

ATMANIRBAR BHARAT ABHIYAAN AND MSME-REVIEW

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ABSTRACT

This paper tries to develop a framework for identifying the most availed economic package of the government to MSMEs that have been hit by lockdown. SMEs are often suppliers to government, larger corporate and multinationals. Hundreds of thousands of cash-starved Indian small businesses have either deferred or cut their workers' wages this month, amid a 21-day nationwide lockdown to stem the spread of the corona virus pandemic. 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. 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). Atma-nirbhar Bharat Abhiyaan has made headlines across the globe and has come as part of a major economic relief package to assuage India's economic predicament amidst the pandemic. Combined with all previous economic stimulus efforts, the total amount of the relief package comes to a whopping Rs. 20 lakh crore. . 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 Therefore studying the relevance of Atmanirbar Bharat Abhyaan on MSME is vital aspect of our economy. Secondary data is used for the study

Keywords: Atmanirbar Bharat Abiyaan, MSME , Relief package

INTRODUCTION

The PM has announced the Atmanirbhar Bharat Abhiyan (or Self-reliant India Mission) and said that in the days to come the government would unveil the details of an economic package — worth Rs 20 lakh crore or 10% of India's GDP in 2019-20 — aimed towards achieving this mission. PM has announced a special economic package and gave a clarion call for Self-reliant India. The package will provide a much-needed boost towards achieving self-reliance. This package, taken together with earlier announcements by the government during COVID crisis and decisions taken by RBI, is to the tune of Rs 20 lakh crore, which is equivalent to almost 10% of India's GDP. The package will also focus on land, labour, liquidity and laws. It will cater to various sections including cottage industry, MSMEs, labourers, middle class, and industries, among others.

The Hon'ble Prime Minister under his vision and call for Atmanirbhar Bharat Abhiyan / self reliant India movement based on the 5 pillars such as 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 cater to 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 allotments of funds for MSMEs under various heads and she also elaborated the new definition of MSME. The following are my views on the takeaways.

The package involves fiscal policy and relief measures for various industries as the economic ramifications of the pandemic have left no sector untouched. With great emphasis on MSME revival, tax relief measures and EPF support, the Finance Minister is expected to elaborate on the relief measures in the days to come.

"The Atmanirbar Abhiyaan is designed on 5 pillars - economy, infrastructure, technology driven systems, demography and demand. Factors of production have now been redefined: land, labour, liquidity and law. The Finance Minister were made 15 major announcements aimed to provide relief to various vulnerable sectors and people .

Objective of the study

1. To develop a framework for identifying the most availed economic package of the government to MSMEs that has been hit by lockdown

Micro Small and Medium enterprises

In a way, small and large scale enterprises are two legs of industrialization process of a country. Hence, small scale enterprises are found in existence in every country. Small scale enterprises have been given an important place in the framework of Indian Planning since beginning for both from economic and ideological reasons. Today, India operates the largest and oldest programmes for the development of small scale enterprises in any developing countries

Under the Atmanirbhar Bharat Abhiyan, the minister announced several measures for MSMEs that are expected to help 45 lakh business units resume their operations. Here are the key announcements for MSMEs.

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.

Subordinate debt for NPA/stressed MSMEs: The government has set aside 20,000 crore 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.

Fund of Funds:

In order to provide equity funding for MSMEs with growth potential and viability, there will Fund of Funds (FoF), which will be operated through a Mother Fund and few daughter funds. 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.

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. Now the definition will have investment and annual turnover as criteria. Accordingly, units having investment less than ₹ 1 crore and turnover less than ₹5 crore will be called Micro units. Investment between ₹ 1 and ₹ 10 crore and turnover of ₹ 5 crore to ₹ 50 crore will be categorized as Small Enterprises. Units having investment between ₹10 crore but up to ₹ 20 crore and turnover between ₹ 50 crore and ₹100 crore will now be known as Medium Enterprises. Experts suggest that the new definition would drive the growth of the MSME sector and help to make it self-reliant.

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.

For NBFCs, she said there will be two funds to provide liquidity support to them -- ₹30,000 crore Special Liquidity Scheme and ₹ 45,000 crore partial credit scheme. Sitharaman expect this will also benefit MSMEs as credit flow will improve. For power distribution companies (DISCOMS), it has been decided to provide ₹ 90,000 crore which be provided by Power Finance Corporation and Rural Electrification Corporation against receivables.

Global tenders will be disallowed in govt procurement for tenders under Rs 200 crore. This will make MSMEs run their business with much more confidence. Self-reliant India will

work hand in hand with as they will be allowed to participate in government purchases. No competition from foreign companies for tenders under Rs 200 crore.

Ensuring that e-market linkage is provided to all MSMEs so that they can find their market in the absence of trade fairs. Within the next 45 days all their receivables will be cleared by the Govt of India and CPSEs.

FINDINGS

The latest announcement of the Atmanirbhar Bharat Abhiyan Economic package by PM Narendra Modi to help MSMEs (Ministry of Micro, Small and Medium Enterprises) come out of their worst economic crisis has been dubbed as a ray of hope for the MSME sector. However, the announcement and the reforms taken by FM Nirmala Sitharaman with regards to MSME's has been welcomed by the industry. "The package announced by the FM will boast the MSME, the entire idea of revising the MSME definition was long due, the latest division of MSME will help individuals to now grow beyond their limit. Banks giving loan without colossal security is going to help a lot of individuals whose business have been hit, but all this will fall flat if labour reforms are not defined," Manmohan Mehra, an industrialist said. The revision of MSME and its bifurcation on the basis of turnover was much needed. This will help individuals who were worried that outgrowing their size would deprive them of entitled benefits now individuals will not hide their turnover, which will, in turn, help them in getting loans. However, the bigger problem that industries will continue to face is the diminishing number of labour.

CONCLUSION

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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