

ಪತ್ರಿಕಾ ತುಣುಕುಗಳು
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Scope, sweep of MSMEs just got bigger

₹50k cr equity infusion for small biz; stressed firms to receive ₹20k cr for unsecured loans

ANURADHA SHUKLA @ New Delhi

EXTENDING a lifeline to India's struggling micro, small and medium enterprises (MSMEs), badly hit by the Covid lockdown, the Union Cabinet on Monday approved tweaking the definition of MSMEs to enable more companies to claim the benefits available to small businesses.

The Cabinet Committee on Economic Affairs (CCEA), chaired by PM Narendra Modi, also approved provisioning of ₹20,000 crore as subordinated debt to provide equity support to stressed MSMEs.

The Cabinet also cleared equity infusion of ₹50,000 crore for small-scale units through a Fund of Funds, which will help MSMEs to be listed and raise funds from the market. According to the new definitions, MSMEs with an investment of ₹1 crore and turnover of ₹5 crore will be classified as micro-units, units with an investment of ₹10 crore and turnover of ₹50 crore as small units, and those with investment of ₹50 crore and turnover of up to ₹250 crore as medium units.

The policy change was already announced by Finance Minister Nirmala Sitharaman last month as part of Aatmanirbhar Bharat package. While she had proposed definition for medium enterprises as companies with investment of up to ₹20 crore and turnover of ₹100 crore, companies requested that it be enhanced.

"This will help in attracting investments and creating more jobs in the MSME sector," an official statement said.

Union Minister for MSMEs Nitin Gadkari said the sector is very critical for the economy and 60 million MSMEs contribute as much as 29% of the GDP, 48% of total exports, and generate 110 million jobs.

Exporters also welcomed the move, saying the change will help in ease of doing business and attract more investment.

"Excluding exports turnover from total turnover will help in internationalisation of MSMEs and will bring their focus on exports. This will also benefit gems and jewellery companies," said Sharad Kumar Saraf, president, Federation of Indian Export Organisations.

₹250-crore firms now MSMEs

Earlier, MSMEs were defined on the basis of investments put in by the company. Now, turnover will also be considered. (Export revenue will be excluded from total turnover)

MICRO

A business will now be classified as a 'micro' unit if it has investments up to ₹1 crore and turnover of less than

₹5 crore

Earlier, manufacturing units with investment below ₹25 lakh and services firms with investment under ₹10 lakh were considered micro units

SMALL

Investment limit raised from ₹5 crore to

₹10 crore with turnover not exceeding ₹50 crore

SERVICES SECTOR

Earlier, the investment limit for services businesses was less than that of manufacturing firms. Now both manufacturing and services will be treated equally

MEDIUM

Investment limit raised from ₹20 crore proposed in the Atmanirbhar package to ₹50 crore and turnover from ₹100 crore to

₹250 crore

MSP UP, NEW LAW TO REPLACE MANDI SYSTEM

On a day the Cabinet Committee on Economic Affairs approved raising the Minimum Support Price for kharif crops by at least 50%, Union Minister for Agriculture Narendra Singh Tomar on Monday said a new legislation will be introduced to give full freedom to farmers to sell their produce. Expected to dismantle the existing Agriculture Produce Marketing Act Committee, the new law is intended to replicate e-NAM.

Though agriculture is a state subject, buying and selling produce is a matter of trade. Producers should be able to sell to anyone who offers maximum price, he said.

Moody's downgrades India rating

Moody's on Monday downgraded India's sovereign rating to 'Baa3' from 'Baa2'. "While today's action is taken in the context of the coronavirus pandemic, it was not driven by the impact of the pandemic... (it) amplifies vulnerabilities in India's credit profile that were present and building prior to the shock," it said | **PI0**

Factory output falls in May

Despite staggered easing of lockdown curbs, India's manufacturing activity continued to contract in May, a monthly survey showed. The manufacturing Purchasing Manager's Index (PMI), released by IHS Markit, stood at 30.8 in May, which was a shade better than the record contraction in April at 27.4.

RBI leash, low recap stymie govt banks

SUNITHA NATTI @ Hyderabad

BANK credit to MSMEs may take a turn for the worse with five banks remaining under RBI's Prompt Corrective Action (PCA), which prohibits lenders from doing regular banking business, including lending and deposit mobilisation.

Of the 11 banks placed under PCA, five exited the restrictive framework last year, but lending may still be subdued as three of them are undergoing merger, which could slow down credit offtake.

That banks under PCA saw a drastic reduction in business last year was evident from their credit flows. For instance, IDBI Bank, which continues to be under PCA, saw its net advances plunge to ₹1.46 lakh crore in FY19 from ₹1.71 lakh crore in FY18. Similarly, Central Bank of India's

lending fell from ₹1.56 lakh crore in FY18 to ₹1.46 lakh crore, while UCO Bank's eroded from ₹1.07 lakh crore to ₹99,314 crore.

The five banks under PCA are Indian Overseas Bank, Central Bank of India, UCO Bank, United Bank of India and IDBI Bank. While LIC took over IDBI Bank, UBI is to be merged with Punjab National Bank. The other three will be independent.

Five banks that exited PCA last year are Bank of India, Bank of Maharashtra (both to remain independent), Oriental Bank of Commerce, Allahabad Bank and Corporation Bank, which are undergoing the merger process with other state-run lenders.

Dena Bank ceased to exist as an individual entity, following its merger with Bank of Baroda last April. Analysts say banks need urgent recapitalisation to exit PCA and get back to lending.