds will be operated through a **Mother Fund** and few **daughter funds to MSMEs**
- **This will help to leverage Rs 50,000 cr of funds at daughter funds level**
- The capacity and size will be improvised.
- **MSMEs will be encouraged and guided to get listed** on main board of Stock Exchanges.

**Global tenders up to Rs 200 crores are disallowed**

- After the LPG Policy in 1991, Indian MSMEs often face unfair competition from foreign companies.
- **To avoid this Competition Global tenders will be disallowed in Government procurement tenders up to Rs 200 crores**
- **Necessary amendments of General Financial Rules** will be approved and passed.
- This will be a step towards **Make in India with the help of Self-Reliant India Scheme.**
- This will also help MSMEs to increase their turnover.

**Other Measures for MSMEs**

- MSMEs currently face problems of liquidity and marketability due to COVID.
- Trade fairs and exhibitions will be replaced with **e-market linkage** for MSME
- **Transaction-based lending using the data generated by the e-marketplace will be enhanced using digital payments and fintech companies.**
- Government has been continuously monitoring settlement of dues to MSME vendors from Government and Central Public Sector Undertakings.
- **MSME receivables from Government and CPSEs to be released in 45 days.**



**Source: businessillustrator.com**

### **Challenges Faced by MSMEs Post Covid-19**

The Indian Government has been infusing liquidity into the MSME sector through various schemes including the latest economic stimulus package. However, the challenges faced by this sector is apparent and also alarming.

- ❖ **Liquidity Issues:** According to a survey, only 7% of the manufacturing MSME industries were able to survive for three months. Even though various schemes were announced by the Government it would take a long time for the funds to reach the fund-starved MSMEs.
- ❖ **Shortage in Demand:** Even though the lockdown has been eased, the consumers are not ready to come out and shop for the fear of the deadly disease. It will take months for the MSMEs to create new demand for its products and services.
- ❖ **Shortage of Raw Material:** Most of Indian MSMEs were dependent on China for their Raw Material. With low availability, the cost of Raw Material has gone up thus resulting in increased production cost.

- ❖ Lack of Man-Power: As huge number of Labourers have migrated to their home, due to Covid-19 fear and lockdown, a scarcity of man power has been created in the MSME sector leading to stoppage of production.
- ❖ Utilising the Government schemes: The MSMEs should research and study the schemes announced by the Government and avail the schemes which might benefit them.
- ❖ Go for Technology: The MSMEs should upgrade their business activities through various Government Schemes.
- ❖ Cost-Effective Marketing: MSME sector faces challenges with marketing and advertising. With the new paradigm shift the advertisement costs are expected to come down which provides an opportunity to the MSMEs.

With a huge commitment from the Government, and the call of the Prime Minister for a Self-Reliant India through Athmanirbhar Bharath, has provided innumerable opportunities to the MSMEs.

### **Conclusion**

In this pandemic era the mere survival of the MSME sector is at stake, ANBA announcement intends to address the needs of the MSME sector and sets a path for profitability and long-term sustainability of MSMEs. MSME sector is the growth engine of the nation. Strengthening it would have fruitful results such as boosting economy and employment. It will also serve as a platform to mitigate issues of migrating skilled, unskilled workers and professionals to metro cities. The internal demand potential that India has, along with a demographic advantage of Gen Y and Gen Z population provides mass-scale employment opportunities. MSMEs will be on wheels to achieve economies of scale in the nearest future. MSMEs would be benefited tremendously and would be progressive in contributing to the GDP and economy in upward trend. But efforts should to taken in proper implementation and monitoring of the policy.

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