



Presentation on Government Assistance to MSME Post COVID 19

MSME – Development Institute, Patna

Assistance Given by Government

New Definition of MSMEs

Criteria	Investment in Plant & Machinery or Equipment And Annual Turnover		
Activity	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 cr. and Turnover < Rs.5 cr.	Investment < Rs. 10 cr. and Turnover < Rs.50 cr.	Investment < Rs. 50 cr. and Turnover < Rs.250 cr.

Assistance Given by Government

Rs 3 lakh crores Collateral-free Automatic Loans for Businesses, including MSMEs

- Borrowers with up to Rs. 25 crore outstanding and Rs. 100 crore turnover eligible
- Loans to have 4 year tenor with moratorium of 12 months on Principal repayment
- Interest to be capped
- 100% credit guarantee cover to Banks and NBFCs on principal
- Scheme can be availed till 31st Oct 2020
- No guarantee fee, no fresh collateral
- 45 lakh units can resume business activity and safeguard jobs

Assistance Given by Government

Subordinate Debt Scheme for Stressed MSMEs

- Equity support to Stressed MSMEs
- Provision of Rs. 20,000 Cr as subordinate debt likely to benefit 2 lakh MSMEs
- GOI will provide guarantee coverage of upto 85% for loans upto Rs 5 Lakhs and 75% for loans beyond Rs 5 Lakhs to raise funds from Financial Institutions
- Functioning MSMEs which are NPA or are stressed will be eligible. Promoter of such unit can apply
- Promoter of MSMEs meeting the eligibility criteria may approach scheduled Commercial Bank to avail benefit under the scheme
- Promoters of the MSME will be given debt by banks, which will then be infused by promoter as equity in the Unit

Assistance Given by Government

Equity infusion for MSMEs through Fund of Funds

- MSMEs face severe shortage of Equity.
- Will provide equity funding for MSMEs with growth potential and viability.
- GoI will support VC/PE firms in investing in commercially viable MSMEs in meeting their growth requirements. The proposed fund of funds will encourage private sector investments in the MSME Sector and leverage Rs 50,000 Crore.
- Fund of funds aims to achieve private funding leverage through the use of professional fund managers with access to funding and strategic performance oversight.
- FoF will be operated through a Mother Fund and few daughter funds
- Will help to expand MSME size as well as capacity.
- Will encourage MSMEs to get listed on main board of Stock Exchanges.
- All MSMEs are eligible and may apply through Investor Funds on boarded and registered with proposed fund of funds.

Assistance Given by Government

Global tenders disallowed upto Rs 200 Crores

- Indian MSMEs and other companies have often faced unfair competition from foreign companies.
- Therefore, Global tenders will be disallowed in Government procurement tenders upto Rs 200 crores
- Necessary amendments of General Financial Rules has been made
- This will be a step towards Self-Reliant India and support Make in India
- This will also help MSMEs to increase their business.

Assistance Given by Government

EPF contribution reduced for Business & Workers for 3 months- Rs 6750 crores Liquidity Support

- Businesses need support to ramp up production over the next quarter.
- It is necessary to provide more take home salary to employees and also to give relief to employers in payment of Provident Fund dues, Therefore, statutory PF contribution of both employer and employee will be reduced to 10% each from existing 12% each for all establishments covered by EPFO for next 3 months.
- CPSEs and State PSUs will however continue to contribute 12% as employer contribution.
- This scheme will be applicable for workers who are not eligible for 24% EPF support under PM Garib Kalyan Package and its extension.
- This will provide relief to about 6.5 lakh establishments covered under EPFO and about 4.3 crore such employees.
- This will provide liquidity of Rs 6750 Crore to employers and employees over 3 months.

Assistance Given by Government

Ease of Doing Business through Insolvency & Bankruptcy Code Measures

- Minimum threshold to initiate insolvency proceedings raised to Rs 1 Crore (From Rs 1 Lakh, which largely insulate MSMEs).
- Special Insolvency Resolution Framework for MSMEs under Section 240A of the Code to be notified
- Suspension of fresh initiation of insolvency proceedings upto one year depending upon the Pandemic Situation
- Empowering Central Government to exclude COVID 19 related debt from the definition of “default” under the code for the purpose of triggering insolvency proceedings

Assistance Given by Government

Other interventions for MSMEs

- MSMEs currently face problems of marketing and liquidity due to COVID.
- e-market linkage for MSMEs to be promoted to act as a replacement for trade fairs and exhibitions.
- Fintech will be used to enhance transaction based lending using the data generated by the e-marketplace.
- Government has been continuously monitoring settlement of dues to MSME vendors from Government and Central Public Sector Undertakings.
- MSME receivables from Gov and CPSEs to be released in 45 days

Assistance Given by Government

- Building and Construction Workers Welfare Fund allowed to be used to provide relief to workers. 24% of monthly wages to be credited into their PF accounts for next three months for wage-earners below Rs 15,000 p.m. in businesses having less than 100 workers.
- Five crore workers registered under Employee Provident Fund EPF to get non-refundable advance of 75% of the amount or three months of the wages, whichever is lower, from their accounts.
- Limit of collateral free lending to be increased from Rs 10 to Rs 20 lakhs for Women Self Help Groups supporting 6.85 crore households.

Assistance Given by Government in Regulatory Compliances

- All pending refunds to charitable trusts and non-corporate businesses & professions including proprietorship, partnership, LLP and Co-operatives shall be issued immediately.
- Issued all the pending income-tax refunds up to Rs 5 lakh, immediately benefiting around 14 lakh taxpayers
- Due date of all income-tax return for FY 2019-20 will be extended from 31st July, 2020 & 31st October, 2020 to 30th November, 2020 and Tax audit from 30th September, 2020 to 31st October, 2020.
- Reduction in Rates of ‘Tax Deduction at Source’ and ‘Tax Collected at Source’ by 25% for the remaining period of FY 20-21 and Due Dates for various tax related compliances extended - will benefit all businesses
- Extended filing GST returns to end of June 2020
- 24*7 custom clearance till 30th June, 2020

Assistance Given by RBI

- Relaxation for 3 months for debit cardholders to withdraw cash free from any ATMs, etc .
- Reduction of Cash Reserve Ratio (CRR) has resulted in liquidity enhancement of Rs 1,37,000 crores.
- Increased the banks' limit for borrowing overnight under the marginal standing facility (MSF), allowing the banking system to avail an additional Rs 1,37,000 crore of liquidity at the reduced MSF rate.

Assistance Given by RBI

- Moratorium on Loan EMI – Term Loans and Working Capital Facilities from March 1, 2020 to August, 31, 2020.
- In respect of working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may, as a onetime measure, recalculate the 'drawing power' by reducing the margins till August 31, 2020.

For further details, contact

Director

Government of India

Ministry of MSME

MSME – Development Institute

Patliputra Industrial Estate, Patna-800013

Tel. No. Ph :0612-2262208 - 2262186

Fax :0612-2262719,

E-mail: dcdi-patna@dcmsme.gov.in

Website :www.msmedipatna.gov.in