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NEWSLETTER

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MSME News Update

1. ***Govt. aims to generate addl 5 cr. Jobs in MSMEs: Gadkari***

   Micro, small and medium enterprises (MSMEs) have created 11 crore jobs and the target is to generate an additional 5 crore employment opportunities by 2024, Union Minister Nitin Gadkari said in the Rajya Sabha.

   "MSME is the heart of the subject which is related with the growth of the country. Presently 29 per cent growth is coming from MSME and 49 per cent of the export of the country is coming from MSME. 11 crore jobs up till now have been created by MSME," MSME minister Gadkari said.

   "For this five year (2019-2024), we have taken programmes, where our target is to" add 5 crore employment potential, he added. The target is also increase the share of MSMEs in the country's export and growth to 50 per cent, Gadkari said.

   He said the ministry has established technology centres which provide services to the Indian industry by way of precision tooling, training and consultancy.

   Gadkari said a Rs 200 crore scheme has been sanctioned for setting up of 12 technology centres, which is expected to be completed in the next two years.

   (Economic Times, December 2nd, 2019)

2. ***Changing lifestyles will rally paper consumption 35% by 2025: Mills***

   The paper industry has pinned hopes on emerging lifestyles and environment-friendly packaging to whip up the consumption of different types of paper by at least 35% by 2025. The immediate challenge for the industry, according to the stakeholders in paper industry, would be to absorb the latest cost-effective technologies, to meet this surge in demand.

   “We expect an enormous leap in growth from present consumption of 18.5 million tonne to 25 million tonne by 2025, due to the emerging consumer trends which favour paper over non biodegradable options,” PG Mukundan, secretary general, Indian Agro & Recycled Paper Mills Association (IARPMA), told.

   “With the rapid growth of e-commerce, online purchases have become common, triggering the consumption of paper packaging material. Secondly, hygiene concerns have been bringing paper tissues and napkins to the fore, often replacing cotton kitchen towels, handkerchiefs etc. This would fuel paper industry growth,” he said.

   The irony, however, is that the paper consumption growth is higher in Asia and some of the Latin American countries, while in Europe, the growth has shifted to a plateau. “Growth in paper industry is moving from developed world to the developing world,” Harshpati Singhania, former President of FICCI and Managing Director, JK Paper noted at the conference. From last year, India has been maintaining its lead as the world’s fastest growing paper market.

   “Government has been urging the consumers to reduce single-use plastics. Paper industry needs to develop innovative solutions to meet the rising demand,” Singhania added.

   Through a video message, Nitin Gadkari, Union minister of road transport & highways and micro, small and medium enterprises (MSME), told the stakeholders that the allocation for bamboo would help paper mills. “Government of India has sanctioned Rs 1,300 crore towards Bamboo Mission. With bamboo we can make different types of paper. If we increase the use of bamboo, it can be a win-win for the paper industry and the farmers,” the minister said.

   Meanwhile, IPMA reiterated its continuing grouse that Indian paper companies do not enjoy a level playing field with other paper producing countries where input cost is relatively much lesser and thus suffer enormous import threats

   (Financial Express, December 4th, 2019)

3. ***Nearly 3% of Mudra loans turn into bad ones: Govt***

   The government said close to 3 per cent of Rs 6.04 lakh crore worth of loans sanctioned under the Pradhan Mantri Mudra Yojana (PMMY) has turned into bad loans. Prime Minister Narendra Modi launched the PMMY on April 8, 2015, for providing collateral free loans of up to Rs 10 lakh to non-corporate, non-farm small/micro enterprises with a view to generating employment, and providing access to easy finance to small enterprises.

   In a written reply to a question on the PMMY in the Rajya Sabha, Minister of State for Finance Anurag Thakur also said any complaint received in respect of implementation of the PMMY, including turning down of loan applications, delay in turn-around-time (TAT) and lenders' insisting on collateral/guarantor on certain occasions, are redressed in coordination with the respective banks.

"Scheduled Commercial Banks (SCBs) and Regional Rural Banks (RRBs) have reported that as of March 2019, against a total amount of Rs 6.04 lakh crore disbursed by them under PMMY since inception of the scheme, an amount of Rs 17,251.52 crore had turned into Non-Performing Assets (NPAs), which is 2.86 per cent of the total disbursed amount," the minister said.
(The Economic Times, December 3rd, 2019)

4. *Plan to bring rooftop solar scheme with kfW, says Gadkari*

The government is working with German financing institution KfW to bring a rooftop solar scheme that will bring down the cost of the power generated to Rs 2.5 per unit, Union minister of micro, small and medium enterprise (MSME) Nitin Gadkari said.
Gadkari said the government is working to bring down the cost of power, logistics and capital which will help reduce Gadkari said the government is working to bring down the cost of power, logistics and capital which will help reduce cost of production in India. "We are trying to reduce power cost. We are bringing a rooftop solar scheme with KfW, with the help of which the cost of power will be Rs 2.5 per unit at maximum," Gadkari said at a FICCI Summit on MSME ecosystem. "If we want to be competitive in the international market, we need to reduce capital, logistics and power costs. The industry must come forward to help achieve this," Gadkari said.
He said the industry must also suggest policy measures which will help increase exports. "What tax relief can be provided which help increase exports. We want the industry to give a proposal to the government," Gadkari said.
Gadkari said India is now working on developing its waterways, which will help bring down the cost of logistics. In terms of access to capital, Gadkari said companies with better credit rating should be given a faster access to capital. He said the industry must focus on putting their resources into rural and backward areas to help foster growth in these regions.
Speaking at a road safety event later, Gadkari, who is also the minister of road transport and highways, said his ministry has decided to audit roads, identify black spots to assess reasons behind accidents. "We have decided that we want to make the audit of the roads, concerning road accidents and road engineering," Gadkari said.
He said the National Highways Authority of India (NHAI) is spending Rs 12,000 crore for improvement of 780 black spots, as his departments steps up efforts to bring down road accidents in the country. "We are also taking steps regarding automobile engineering," Gadkari said. "At all NHAI roads, we need to understand whether the cause of an accident is road engineering or violation of law," he said.
(The Economic Times, December 4th, 2019)

5. *PSBs disburse Rs. 4.91 lakh crore loan during Oct-Nov this year*

As part of a government-mandated outreach programme, public sector banks have disbursed a record Rs 4.91 lakh crore of loans during October-November, the finance ministry said.
To boost consumption and revive the economy, Finance Minister Nirmala Sitharaman had in September asked banks to reach out to customers and signal their willingness to lend following all prudential norms.
Under her direction, outreach camps or loan 'melas' were conducted across 374 districts to improve credit delivery and support the needs of the economy, with particular focus on MSMEs, NBFCs, corporates, retail and agriculture sector borrowers, without compromising prudential lending.
Banks disbursed Rs 2.52 lakh crore of loans in October and Rs 2.39 lakh crore in November. With this, the total disbursement by public sector banks to various sectors since the launch of the Customer Outreach programme in October stands at Rs 4.91 lakh crore, it said.
During the two months, banks have given Rs 72,985 crore to MSME sector while loans to corporates stood at Rs 2.2 lakh crore.
For NBFCs, PSBs disbursed Rs 25,525 crore loan in November, increasing sharply from Rs 19,628 crore in October, taking the total to Rs 45,153 crore, it said.
Total support sanctioned by PSBs in the form of credit (including co-origination and on-lending) and pool buyouts from NBFCs since the IL&FS default in September 2018 till November 2019 has risen to Rs 4.23 lakh crore, including pool-buyouts of Rs 1.24 lakh crore, it added.
PSBs, that are being adequately capitalised and record recovery underway, have sufficient liquidity to support credit growth, it said.

Sitharaman while replying to a query on Taxation Laws (Amendment) Bill, 2019 in the Lok Sabha said the government would make sure that the banks would not go to metropolitan cities but to 400 districts and hold outreach programs to address liquidity issue.

"So that whoever approaches them, MSMEs, farmers, homebuyers, whoever approaches them will get the credit that they would want," she said.

As per the data released, banks have given Rs 27,225 crore as home loan, Rs 11,088 crore as vehicle loans and Rs 1,111 crore as education loan during the two months.

Farmers availed Rs 78,374 crore as agriculture loan from banks during October-November, it added.

(Millennium Post, December 3rd, 2019)

6. ***DeExpo roadshow draws 400 vendors from south***

Defence PSUs Bharat Electronics Ltd (BEL) and BEML Ltd conducted a roadshow in Bengaluru in the run-up to the 11th biennial edition of DefExpo India-2020, to be held in Lucknow from February 5 to 8, 2020.

The idea was to urge south India-based private sector vendors, MSMEs and startups to actively participate in the upcoming defence exhibition and take advantage of the potential business opportunities. The roadshow saw an interactive session with participation by more than 400 vendors from across Karnataka, Tamil Nadu and Andhra Pradesh.

Anandi Ramalingam, Director Marketing, BEL, said that the “international exhibitions such as DefExpo help in providing a boost to the local defence eco system.” AK Srivastav, Chief General Manager, elaborated on the advantages for business enterprises on participating in the show. Gourav Sharma, Deputy Secretary, DDP, MoD, assured the vendors of MoD’s wholehearted support.

(The Hindu Business Line, December 4th, 2019)

7. ***P2P lending limit raised to Rs. 50L***

The P2P lending sector is expected to get a boost with the RBI deciding to increase the borrowing and lending limits for the users of the peer-to-peer (P2P) platform. The move aims at not only helping investors to diversify risk but also borrowers to get larger sums of loans.

At present, the aggregate limits for both borrowers and lenders across all P2P platforms stand at Rs 10 lakh, whereas exposure of a single lender to a single borrower is capped at Rs 50,000 across all NBFC-P2P platforms. In order to give the next push to the lending platforms, the aggregate exposure of a lender to all borrowers at any point of time, across all P2P platforms, shall be subject to a cap of Rs 50 lakh, the RBI said.

Besides, the RBI would do away with the requirement of escrow accounts to be operated by a bank promoted trustee for fund transfer.

The move is expected to bring cheers to those looking to borrow or invest on the P2P platform.

“When you have the robust technology and technological platform, it always makes sense to use them in order to create an opportunity for lenders to create far more stable and diversified portfolios. I think, the increased limit will ease credit supply, benefitting MSMEs. If the economy is to prosper, priority must be given on providing easy credit to small businesses and the selfemployed. There has to be a steady flow of alternative credit into the economy through NBFC-P2P platforms.

(Deccan Chronicle, December 6th, 2019)

8. ***Punjab to set up MSME marketing Cell***

Punjab Chief Minister Amarinder Singh said the government will set up a dedicated MSME marketing cell and establish a Rs 100-crore start-up fund. The MSME marketing cell will work for forming trade linkages for Punjab's MSMEs, a government release said here.

(Business Insider, December 6th, 2019)

9. ***Govt to push MSME-made goods through e-tailors***

The government plans fee-based arrangements with marketplaces such as Amazon and Flipkart for pushing goods produced by micro, small and medium enterprises (MSMEs), while eyeing a tie-up with a financial sector entity to boost business-to-business (B2B) sales by small enterprises.

The moves signal that the MSME ministry may have given up plans to set up its own platform, which is seen to be unviable. Soon after Nitin Gadkari took charge, the ministry had approached government e-marketplace (GeM), the public procurement platform to set it up. GeM advised against the move and suggested private players be roped in to make the system efficient, said sources familiar with the discussions.

Apart from helping them fetch more orders from both consumer and other businesses, this will help these enterprises make a smooth transition into India's booming e-commerce space.

Sources said internal discussions have been held and one suggestion is to pay Amazon and Flipkart to on-board MSME units, which often find it difficult to push their products to consumers. If a seller exits the platform after six months, a part of the fee may have to be refunded, but the money will not be paid back to the government in case the seller sticks to selling via the marketplace for, say, two years, explained an official.

On the B2B side, the proposed platform will also provide funds and have access to cash flows, helping buffer businesses against shocks. Funding and payments have been a major area of concern for MSMEs and the government is looking at models that can help MSMEs. In recent years, there have been attempts to get artisans and weavers online for which the textiles ministry had launched an initiative in 2015.

(The Times of India, December 9th, 2019)

10. *Walmart to open 25 institutes in 5 years*

US retail major Walmart would open 25 institute hubs in India in next five years, which would train 50,000 entrepreneurs from the micro, small & medium enterprises (MSME) sector, said a top company official.

The institutes opened under 'Walmart Vriddhi Supplier Development Programe' would be spread across the nation and would be strategically located near the manufacturing clusters and are part of Walmart's "long-term commitment to India", Walmart International President and CEO Judith McKenna said.

India is presently fifth-largest sourcing hub for Walmart's global operation in 14 markets, after China, US, Mexico and Canada.

"In the first five years, our commitment is to train 50,000 MSME entrepreneurs. We will train them at 25 institute hubs strategically located near manufacturing clusters across India so that they are convenient to access," McKenna said.

Over the past decade, Walmart is working to bring Indian MSMEs into its supply chain, she said.

"You may not be aware, but we see India as a top-five sourcing market for Walmart today, with a global sourcing hub in Bangalore that already sources Indian products to export to 14 global markets. And we want to do more," she added. Walmart will proactively work with the central government, state governments and others to continue to identify the needs of farmers, kiranas, and MSMEs in India. "We will continue to listen and to invest in India," she said

(First Post, December 9th, 2019)

11. *Over 10L cr loans sanctioned under MUDRA Yojana till Nov 1*

The government said more than Rs 10 lakh crore have been disbursed under the Pradhan Mantri Mudra Yojana till November 1, 2019. The PMMY is a scheme launched by the prime minister on April 8, 2015, for providing loans up to Rs 10 lakh to non-corporate, non-farm small/micro enterprises. "Under the Pradhan Mantri Mudra Yojana (PMMY), 20.84 crore loan accounts totalling an amount of Rs 10.24 lac crore have been sanctioned up to November 1, 2019," Minister of State (IC) for Labour and Employment Santosh Kumar Gangwar said in a written reply to the Lok Sabha.

(The Economic Times, December 9th, 2019)

12. *Pharma firms averse to capping margins*

The proposal to cap margins of retailers and distributors has not gone well with pharmaceutical players, especially the MSMEs. They are of the view that it won't help consumers and might lead to rise in prices. The pharma companies in the MSME sector apprehend that the proposed legislation will give a boost to big players as they would sell drugs at higher prices and put MRPs accordingly. The manufacturers have suggested that instead of capping the margin, the government should fix the maximum retail price (MRP) of each molecule so that the prices of medicines in each category are uniform across the country.

"The government's decision to cap the profit margin of drugs, which are not under price control, at 30% of the MRP is not going to help anybody. We have asked the government to seek the help of costing professionals and industry experts to work out the cost of every molecule with various industry associations. We have asked the government to work out policy in such a manner so that it can benefit both consumers and the industry," Pharmexcil chairman Dr Dinesh Dua said.

"We have advised them to work out the costing, give reasonable return on our investment and fix the margin for wholesalers and retailers. Only life saving and essential drugs should be included in the list," he added.

He said due to capping of the margins, manufacturers could prioritise their manufacturing and this might lead to shortage of low-cost medicines in the country.

Also, the drugmakers in the region are of the view that the government's proposal to cap trade margins for all medicines outside the price control at 30% will wipe out MSMEs.

Dua said the industry was growing both at domestic and international market. "In fact, pharmaceutical is the only sector which is growing at 11% in the ongoing downturn despite the fact that the government has tried to control the industry in several ways," he added.

"In a letter to the Central government, we have requested them to find out uniform formula for all segments instead of margin capping because it will give boost to big players only who will be able to sell drugs on higher prices and put MRPs accordingly so that their channels of distributors, stockists and retailers could promote their brands," said Dr Rajesh Gupta, president, Himachal Drug Manufacturers' Association.

(Medical Buyer, December 12th, 2019)

13. *Restore LoUs for MSMEs: MPs panel*

A Parliament panel has called for the restoration of financial credit instruments of Letters of Undertaking (LoUs)/Letters of Comfort (LoCs) albeit with proper safeguards as the present curbs are hurting trade and commerce in labour-intensive and MSME sectors. The Parliamentary Standing Committee on Commerce in its action taken report on the impact of banking misappropriation on trade and industry also expressed concern on the absence of any prescribed norms for resolutions of NPAs after the Supreme Court quashed a RBI Circular of February 12, 2018.

(The Tribune, January 3rd, 2019)

14. *Das asks banks to pass on rate cuts*

RBI governor Shaktikanta Das asked bank chiefs to pass on rate cuts announced by the central bank earlier to borrowers. The governor also questioned lenders on the flow of credit to MSMEs and finance companies.

In his first meeting with bank chiefs after the monetary policy, Das said there has been some improvement in the banking sector, which remains resilient even as current economic conditions may pose certain challenges. He urged banks to proactively tackle stressed assets resolution in a co-ordinated manner.

Given that it has been five months since the RBI came out with a revised circular on asset classification norms, the central bank asked lenders about the progress of NPA resolution.

(The Times of India, December 12th, 2019)

15. *Need to relook at public policies for service access to MSMEs, solo entrepreneurs: NITI*

Niti Aayog Vice-Chairman Rajiv Kumar said there is a need to re-look at public policies for small, medium and solo entrepreneurs so that highest standards of services reach them and they also get access to cheaper credit. He also said women need to be given special attention on nutrition and education, as these are important for them to become successful entrepreneurs.

"I think there is a huge need for financial sector reforms, re-calibration..there is a huge supply bottleneck of credit in the financial system for small, medium and solo enterprises," Kumar said at an event here.

He said that often, it happens that these people borrow money at a high cost of 3 per cent per month and there is a need to see what can be done in this area using technology.

"We need to see how to create the culture of bringing angel investors for these small enterprises, how to bring technology…we have to see what could be public policy steps to ensure that the small, medium and solo enterprises have access to the highest and most-developed forms of services that they need. We need to focus on our policy," Kumar said

Services such as access to credit, technology, market and information are readily available to the formal sector but not to the informal sector, he said.

"At the moment, there is nothing like that (access of services to the informal sector). As pointed out in the last economic census, we had 6 million economic units and 50 per cent of those are small, very small in the informal sector without any access to anything in the formal sector and, therefore, they employ only 13 per cent of the total employable," Kumar said. He added that it is good to dream about the fact that 50 per cent of the gross domestic product would come from micro, small and medium enterprises (MSMEs) but at the moment, we are too far away," He said the Indian entrepreneurs are the best in the world but they face lack of services that a developed state can provide.

Talking about women entrepreneurs, Kumar said the ground reality is that there are women who are undernourished and it is even higher in case of female child.

"This is the ground reality, which if we don't tackle now, I think all our dreams will come crashing down because anaemic women, anaemic mothers, undernourished children don't become entrepreneurs, they simply are fighting to survive," he said.

"We have to take that into account and think that 3-4 per cent of our children are undernourished."

The Niti Aayog vice-chairman also said there is mentality to think that women cannot become successful entrepreneurs. "Therefore, we need to start off with two or three major things if we want to achieve what we want. One, I think we need to do whatever we can to end the situation of women undernourishment, and along with that, we need to focus on women education," he said.

"Unless you do those two things, I think rest of the things will not matter and women education is actually in a worse situation," he added.

(Economic Times Rise, December 12th, 2019)

16. *MSMEs get only Rs. 40 Cr. Of Rs. 625 Cr. Interest subsidy*

Small businesses have received a mere Rs 30-40 crore earmarked as 2% subsidy, a year after the government announced the scheme for micro, small and medium enterprises (MSMEs) registered to pay goods and services tax (GST).

The Interest Subvention Scheme, announced last November, is meant to provide the subsidy on incremental and fresh term and working capital loans taken from banks and systemically important during a five months of 2018-19 and 2019-20. The government had allocated Rs 275 crore for the last financial year.

Coming months before general elections, the scheme was seen as a payback by the government for the impact of demonetisation on MSMEs, some of which were also bitter critics of GST. But stipulated conditions made it difficult to avail the interest subsidy and there are calls to review them so that the benefits flow to small businesses, many of which have been crippled by the economic slowdown and are also facing payment difficulties from buyers, including public sector companies. Even the government push to public sector enterprises on clearing pending bills of MSMEs has only seen a limited impact. While the corporate sector had estimated dues to Rs 40,000 crore to the sector, at least Rs 15,000 crore in unpaid bills remains at a time when small businesses are complaining of difficulties in getting credit, especially from non-bank finance companies (NBFCs).

Despite the finance ministry's repeated assurance, the government has been unable to put significant pressure on the corporate sector to clear the dues. Even the decision to link GST Network, where data on revenue of companies is available, with Trade Electronic Receivables Discounting System (TReDS) has been discussed for over a year-and-a-half, the government has failed to put in place the desired architecture that will not only help in tracking payments better but will ease loan flow to MSMEs since accurate data will be available.

The law stipulates hefty penalty on late payment to MSMEs but the provision has been hardly invoked by the government. So far, ministry of corporate affairs (MCA) has only collected data on delayed payments and sought that companies clear the dues at the earliest.

(Economic Times Rise, December 13th, 2019)

17. *Small-Scale units get push*

Chief minister Mamata Banerjee launched a clutch of production clusters across the state from the dais of the Bengal Business Conclave with the inauguration spree suggesting her government's thrust on creation of employment in small and medium enterprises.

From a common apparel production facility at Nungi in South 24-Parganas to a bell-and-brass metal cluster at Shyamnagar in Bankura, she kept inaugurating one project after another while state industry and finance minister Amit Mitra narrated the employment opportunities those units would generate.

The list of clusters included common facilities for steel fabrication, shellac, stone-carving, kantha stitch and earthen items.

"We have decided to give a big boost to village industry," Mamata said in her address at the concluding session of the two-day business conclave.

Unlike in the past editions of the state government's business summit, where the focus was getting big ticket manufacturing industry in the state, the Digha show had two distinctly different dimensions.

First, micro, small and medium enterprises (MSME) got the centre-stage. Second, the state government took the lead in creating the necessary infrastructure.

(The Telegraph, December 13th, 2019)

18. *Govt took several steps for ease of doing business: MCA*

The government has taken several measures this year for ease of doing business, besides strengthening the insolvency and bankruptcy framework, the Ministry of Corporate Affairs said.

Under the Insolvency and Bankruptcy Code (IBC), 2016, of the 21,136 applications filed, 9,653 cases cumulatively involving Rs 3,74,931.30 crore have been disposed of at pre-admission stage, the government said in a statement.

Further, in the 161 resolved cases, the realizable amount is Rs 1,56,814 crore, it said.

The IBC was amended twice in 2018 to disqualify undesirable persons from regaining control of companies undergoing resolution and to balance the interests of various stakeholders in the Code, especially interests of home buyers and micro, small and medium enterprises.

The amendments also sought to promote resolution over liquidation of corporate debtor by lowering the voting threshold of the committee of creditors and streamlining provisions relating to eligibility of resolution applicants, the government said. As per the latest report in the Resolving Insolvency Index, India's ranking jumped to 52 in 2019 from 108 in 2018. The recovery rate increased to 71.6% in 2019 from 26.5% in 2018 and the time taken in recovery improved to 1.6 years in 2019 from 4.3 years in 2018.

The government modified provisions relating to issue of shares with differential voting rights to enable promoters of Indian companies to retain control of their companies in their pursuit of growth and creation of long-term value for shareholders, even as they raise equity capital from global investors.

Regarding debenture redemption reserve, the government revised the provisions related to its creation to deepen the bond market and reduce the cost of capital.

It also announced a reduction in DRR for unlisted companies from the present level of 25% to 10% of the outstanding debentures.

To enable greater ease of doing business, the government de-criminalized technical and procedural violations under the Companies Act, reducing the burden on criminal courts and the National Consumer Law Tribunal by shifting 16 offence sections to monetary penalty regime through the Companies (Amendment) Bill , 2019.

As per the World Bank's "Doing Business" 2020 report, India moved up 14 positions to 63, compared to 77 in 2018.

The government also revised 'de-minimis' exemption under the Competition Act, 2002 for speeding up mergers and acquisitions in the country.

The government withdrew more than 14,000 prosecutions under the Companies Act, 2013, rationalized related party transaction provisions, and initiated the second phase of de-criminalisation of penal provisions under the Act.

(The Economic Times, December 16th, 2019)

19. *Nitin Gadkari approves changes in Interest Subvention Scheme guidelines for MSMEs*

Union Minister Nitin Gadkari approved changes in the Interest Subvention Scheme guidelines for MSMEs and dispensed with the requirement of Udyog Aadhaar Number for units eligible for GST and settlement of claims based on internal or concurrent auditor certificate.

The Minister for Road Transport & Highways and MSME reviewed the functioning of the scheme, and said the changes are expected to boost productivity of MSMEs through access to credit at reduced cost.

The modifications in operational guidelines carried out are based on suggestions made by various stakeholders, including banks and lending institutions who had brought to light operational difficulties that were hindering a smooth roll-out of the scheme, an official statement said.

The improvements are set to provide momentum giving fillip to the MSME sector, it added.

"It is expected that the modifications in the scheme guidelines will lead to fulfilment of objectives of the scheme, i.e. to increase productivity in MSMEs through access to credit at reduced cost," Gadkari said.

The minister highlighted that the government is committed to enhancing credit to the MSME sector and the implementation of the scheme is being closely monitored to help micro, small and medium enterprises (MSMEs) get incremental credit of up to Rs 1 crore with an interest subvention of 2 per cent.

The modifications to the scheme include settlement of claims based on internal or concurrent auditor certificate and submission of statutory auditor's certificate once by June 30, 2020; and acceptance of claims in multiple lots for a given half year by eligible institutions. The Interest Subvention Scheme for MSMEs was launched by Prime Minister Narendra Modi in November 2018.

Besides, in the modified scheme, requirement of UAN has been dispensed with for units eligible for GST and the last date of submission of claims for the half-yearly period ended March 31, 2019, has now been extended till December 31, 2019.

Under the changes approved, trading activities without UAN have also been made eligible.

(Business Standard, December 16th, 2019)

20. *Retail loan book set to double to Rs. 96 Lakh cr. in next 5 years: Report*

Retail loan book of lenders will double to Rs 96,00,000 crore by March 2024 as compared with Rs 48,00,000 crore in March 2019, says a report unveiled by ICICI Bank and Crisil. Retail loans were just Rs 22 lakh crore in 2014.

Though the credit offtake in the current financial year has remained sluggish, the report said the rapid growth in the retail book will take place in the next five years on the back of increased demand for private consumption — home, car, consumer durables, credit cards etc — willingness of consumers to take loans, increased availability of various consumer data, improved usage of data analytics and regulatory initiatives propelling growth in low cost housing loans and micro, small & medium enterprises (MSME) loans. As per the report, mortgage loans market — normal and low cost housing and loan against property — is expected to double to Rs 46.1 lakh crore in FY24. Unsecured loans — personal loans and credit cards — is expected to more than double to Rs 13.8 lakh crore in five years. Similarly, loans to MSMEs are likely to more than double to Rs 13.2 lakh crore. It said vehicle loans are tipped to nearly double to Rs 17.5 lakh crore by 2024. Personal loans growth was at 7.6 per cent, as per the RBI data.

Anup Bagchi, executive director, ICICI Bank said, "India's GDP per capita in terms of purchasing power parity is $7,762 … This junction will prove to be an inflection point, as it was with another large economy a few years ago. We foresee that in the next five years, the domestic retail loans market is poised to double to Rs 96 lakh crore." As per the report, the five pillars that are going to support expansion of the market are: Greater information availability progressively reducing the risk in lending; lower costs for customers due to intensifying competition; regulatory and government initiatives; five-fold increase in digital lending to Rs 15 lakh crore; and reducing operating costs due to greater use technology and data analytics which will boost profitability.

The top five players are foreseen continuing their market dominance, across asset classes.

Further, new private banks are also expected to gain market share from their public sector peers. Additionally, the entry of new types of players is likely in the market targeting specific segments, in line with global trends, according to the report. Despite rising competition, top five players across most retail asset class segments are expected to account for high market share.

Digital lending , estimated at Rs 2.7 lakh crore as of March 2019, is forecast to increase to Rs 15 lakh crore, representing 16 per cent of retail lending in FY24. Banks will dominate the market, accounting for 77 per cent of total digital loans.

However, a recent report by TransUnion Cibil revealed that 70 per cent of credit applicants dropped mid-way through the application process. As many as 22 million consumers are seeking credit opportunities every month, but 70 per cent of them drop out mid-way due to the cumbersome procedures.

(The Indian Express, December 18th, 2019)

21. NCLT not right forum for resolving stressed SMEs: SBI chief

State Bank of India (SBI) Chairman Rajnish Kumar said that National Company Law Tribunal (NCLT) is not the right platform for resolution of bankrupt small and medium enterprises (SMEs).

Speaking to the media on the sidelines of an event here, Kumar said that the platform of the NCLT and the Insolvency and Bankruptcy Code (IBC) should be utilised in the cases which involve large sums of stressed assets, and multiple lenders and taking SMEs to the NCLT would burden the system.

"The kind of work you need to do in the IBC and the kind of infrastructure you use, for SME it is not very suitable...SMEs, I have said that they have to be treated differently," he said.

"IBC should be used where there is bigger amount and multiplicity of lenders is there," Kumar added.

He was of the view that the model of resolution of SMEs can be decided on a "case-by-case" basis.

(Sify Finance, December 17th, 2019)

22. Gadkari launches sale of Khadi Rumal

Union Minister for Micro, Small and Medium Enterprises Nitin Gadkari, launched the sale of Khadi Rumal, in the presence of VK Saxena, Chairman, Khadi and Village Industries Commission (KVIC) and Secretary MSME Dr. Arun Panda.

Struggling to sustain their existence, families of militancy affected areas of Kashmir shifted to Nagrota a few years back. In 2016, KVIC started a napkin stitching center in Nagrota for the women impacted by the lack of livelihood opportunities and unemployment, to help them become self-dependent and sustain their families.

Speaking about the initiative, Nitin Gadkari said, "This initiative of KVIC is the true reflection of Bapu's vision of empowering the weakest of the society, and an appeal to the people to support this unique initiative which is creating jobs for needy."

Chairman, KVIC, Shri VK Saxena said, "This 'Khadi Rumal' is not just a piece of cloth, but a symbol of trust that the women in militancy affected areas residing in Nagrota, have on the people of India to enable them and empower them to live a life of dignity and respect. The sale of this 'Khadi Rumal' will instill confidence and enable the women all over Kashmir to come out and stand for themselves, earn a respectful livelihood and take care of their families. Its time for India to unite and help the cause."

White Khadi Rumal, made of pure cotton, will be sold across various Khadi outlets in India. To increase the outreach and availability of these Rumals through digital platform, KVIC has also signed an agreement with Paytm, which has committed to sell 2 Crore packets of Khadi Rumal through its online/offline platforms and mobile application.

Saxena further said, "We have targeted to sell 5 Crore pieces of Khadi Rumal initially. To create 5 Crore pieces of Khadi Rumal, around 15 Lakh Kg's of cotton will be consumed, and it will require 25 lakh man-days of spinning, 12.5 lakh man-days of weaving and around 7.5 lakh man-days required for cutting, stitching and packing of Khadi Rumal. Thus creating 44 lakh man-days of livelihood yielding wages amounting to Rs 88 Crores for various artisans. A humble contribution of the citizens of India could be a stepping stone for the beginning of the 'Journey of Transformation'."

PM Modi has already appealed the people to buy at least one Khadi Rumal.

(Millennium Post, December 17th, 2019)

23. Ease of doing business: 'Optimistic of India breaking into top 50'

DPIIT Secretary Guruprasad Mohapatra expressed optimism that India will soon break into the top 50 in the World Bank's ease of doing business ranking.

India jumped 14 places to the 63rd position in the World Bank's ease of doing business ranking released in October. India was ranked 142nd among 190 nations when Prime Minister Narendra Modi took office in 2014.

Mohapatra said district-wise ease of doing business plan is slowly evolving in which the four local bodies will partake in improving the business climate and ease of living, along with the centre and the state governments.

From next year onwards, the World Bank Ease Of Doing Business rankings will include two more cities of Bengaluru and Kolkata apart from the existing cities of Delhi and Mumbai, he said.

(The Quint, December 19th, 2019)

24. *Centre proposes jewellery parks on unused SEZ land*

There is a proposal from within the central government for setting up jewellery parks in unused Special Economic Zones' (SEZ) land.

The ministry of commerce will suggest this to its finance counterpart, said Piyush Goyal, Union minister of commerce and industry, in a Gem and Jewellery Export Promotion Council (GJEPC) event. The parks would be for domestic gems and jewellery makers, he said.

While many SEZs have accommodated jewellery manufacturing units, there is no specific jewellery park or cluster in any.

"The sector will immensely benefit from jewellery parks in terms of a common facility centre, associated services like banks and accommodation for karigars (workers), among others," said Colin Shah, vice-chairman of the GJEPC.

Goyal suggested gems and jewellery exporters enroll in the Nirvik scheme (also known as ECIS or Export Credit Insurance Scheme), announced in September by the Export Credit Guarantee Corporation of India (ECGC), to ease the lending process and enhance loan availability.

At present, those in the sector are facing a huge working capital squeeze because of stringent policies set by lenders since the massive Punjab National Bank-Nirav Modi scam two years ago.

Nirvik aims to increase export and offers a series of benefits for shipments. The aim is to help make our export competitive and ECGC procedures friendlier, with a scheme for reimbursing of taxes, reduced insurance cost and so forth.

"The enhanced insurance cover will ensure that foreign and rupee export credit interest rates will be below four and eight per cent, respectively, for exporters. It will catalyse banks to enhance the volume of export credit lending, especially to the MSME (medium, small and micro enterprises) sector, with optimal pricing due to capital and risk optimisation. Self-regulation will also help enhance credit flow and the industry can win the confidence of banks. In the long run, create your own pool of funds," Goyal said.

The insurance cover in Nirvik covers up to 90 per cent of principal and interest, with both pre and post-shipment credit. ECGC currently provides credit guarantees for up to 60 per cent loss.

Goyal asked the industry to formalise a policy that would help bring household and gold reserves into the system or to banks, consequently reducing dependency on imports.

(Business Standard, December 20th, 2019)

25. *Skill vouchers soon for MSMEs*

The government will soon introduce 'skill vouchers' to promote skilling in micro, small and medium enterprises (MSMEs) and learners and entrepreneurs can redeem those on the successful completion of the training. This is against the existing system where trainers and employers are subsidised to impart skills training and apprenticeship. The move is in line with the government's plan to shift from subsidy-based system to incentive-based Skill India mission. It was reported that skills development ministry is planning to issue skill vouchers or wallets to incentivise youth to undertake skills training of their choice. The Skill India Mission aims to impart skills training to 400 million people by 2022.

(The Economic Times, December 20th, 2019)

26. *Plans afoot to take village industries turnover to Rs. 2L cr. in 5 yrs: Gadkari*

Union Minister Nitin Gadakri said that plans are afoot to take khadi and village industries turnover to Rs 2 lakh crore in the next five years from 75,000 crore at present.

Urging the industry to expand its share in global trade to about 10 per cent, MSME Minister Gadkari also urged players to grab the opportunity to expand in the wake of China –that accounts for 17 per cent of the global trade business –battling increased cost and difficulties. "The turnover of khadi and village industries is Rs 75,000 crore at present. Steps are on to take it to Rs 2 lakh crore in five years," Gadkari said while addressing industry body Ficci's 92nd annual convention.

He said infrastructure sectors along with MSME has potential to help India becoming USD 5 trillion economy.

"China has a good record in trade business and accounts for 17 per cent of the global exports. Our share is barely 2.6 per cent. We have an opportunity to take it to 8 to 10 per cent. especially when China is facing difficulties at present besides increase in costs. We should eye at increasing our share," the minister said, adding "it is a blessing in disguise".

He said he was "saddened" to see India importing commodities like coal, newsprint and other things despite having huge dry-fuel reserves and scope of indigenous production.

"I am saddened to see huge imports...It is a matter of concern that we have capacity to export huge coal but we are importing it. Coal can be transported from Paradip port to Kandla for power plants in the Western region. This will bring down power prices by 35 to 40 paise per unit," Gadkari said.

He added newsprint was being imported while domestic paper mills remained shut despite India has potential for huge bamboo plantation, which can not only revive papers mills but can be export oriented too.

"There are 38,000 industries under MSME which are export oriented too. The MSME sector has created 11 crore jobs so far and we intend to create another 5 crore jobs in five years," the Minister said.

In keeping with Prime Minister Narendra Modi's vision of a New India by 2022, the idea is transform 115 backward districts across the country with large number of initiatives, including honey, bamboo, ethanol, methanol, bio CNG and other products.

He also said these districts can contribute significantly to the USD 5 trillion economy and special emphasis has been laid on Jammu & Kashmir where 20,000 women would be linked to handkerchief production.

Expressing concern over Rs 7 lakh crore crude imports per annum, Gadkari said the government aimed at reducing imports by at least 2 lakh crore in five years and special emphasis was being given on bio and other fuel production.

Closed sugar mills could be revived and bio-fuel could be produced from it, he added.

About highways sector, he said 22 green expressways are being built, including Rs 1.3 lakh crore Delhi-Mumbai expressway.

After successful roll out of the electronic toll collection, the sector eyes about Rs 35,000 crore toll income in a year, he said.

(Millennium Post, December 20th, 2019)

27. *FM urges industry to stop 'Self Doubt'*

Finance minister Nirmala Sitharaman appealed to India Inc to come out of "self doubt" and unleash its animal spirits while inviting it to enthusiastically bid for public sector enterprises such as BPCL and Container Corporation of India under the disinvestment programme.

The government has shown conviction to change India's system, take some tough decisions and make sure it is responsive to the industry, Sitharaman said and added that the industry must put the onus of growth on itself rather than looking to the government, given that macro economic fundamentals remained strong.

According to the minister, major steps taken in the past few years make India stand out in the world and the industry is part of the change. "I would appeal to you, please get out of the mood of self doubt. Can we do it? Can India do it? Why this negative mood? Get out of this self doubt," she said and emphasised that most of the macro economic indicators are strong.

"Disinvestments are happening and some of you should come up with bids. You should look at prospects of growing your business by taking up some of these companies which are coming on, which are essentially Indian companies. So, you must be the first bidders," she said.

In response, Vedanta chairman Anil Agarwal said "I think they (government) can collect $1 trillion (through divestment) on condition that no job losses happen...We should look at BPCL or any other kind of asset... We are evaluating BPCL." He added that Indian entrepreneurs will be interested in the assets as long as the debt associated with the assets is reduced.

The finance minister added that steps taken after the budget were bearing results, including the corporate tax rate reduction, which was now being asked by partnership firms, cooperatives and LLPs, and that it was working on clarifying the beneficiaries of the scheme under manufacturing. "I think a lot of newer investments are taking place, people asking for a lot of clarity, because we mentioned it is only for manufacturing, what constitutes manufacturing is also something we are working on," she said.

Sitharaman said the government does not want any business to close down and will keep improving the Insolvency and Bankruptcy Code, as and when required, having already made several changes to the code in order to facilitate the industry.

She also assured the industry, "Faceless technology will also be introduced for GST. Whatever you pay for the businesses that you do shall go to this faceless technology-driven system, so that you ensure tax harassment shall be a thing of the past," she added.

Sitharaman said banks were being given autonomy and confident decision making was being encouraged. "There hasn't been interference in banks' decision making process by the government... we have given them permission for them to be able to confidently take decisions, but don't delay decisions for sense of fear," she added.

In order to drive liquidity, the government has made sure bottom-most non-banking finance companies also get aid, Sitharaman said, adding that it has been telling banks to increase lending instead of earning from reverse repo by holding funds. She said 50 incomplete real estate projects had been identified for funding.
(The Economic Times, December 21st, 2019)

28. *Goyal to industry: Tell me which nations are using non-tariff barriers*

Commerce Minister Piyush Goyal asked the industry for details of non-tariff trade barriers imposed by other countries on India's exports, adding that the government was not afraid to implement retaliatory measures. India has initiated a review of its free trade agreements (FTAs) and is examining these trade barriers, according to him.
"I have been pleading … please tell me which country is using any trade remedial measure or non-tariff barrier which impacts your exports to that country," said Goyal at the 92nd FICCI Annual Convention.
"The government is willing to stand by you. The government is willing to look at retaliatory action. The government is willing to impose similar … trade remedial measures. We will learn from the NTBs (non-tariff barriers) that others are setting up against your exports and we may learn a few things (about) what India needs to do," he said.
Goyal also encouraged industry representatives present at the event to use domestically-manufactured raw materials over imported products, even if they cost more, to support other players in the value chain. "Somewhere, all of us will have to invigorate that nationalist spirit that we care for India, we care for the future of all the industry in India," he said.
He further urged the industry to invest in innovations in "every aspect of business and industry so that the competitive edge of industry is improved".
Compared to other countries, India's investment in research and development is only around 0.6-0.7 per cent of its GDP. This is below the expenditure of countries like the US, China, Israel and Korea, he said. According to the minister, the industry and the government would have to work together towards solutions to help the country become a $5 trillion economy.
In a separate panel discussion during the convention, Micro, Small and Medium Enterprises (MSME) Minister Nitin Gadkari said he was "saddened" that the country was importing coal, newsprint and other commodities despite having the indigenous capacity for these products.
"I am saddened to see huge imports … It is a matter of concern that we have capacity to export huge coal but we are importing it. Coal can be transported from Paradip port to Kandla for power plants in the Western region.
"This will bring down power prices by 35 to 40 paise per unit," he said. India has the potential for huge bamboo plantation which could revive the country's domestic paper mills and be exported as well, he said.
Plans are in motion to push the turnover of khadi and village industries to Rs 2 lakh crore in the next five years from Rs 75,000 crore currently, Gadkari added.
He also urged the industry to take advantage of the difficulties faced by China, "besides an increase in cost", to grab a larger share of global trade. "China has a good record in trade business and accounts for 17 per cent of the global exports. Our share is barely 2.6 per cent. We have an opportunity to take it to 8 to 10 per cent …We should eye at increasing our share," he said.
(The Indian Express, December 21st, 2019)

29. *Govt set to announce steps to scale up local defence production*

The government is set to announce several steps to boost domestic defence production under a policy to be unveiled in about a month, defence production secretary Subhash Chandra said. The Centre is also set to draw up a 5-10 year blueprint for resolving hurdles faced by producers, Chandra said.
"We are coming out with a policy of defence industrial corridors, which should be ready in a month or a month and a half, where we will offer a number of facilities to the industry," Chandra said. This would include setting up testing centres for arms makers under the public-private partnership mode, he said.
The needs of the industry, its current capacity, and access to raw material required or defence production will be considered while preparing a road map for the next 5-10 years, according to Chandra. A panel of public sector units, industry chambers, representatives of micro, small and medium enterprises (MSMEs) and original equipment makers will assist the government in preparing the road map.
Domestic defence firms have benefited from the government's "offset policy" under which global suppliers are required to choose a local partner for certain offset obligations like sourcing supplies or technology transfer. According to official data, till

March 2019, the government has signed 52 offset contracts valued at $11.79 billion to be discharged through local offset partners. In the last three years, 21 defence offset contracts of $5.6 billion have been signed.

The defence industry has fared poorly in terms of foreign direct investment (FDI) with total inflow of just ₹41.56 crore from April 2000 to June 2019, according to government data. In comparison, FDI inflow was nearly ₹4.36 trillion in the services sector and ₹2.37 trillion in the computer sector.

The government allows 100% private ownership in defence production and FDI of up to 49% without government approval. Foreign ownership above this level is allowed with government approval.

(Live Mint, December 24th, 2019)

30. *With self-certification, TN marketing it easy for MSMEs to do business*

In a bid to improve the ease of doing business and to remove regulatory hurdles, the Tamil Nadu government is planning to do away with physical inspection and introduce self-certification for the micro, small and medium enterprises (MSME), a senior state government official said.

"The next step in our entire effort in what we call 'Government 2.0' is to do away with the unnecessary compliances and allow the industries to file self-certification and also do away with inspections which are not really required," said Rajendra Kumar, Principal Secretary, MSME Department.

He was delivering the inaugural address at the 12th edition of TN Manufacturing Summit 2019. The theme of the event was 'Taking the manufacturing to the next level through Industry 4.0'.

Kumar said the initiatives mentioned would hopefully be implemented from next year.

Highlighting the role played by the government during his speech earlier, Kumar said the initiatives have brought mindset change in government departments in dealing with industries and also offer a conducive environment for industries to grow. He also said the Business Facilitation Act passed by the Tamil Nadu government has re-engineered government departments, simplified the application forms and reduced the burden for industries.

Lauding the single window system for MSME, Kumar said, "In the last one year, 930 MSMEs applied through this portal out of which 855 approvals have been issued without any need to visit any of the government offices or submit any documents offline."

However, he also added that MSME sector in Tamil Nadu is stuck in a time warp and most companies are still following a manual process. Delivering a special address, Sandeep Sinha, CEO, TAFE Limited said Industry 4.0 is nothing but a confluence of the physical and digital world.

Urging businesses not to over complicate Industry 4.0, Sinha said: it is simply a combination of our ability to generate data digitally with accuracy, able to transmit high volume data at low cost, store data at cheaper rates because of cloud and improved ability to make sense of the data.

Urging MSMEs to embrace technology, Sinha said: "Technology is not that expensive or complicated, it's very much within your reach, and there is no better place to adapt to technology than in Tamil Nadu."

In his address, S Ganesh Mani, Director- Production, Hyundai India said that technology had changed the trend of identifying and reaching the customers. It has also reduced drastically the lead time taken to reach the market.

(Business Line, December 23rd, 2019)

31. *SIDBI keen on digital platforms for MSMEs*

Small Industries Development Bank of India (SIDBI), the principal financial institution engaged in the promotion, financing and development of Micro, Small and Medium Enterprises (MSMEs), is keen on working together with State Governments.

This was stated by Mohammad Mustafa, Chairman and Managing Director, SIDBI, at an outreach programme for strengthening the MSME ecosystem.

The programme was organised by SIDBI, in collaboration with the Development Commissioner, MSME and Telangana Government.

“The outreach initiative is a part of our SIDBI Vision 2.0 under Mission Swavalamban. The prime objective of the initiative is to gauge the expectations of MSME stakeholders,” he said. The main objective of the programme was to collaborate with the State Government and other stakeholders for taking up activities for the benefit of MSMEs and knowledge dissemination on digital platforms.

SIDBI is keen on gauging the expectations of MSME stakeholders, identifying the good practices of the State, and suggesting State-specific schemes.

"We expect greater participation by MSMEs in these programmes and urge them to make best use of these initiatives," said Mustafa.

The outreach was based on the recommendations of the expert committee on MSMEs, headed by UK Sinha, the former chairman of SEBI, to collaborate with State Governments to onboard MSMEs to digital platforms such as PSBloansIn59minutes, e-commerce platforms, and listing on the stock exchanges.

(The Hindu Business Line, December 23rd, 2019)

32. *Govt sees $2t from MSMEs in $5t economy target*

The government said it envisions micro, small and medium enterprises (MSMEs) to contribute $2 trillion to the country's target of becoming $5 trillion economy by 2024.

Under the Prime Minister's Employment Generation Programme (PMEGP), 65,312 new micro-enterprises have been set up, the MSME Ministry said in its year-end review for 2019.

"The Indian economy is likely to emerge as one of the leading economies in the world, with an envisioned GDP of $5 trillion economy by 2024. Our vision is to ensure that at least a contribution worth $2 trillion comes from MSME sector," the Ministry said.

Under PMEGP, 5,22,496 employment opportunities have been generated, and margin money subsidy worth Rs 1,929.83 crore has been utilized, the ministry added.

PMEGP is a major credit-linked subsidy programme being implemented by MSME Ministry since 2008-09.

The scheme is aimed at generating self-employment opportunities through establishment of micro-enterprises in non-farm sector by helping traditional artisans and unemployed youth in rural as well as urban areas.

(Economic Times Rise, December 24th, 2019)

33. *Rs. 5k-cr MSME stressed fund may get nod*

The government may approve setting up a Rs 5,000-crore stressed asset fund for small businesses, as suggested by a Reserve Bank of India committee. But the tight financial condition of the Centre may mean existing schemes for micro, small and medium enterprises (MSMEs) will face a funding cut, sources said.

The U K Sinha Committee for MSMEs had in June suggested the fund along with a broad range of MSME reforms for small firms still reeling under the after effects of demonetisation and a liquidity crisis. But a lack of available ways to finance it has delayed the implementation. Case in point, MSME Minister Nitin Gadkari had in early September said the government will seek to implement the recommendations within 15 days.

"Talks are ongoing and the government will take a call on how the fund will be used and the parameters on which firms will be categorised as stressed," a senior government official said. He added that the Prime Minister's Office has repeatedly asked the MSME ministry to assess the viability of the scheme.

But the PMO hasn't promised the requisite additional funding for rolling out the initiative and has instead asked how existing schemes can be 'rationalised', MSME ministry sources clarified.

Now, the ministry believes cutting the scope of existing schemes including its largest — the Prime Minister Employment Generation Programme (PMEGP) — may be the only option left.

According to ministry data reviewed by Business Standard, the number of new MSMEs being registered through the PMEGP doubled to 73,427 in 2018-19, from 48,398 in 2017-18. Direct employment generated as a result was 570,000, up from 387,000 the year before.

"These are sustainable employment generation, with relatively low level of exposure to business shock and high potential for growth, mostly in the rural areas," the official said.

According to a ministry study, Rs 96,000 is the mean investment currently entering a unit. On average, a unit employs 7.62 people.

Aimed at setting up micro enterprises in the non-farm sector, the PMEGP allows manufacturing units to get a loan up to Rs 25 lakh from the Centre. The Cabinet has since approved a second dose of loan up to Rs 1 crore, on a maximum interest rate of 15 per cent a year, for units paying back in time, senior sources confirmed.

The new rules are under implementation, they added.

The ministry is also targeting the setting up of 400 MSME clusters, in both manufacturing and services, up from 98 last year. According to official statistics, the overall sector comprises nearly 63.39 million units, according to the 73rd round of the National Sample Survey (2015-16). It had created 111 million jobs (49.8 million in rural areas and 61.2 million in urban areas).

(Business Standard, December 24th, 2019)

34. *Startups make a wishlist for FinMin for next year*

Startups are planning to ask the government to resolve a new set of issues in the upcoming year, including faster processing of Tax Deducted at Source (TDS) and Goods and Services Tax (GST) refunds, and taxing of employee stock ownership plans (Esops) only at the time of sale.

This comes after startups successfully negotiated on the contentious angel tax issue and dual voting rights structure earlier this year.

On GST, startups claim they do not receive refunds on time, locking up working capital. They have also reported issues in offsetting input tax credit charged by suppliers against the same that they collect while selling products.

Further, several startups have said that they are at a disadvantage while procuring services from abroad, on which 18% GST is levied through the reverse charge mechanism. They are unable to avail of input tax credit on this, they claimed.

Startups and Micro, Small and Medium Enterprises now need to register in every state they stock products or invoices from, increasing compliance costs. This is another GST related issue that they want the government to address.

In a letter to finance minister Nirmala Sitharaman, community platform LocalCircles, which counts 35,000 startups, MSMEs and entrepreneurs as members, suggested that startups with a turnover of under Rs 10 crore be exempt from GST under the reverse charge mechanism.

A single GST registration that works across states should be created, it said. These could be taken up ahead of the upcoming budget, according to the letter.

Startups have also highlighted the issue of how Esops are taxed. It should be taxed only at the time of realisation or sale, and not when they are vested, they said. Venture capitalists, startups as well as groups like LocalCircles have already made several representations to the government on the issue.

LocalCircles has also suggested ways to boost the sector's growth. The government should create a mechanism where departments and large corporations disclose invoices for products and services bought from startups or MSMEs, it suggested. If they do not pay startups within 45 days, they should be penalised, the community platform has urged.

The government should better enforce a rule that departments and public sector undertakings should conduct 20% of their business with startups and MSMEs to boosti demand, it said.

A Startup India Social Impact Fund, which will back startups solving some of the biggest social issues the country is facing, should also be created, it said.

The social issues could range from availability of clean drinking water, access to public healthcare, clean air to women and child safety.

(Economic Times Rise, December 26th, 2019)

35. *Now getting patent will be easier, faster*

Soon, getting a patent in India will be faster and easier, as the Indian Patent Office is set to deploy latest technologies such as Artificial Intelligence, Blockchain and Internet of Things (IoT) in the patent processing system. For this purpose, Chandigarh-based TT Consultants has secured the contract for the project despite IT bigwigs such as TCS, Tech Mahindra and Wipro were in the fray.

Every year, around 50,000 new patents are filed in the country and the processing is done manually. At present, patent examiners are overloaded with lot of applications and it takes at least three years to grant a patent. According to industry watchers, the move to incorporate latest technologies in the system of the patent offices will improve the efficiency considerably and cut the processing period drastically.

"By using automation and Artificial Intelligence, the government aims to reduce the burden on patent examiners and increase efficiency and consistency in the processes," said Komal Talwar, director and founder, TT Consultants. The patent office had shortlisted 10 companies, including TCS, Wipro, and Tech Mahindra out of 19 bids it received by inviting expression of interest. Finally, it awarded the contract to TT Consultants.

The new technologies will be introduced into the existing work flow at patent offices, which include stages such as application filing, electronic data processing, classification, screening, publication, allotment, prior art searching, examination, pre-grant opposition, hearings, disposal, post-grant oppositions and renewal of patent.

According to Komal, the move marks a first in leap towards Artificial Intelligence being applied in the examination of patents. “It will be first comprehensive Artificial Intelligence in patent-based tender anywhere in the world. Even developed economies like the US and Japan are yet to deploy it,” she said.

The move is also significant as it would be the first comprehensive Artificial Intelligence-based examination system project across the country. By introducing path-breaking technology, the government plans to automate and increase quality of the process and efficiency within the system to create more confidence in startups, universities and foreign investors.

Recently, Commerce Minister Piyush Goel while answering a query in Parliament had stated that “As a measure to encourage patent filing by individuals and organisations, awareness programmes and workshops on creation, protection, management and enforcement of Intellectual Property Rights (IPRs) are regularly organised by different agencies in collaboration with the Ministry of Micro Small and Medium Enterprises (MSME), industry associations, universities, colleges, schools, law enforcement authorities and judiciary for the benefit of various stakeholders.

Across the country, the office of the Controller General of Patents, Designs and Trade Marks (CGPDTM) has four offices, namely at Delhi, Kolkata, Mumbai and Chennai, where the technology will be deployed.

(The Tribune, December 26th, 2019)

36. *To clear vendors’ dues, BSNL gets Rs. 770 crore from Bharat Broadband*

Bharat Broadband Nigam Limited, a state-run infrastructure firm that is setting up optical fibre network under BharatNet Project, has paid around Rs 770 crore in advance to BSNL to help the telecom firm clear dues of vendors involved in the project.

The debt-ridden state-run telecom firm had requested BBNL to pay Rs 1,033 crore earlier this month to clear the dues of vendors engaged in BharatNet project.

BBNL had allocated around 70 per cent of rural broadband network roll-out work to BSNL.

"BSNL had requested payment of Rs 1,033 crore out of which around Rs 770 crore has been cleared by BBNL," a government official told. BSNL had requested payment of Rs 1,033 crore from BBNL as an advance to clear the pending liabilities of UP East and MP Circles of Rs 716 crore along with telecom factory liabilities of Rs 40 crore earlier this month.

(The Economic Times, December 27th, 2019)

37. *RBI raises concerns on rating shopping among companies*

The Reserve Bank of India’s (RBI’s) Financial Stability Report (FSR) has raised concerns about rating shopping among companies.

This comes against the backdrop of instances of indicative ratings given by agencies, for which there are no written agreements. The indicative ratings are also not disclosed on the company websites.

“Since such ‘indicative ratings’ are not disclosed by CRAs (credit rating agencies) on their websites, it becomes difficult to identify instances of possible rating shopping,” said the FSR, a bi-annual report released by the RBI. “The issue of possible rating shopping behaviour on the part of obligors clearly requires serious attention.”

Corporate executives do not agree to such an assessment.

“I strongly disagree with this assessment. After the IL&FS (Infrastructure Leasing & Financial Services) crisis, the rating agencies have become very cautious about rating assignments and sometimes the ratings assigned are very unfair and does not go with the fundamentals of the company,” said the chief financial officer of a mid-sized company.

According to another corporate executive, the rating committees have people with no experience of corporate business and they insist on a lower rating, being fearful of the regulators. The recent probes on rating agency executives have sapped the moral of the rating committees. Many rating agency executives did not want to comment. One executive said the number of companies considered in the report is too small, and can be explained by risk assessments methodology varying from one rating agency to another.

Some instances of such rating shopping can still be ascertained, according to the FSR, by looking at the dynamics around rating withdrawals where outstanding rating issued by a CRA was withdrawn and a new rating was provided by a different CRA.

The FSR said such new ratings were obtained within three months of each other; and in more than two-thirds of the cases new ratings were provided before the withdrawal of the old ones. This practice has been going on since April 2016, the FSR said.

For long-term bank loan ratings, which is used by banks for credit screening, it was observed that the screening mechanism adopted by investors in short-term instruments had a significant dispersion in the pricing of assets of equivalent tenor after accounting for all relevant factors with the same ratings.

"This implies that these investors must be adopting additional credit screening mechanisms apart from obligor rating during credit selection," the report said.

"Clearly, for ratings that are withdrawn, the new ratings assigned are either the same or an improvement over the earlier ratings. Although replacement of withdrawn ratings by better or similar ratings by a different rating agency is visible across all rating grades, such instances are particularly pronounced at BBB and below …." the FSR said. There are only nominal cases where withdrawn ratings were better than the assigned ratings.

The BBB and below category is where most of the Indian companies reside.

'This is particularly relevant as some of the rating agencies have a much greater share in ratings assigned compared to their share in ratings withdrawn," the FSR pointed out.

However, considering the rated companies number around 40,000, such rating shopping are only a small fraction of the rated universe and "may not make the external ratings based capital adequacy framework infructuous," the FSR said.

(Business Standard, December 28th, 2019)

ARTICLE

TReDS: A step towards Financial Inclusion of MSMEs in India

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Mynd Solutions.

Synopsis

Despite being called as the backbone of Indian economy, MSMEs often struggle with adequate cash flows. The government of India and RBI identified this long prevailing problem and came up with the concept of TReDS (Trade Receivable Discounting System).

Trade Receivables Discounting System is an interesting example of how digitization is helping Micro Small and Medium Enterprises (MSMEs) get access to working capital by auctioning their receivables. TReDS is an electronic platform that allows businesses to auction trade receivables (invoices), and the platform serves as a transparent and quick medium for the small-scale players to avail funds at cheaper rates, through banking and factoring companies.

On 2nd of November, 2018 the Ministry of MSME issued a notification to the organizations having annual turnover of over Rs 500 crore. In the notification the ministry has made it mandatory for such companies to register themselves on an RBI approved TReDS platform. Registrar of Companies (RoC) in each state for companies and CPSEs has been granted the authority to implement and monitor the above instruction. This notification has had a positive impact on the corporate companies and Banks. Companies have become keen on registering on TReDS platform and the banks have developed faith in the platform. According to the latest data made available by M1xchange, the platform has enabled discounting of over INR 3226 cr worth of invoices by the end of May '19. 40% of the total funding on the platform has been done for the MSMEs in Tier II and Tier III cities of India.

An Introduction to TReDS

RBI's Trade Receivables Discounting System (TReDS) is an interesting example of how digitization is helping Micro Small and Medium Enterprises (MSMEs) get access to working capital, by auctioning their receivables. TReDS is an electronic platform that allows businesses to auction trade receivables such as invoices, and the platform serves as a transparent and quick medium for the small-scale players to avail funds at cheaper rates, through banking and factoring companies. The system is a game-changer. The benefits include quick turnaround, and lower finance cost owing to digitized information.

As an automated system driven platform, TReDS facilitates auction of trade receivables at competitive market rates through transparent bidding process by multiple financiers. This helps in quick realisation of receivables, banks sharing the risk of receivables with MSME and appropriate price discovery.

In a latest development, the Central Government (Ministry of MSME) issued a notification on 2nd Nov 2018, stating that all companies (with a turnover of more than INR 500 Cr) registered under the Companies Act, 2013 including PSU companies, shall be mandatorily required to get themselves register on a Trade Receivables

Discounting System (TReDS) platform. This development has and in coming times will enable the Suppliers to use this discounting facility, as the corporate buyers and PSU's have started to register on the exchanges. This compliance will practically accelerate availability of working capital finance for MSME suppliers.

Registration for corporate on a TReDS platform is a simple process and can be easily done with submission of application form, KYC and signing of agreement. This process gets completed within 2 days from the date of submission of necessary documents.

As the transactions on TReDS platform happen digitally; several risk-mitigating controls at various levels have been implemented. KYC & AML checks on participants getting on boarded, OCR technology comparing the invoice data with the data fed, Suspicious Transaction & threshold breach alerts are implemented at various places to monitor the transaction behaviour vis-à-vis participant's profile and past transaction history. At each stage, all participants are kept informed of a transaction through various notifications and online dashboards. To enhance the security, digital signature has been made mandatory by the government to initiate any transaction on the platform.

How TReDS Work

The bill discounting process starts when the MSME Supplier raises the invoice and the Buyer validates the same. This permits the financiers which are the Banks or the Factoring Companies to bid against the verified invoice. Once the supplier accepts the bid, the payment is processed in T+1 day, where T is the day of transaction. This process gives flexibility to the Suppliers to choose the best financier on financing cost. Rate of interest and multiple bidding on an invoice varies from platform-to-platform. The platform with maximum bank ensures maximum bidding and better rate of interest against an invoice. As a result, suppliers are assured of discounting at reasonable rates and quick turn-around time of bidding. On due date of the invoice, the discounting portal collects the proceeds from Corporate buyer and repay it to the bank that has financed the invoice. Therefore, Supplier does not need to follow up with Corporate buyer for collection of proceeds any more on due date. The risk of collection is transferred to financing bank. The portal therefore enables tomorrow's collection of proceeds today and helps the suppliers maintain a healthy flow of working capital.

Business Case

Here is a small real life business case where the cash flow problem of an MSME was solved with TReDS

AAA Industries (name changed to maintain confidentiality), a 9-year-old MSME is a manufacturer and supplier of electrical ancillaries to a pool of mid-size and large companies. As part of the contract, its buyers have agreed to make the payments against the invoices within 45 days of order delivery. These clients have good corporate credit, so the MSME owner is assured of timely payments. However, there are a few slow paying invoices creating undesirable cash flow blockage.

AAA industries has a big order to fulfil in the next month. This requires purchase of materials and pay their small vendors. Most of the working capital of AAA industries is consumed in dealing with general expenses and payroll liabilities. The MSME owner soon realize that inadequacy of working capital has started to result in business failures at micro levels and can soon impact the overall business. The company will not be able to grow and acquire new clients until they build a meaningful financial reserve to support the current ones.

AAA Industries could solve their current cash flow problems using a working capital credit or a business loan from a bank. However, banks require collateral and guarantor to sanction a loan and offer limited amount to small businesses based on their past year performance. This lending process involves a lot of documentation and long turnaround time and yield limited results of amount of financing. Due to this AAA industries approach non-banking financiers and bear high interest rate of approximately 18% to fill the gap in working capital requirement for growth.

The Solution

One of the corporate buyer of AAA Industries which has recently on-boarded on one of TReDS platform and asked the MSME to register with the same TReDS platform and upload its invoice for bill discounting. With one time documentation and some KYC formalities the MSME registers on platform in simple steps. The supplier, AAA Industries in this case, uploads an invoice on the portal which is approved by its corporate buyer. After the invoice is approved, it is open for bidding by various financiers on the platform. Once AAA accepts the best suited bid, the discounted amount is credited to its bank account within 2 days. AAA can discount all its invoices raised to its buyer and transform from a cash deficit company to a cash surplus organization. There is no requirement of collateral or guarantor and past performance for the business.

In order to avoid any kind of duplicity of invoice, the transactions on the portal are secured using block chain technology and the process is completely transparent.

Benefits of TReDS

Key benefits of invoice discounting and exchange services –

1. Minimize cost for AAA industries.
2. It does not add borrowings or any additional liability on the balance sheet.
3. It does not use the cash flows of the buyer for the pre-payment.
4. Much faster turnaround than unconventional supply chain facilities by the banks. Payment is realized in 1 day from approval of invoice by Buyer.
5. Risk of collection from Buyer is reduced as there is no recourse on AAA industries.
6. Minimal paperwork one time and thereafter invoices are discounted digitally.
7. Security of digital platform for confidentiality of information.
8. Minimize the duplicate payments and other operational risks
9. Can be integrated with ERP systems and avoid manual processes

Impact of TReDS

The MSME is able to solve its problem of steady cash flow and working capital with TReDS. Funds are now received directly in bank account within 1 day of acceptance of the best bid by MSME. Invoice discounting on TReDS platform has drastically lowered the rate of interest for acquiring working capital to 6-7%.

The biggest benefit to AAA industries is that since they have easy access to working capital, they are able to acquire new clients. Now the MSME can buy new machinery, increase the headcount and pitch in for bigger orders.

TReDS has provided a collateral free and without-recourse financing with hassle free and paperless documentation through a secure and digital platform. The MSME Supplier now enjoy better working capital management all the while increasing the options of expanding the business faster.

Here are key advantages of registering on a TReDS Platform:

1. Reduced operational cost - The cost of business between MSME seller and corporate buyer is reduced as there is an interest cost saving of at least 4-5% annualised.
2. No collateral required- This adds to saves as there is always an opportunity cost attached to providing collateral.
3. One-time documentation with the exchange- No separate documentation for availing discounting facility with multiple banks and for multiple corporate buyers.
4. Borrowings are not increased for MSMEs – Cash is realised as soon as the bid is accepted by the supplier, thus making it early income realisation instead of a borrowing in the books.
5. No reflection of borrowing in books of Corporate Buyer as the transaction is initiated between MSME supplier and financing bank. For corporate buyer the payables is reflected on as-is basis.

Risk Mitigation

Although TReDS being a highly secure and transparent platform, the risk mitigation steps has to be taken to curb any possibility of fraud or illicit practice. There are several measures that can be taken by the platforms to curb accommodation of bills which is a common risk today that exists even beyond the TReDS ecosystem. While mitigating this although 100% may not be possible right away, it can be controlled with digital transformation of factoring process through TReDS. Below are certain controls measures should be taken by the TReDS Platforms.

- **Pattern Analysis:** At the time of on boarding, business of past year is declared by Supplier with respective Buyer. This should be matched with Turnover of Supplier to see at high level if numbers makes sense. Basis the past year business between Supplier and Buyer, limit should be set as threshold for Supplier on the platform. If value of invoices come for very high and unusual amount, system should stops the transaction and sends the trigger to the recpective platform's compliance team who checks the reason for increase. This may be due to more orders, larger volumes and accordingly PO copy and/or projections and/or written confirmations are taken from Buyer and Supplier.
- **Random Audit:** Random Sample audits should be performed by the platform's audit team to ensure the authenticity of transactions on periodical basis.
- **GSTN Verification:** All invoices should be verified against the GSTN database as to verify the accuracy of genuine invoice. This in development and expected to be live very soon.

Control to Curb Double Financing

- At the time of on boarding of Supplier, Supplier declares the details of Working Capital Bank Account (The entity is legally bound to do so otherwise it will tantamount misrepresentation). TReDS platform should send intimation to working capital bank account providing the detail of Supplier. If there is any objection received, transactions should be stopped unless Supplier takes No objection from Working Capital Bank Account.
- Intimation to working capital bank account should be sent for every transaction at the time of discounting.
- Discounted proceeds should be credited to working capital bank account
- Supplier should be legally bound to declare the details to working capital bank account and get its DP adjusted
- OCR technology deployment can be done to help curbing mismatches in data punching and actual invoice detail to great extent.
- Through block chain utility, all three exchanges are integrated and one bill which gets discounted on one platform cannot be financed on other platform due to this check.