

## ATMANIRBHAR BHARAT ABHIYAN PACKAGE: THE BOOSTER SHOT FOR THE MSMEs OR A DELUSION

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### **Abstract:-**

India's efforts to contain COVID-19 have garnered praise across the world, although many grievances are also noted within the country. The exact intensity of negative impacts of the lockdowns on India's economy will not be known for some time. Nonetheless, neither an indefinite continuation of lockdowns nor a sudden relaxation is possible. Some economic stimulus was to be expected in the meantime to help the populace survive the lockdowns.

Prime Minister Narendra Modi has announced the concept of an 'Atmanirbhar Bharat Abhiyan' that serves as a massive stimulus package as well as a move towards making India more self-reliant in the post-COVID world. The stimulus is argued to strengthen India's cottage and home industries, small and medium enterprises (SMEs) and other industries. The Hon'ble Prime Minister under his vision had call for ATMA NIRBHAR ABHIYAN / SELF RELIANT INDIA MOVEMENT based on the 5 pillars of ATMA NIRBHAR BHARAT being Economy, Infrastructure, System, Vibrant Demography and Demand, has allotted Rs. 20 lakh crores equivalent to 10% of India's GDP as Special economic and comprehensive package for catering the needs of the current stressed economy with the clarion call, "It is time to become vocal for our local products and make them global". The Hon'ble Finance Minister announced in her press briefing regarding various allotment of funds for MSMEs under various heads and she also elaborated the new definition of MSME.

**Keywords** : Credit guarantees, Non-performing assets (NPA), Equity, Subordinate debt, Turnover, Dues, Collateral free loans, Cash crunch, Working capital.

### **Introduction –**

The Micro, Small, and Medium Enterprises (MSMEs) sector is the most vibrant and dynamic industrial sector contributing significantly to the GDP and export while employing around 40 per cent of the Indian workforce. The Prime Minister's speech emphasized that the MSME sector will act as the bedrock for economic revival. The growing clamour for fiscal support has led the government to introduce measures for MSMEs that have been hit by the lockdown. Intending to get the MSME sector back on its feet, the Prime Minister announced the MSME sector to be within the purview of the

Atma-Nirbhar Bharat Abhiyan (ANBA). Subsequently, the Finance Minister announced six regulatory measures as part of the ANBA especially for the MSME sector, as part of a series of announcements by the government. In current times, where the mere survival of the MSME sector is at stake, ANBA intends to address the needs of the MSME sector and paves a path for long-term sustainability and profitability of MSMEs

The much-awaited economic package of the government has led MSMEs to heave a sigh of relief amid the growing tensions of economic slowdown in the coronavirus crisis. The relief package is expected to infuse fresh life into the country's micro, small and medium enterprises (MSMEs), which account for almost 30 percent of the national GDP and 45 percent of the total manufacturing output. With a series of encouraging announcements, the Finance Minister outlined the government's plan to raise the morale of the industry and the MSME sector in particular. Under the Atmanirbhar Bharat Abhiyan, the minister announced several measures for MSMEs that are expected to help 45 lakh business units resume their operations

### **Objectives –**

1. To understand the relief packages for MSMEs under 'Atmanirbhar Bharat Abhiyan'
2. To understand the impact of these relief packages on MSMEs
3. To critically analyse the measures under the relief package

### **Research Methodology –**

The present empirical study has been incorporated by the collection of the secondary data. Secondary data which includes data in journals, magazines, research articles and websites are used in this study.

### **Relief Package for MSME's**

1. **Credit guarantee of Rs 3 lakh crore:** The massive increase in credit guarantees to MSMEs is the key highlight of the government's relief package. The credit guarantee of 3 lakh crore by the government is intended to help MSMEs that have a 25 crore outstanding loan or less than 100 crore turnover. This provision will rescue MSMEs that need additional funding to meet operational liabilities and restart operations. The loans, which should be taken before October 31, 2020, will have a four year tenure and moratorium of 12 months. There is a 100% credit guarantee cover on principal and interest. The credit guarantee scheme is expected to help MSMEs survive the

economic slowdown. Credit guarantees help banks meet the credit demand of MSMEs and provide an assurance that loans will be repaid by the government.

This will act as initial seed money for these small enterprises hit by zero cash flow due to the national lockdown. This loan will help them buy raw materials, pay initial bills and daily wages to employees. In short, this will be like working capital for cranking up their businesses again. Banks, though flush with funds, have been unwilling to lend to this category of borrowers as they fear that the money will not be repaid. These small businesses have also pledged all their assets already for other loans and do not have any more assets to pledge. It is to break this logjam that the government has said that it will backstop banks up to ₹3-lakh crore and said that these loans do not need collaterals. Banks are now expected to be more comfortable in assisting this category of borrowers because the risk is zero (since the loans are guaranteed by the central government).

2. **Subordinate debt for NPA/stressed MSMEs:** The government has set aside 20,000 crores as subordinate debt to help about two lakh MSMEs with stressed accounts or non-performing assets (NPA). Under this scheme, promoters of the MSME will be given debt, which will then be infused as equity in the unit. However, unlike credit guarantees, government support in this scheme is not full but partial.
3. **Fund of Funds and global tenders to be disallowed up to Rs. 200 crores:** The government has created a fund with a corpus of Rs. 50,000 crore for MSMEs with growth potential and viability. The objective of this fund is to infuse equity to help MSMEs expand and grow. While the government is likely to contribute Rs. 10,000 crore, while other institutions like SBI and LIC are likely to fund the remaining amount. This fund, which will operate through a mother fund and a few daughter funds, will also help MSMEs get listed on the main board of stock exchanges. The functional and implementation details are to be made known as to how these packages will be implemented effectively. However, global tenders are to be disallowed is well a come step giving MSMEs better level playing field.
4. **Revised definition:** The government has changed the MSME definition to enable more businesses to benefit from incentives offered in the Atmanirbhar Bharat Abhiyan. The new definition of MSME, which had been on the government's priority list for long, takes investment and annual turnover into consideration and does not

differentiate between manufacturing and services. The 'turnover' based definition is seen as a better means of identifying MSMEs, particularly in services such as mid-sized hospitals and diagnostic centres. These will now be able to qualify for benefits offered to MSMEs. Experts suggest that the new definition would drive the growth of the MSME sector and help to make it self-reliant.

(i) The classification of MSME as Manufacturing Enterprise and Service Enterprise has been abolished and merged under one category of MSME.

(ii) A new dimension has been introduced in the definition apart from investment in plant and machinery which is of turn over.

(iii) As per the new classification the following are the new norms for classification of MSME.

<u>Classification</u>	<u>Investment</u>	<u>Turn Over</u>	
Micro Enterprise	Rs. 1 crore	Rs. 5 crores	
Small Enterprise	Rs. 10 crores	Rs. 50 crores	
Medium Enterprise	Rs. 20 crores	Rs. 100 crores	

**5. Clearing of dues:** While announcing the credit guarantee for MSMEs, the Finance Minister assured that the Centre would clear pending MSME dues in 45 days. As on March 31, 2020, the total outstanding payments to MSME units were estimated over 4.95 lakh crore. The Central Government ministries and departments, state governments and public sector units owe MSMEs more than half of this amount. The MSME Samadhaan website, which was introduced to monitor delayed payments and settle disputes, filed by affected MSMEs, listed payment claims of 40,720 crore as on May 14, 2020.

### **Critical Analysis of the Relief Package:-**

#### **Negative Aspects:-**

1. If not completely, the idea of a financial relief package got lost somewhere in the big numbers. The measures of collateral-free debt will not give immediate relief to the MSMEs, which was the need of the hour. These MSMEs required financial bailout packages, through which they could've paid salaries to their employees. Payroll support was anticipated, however, the government did not deliver on that front. The government focussed on liquidity in the market through easy collateral-free loans and therefore instead of directly transferring the money to the MSMEs they sanctioned loans.
2. This situation has a drawback embedded in itself. As stated by the FM, the government will have to make good all the default on this category of loans to the MSMEs. This will not create any motivation for the MSME entrepreneurs to ever return the money taken on loan under this scheme. On the other hand, the banks will now show a complacent approach and will give out loans to even those organisations that do not have a good credit rating. This is because even if such organisations default, there is a sovereign guarantee in place to protect the banks. The correct way to implement this should've been where the government was paying back a percentage of the entire loan, in case of default. That would have incentivised the banks to do thorough research on the credit rating of the loan seeking MSMEs and even the MSMEs would've had a motivation to perform optimally.
3. Other measures of subordinate debt and the equity infusion are also aimed at increasing the liquidity in the market. Even otherwise, if the above-mentioned incentives are looked at broadly, they're all in the interest of MSMEs in the long run. There is nothing to support them from the crisis at hand. These MSMEs were expecting a package that will help them through the "on-going crisis". They were expecting some short term and immediate measures and the government did not oblige them.
4. Further, the payment of all the receivables (outstanding against the government), will be honoured within, 45 days. However glossy it might look, it is not exactly a relief package. It is something that the government should be doing regularly. This has not relieved the enterprises but has only increased the liquidity in the market.

### **Positive Aspects:-**

1. Even if the government did not give immediate relief, they did something that was long due and necessary to boost the Indian economy. The definition of MSMEs has been widened. It was necessary because many MSMEs were not keen on expanding because of the possible loss of benefits, if they fall outside the definition of MSMEs. The revised definition includes “Turnover”, as one of the additional indicators to determine the category of organisation.
2. Additionally, disallowing the global tender for projects up to two hundred crores, is a welcome initiative. This will increase confidence in the entrepreneurs and the competition will be fair. Enterprises with less access to funds, technology and manpower will not be forced to compete with the global forces. New-age enterprises will have the appropriate chance to flourish with these measures.
3. Lastly, E-market linkages for the MSMEs due to disruption of trade fairs, is also a positive incentive and shows that the government is preparing in advance, for the upcoming challenges of social distancing.

### **Conclusion:**

Arguably, it can be concluded, that the government did not completely fail to deliver on the aspect of relief to MSMEs. However, the MSME bodies are not content with such a far-fetched approach of the government. It is logical on their part to have grievances and the fact that the government did not step in immediately to help them out of this crisis. Due to obligations with respect to salaries and wages, some of these MSMEs run the risk of shutting down, in the coming few months. The government, on one hand, should be appreciated for announcing measures that are far-sighted and futuristic. However, on the other hand, the government has missed the point that people needed their help in the present too. If not a major step of payroll support as provided by countries such as the USA, at least, some immediate financial transfers should've formed a part of the incentive announced on May 13, 2020. This would've given the enterprises some financial support and satisfaction along with a vision to save them, in the coming future.

Definitely the financial incentives introduced by the government will rescue MSMEs reeling under the impact of the lockdown and provide much-needed liquidity to the sector. Increase in credit guarantees, subordinate debts, clearing of outstanding dues and a broader definition would go a long way to revive the growth of MSMEs and boost the efforts to make the country self-reliant under the Atmanirbhar Bharat Abhiyan.

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