



**MEASURES TAKEN IN SUPPORT OF  
MSME'S ON ACCOUNT OF COVID19**

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## MSME – INITIAL MEASURES ON ACCOUNT OF COVID 19

### Why government should give immediate attention to MSMEs sector?

India's Micro Small and Medium Enterprises (MSMEs) are vital for the economy as they contribute around 8 per cent to the GDP and employ the largest number of people in the industrial and services sectors. In order to provide relief for MSMEs on account of huge impact created due to COVID19, Honourable Finance Minister Nirmala Sitharaman on Wednesday (13<sup>th</sup> May 2020) announced few measures which are deliberated below.

### New definition for MSMEs

Classification	Micro	Small	Medium
Manufacturing & Service enterprises	Investment < Rs. 1Cr. and Turnover < Rs. 5Cr.	Investment < Rs. 10Cr. and Turnover < Rs. 50Cr.	Investment < Rs. 20Cr. and Turnover < Rs. 100Cr.

### Measures taken in support of MSMEs

1. **Collateral-free** automatic loan worth Rs 3-lakh crore.

➤ **What is this?**

- Emergency Credit Line to Businesses/MSMEs from Banks and NBFCs up to 20% of entire outstanding credit as on 29.2.2020.

➤ **Who is eligible for this scheme?**

- Borrowers with up to Rs. 25 crore outstanding and
- Rs. 100 crore turnovers

➤ **What are the key features?**

- Loans will have a **4 year tenure**
- **Moratorium for 12 months** on principal payments alone.
- 100% credit guarantee cover and to Banks and on principal and interest and the scheme can be availed till October 31, 2020.

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2. To provide stressed MSMEs with equity support, Government will also facilitate provision of **Rs. 20,000 crore as subordinate debt**.
  - **What is this?**
    - Subordinated debt facility will aid 2 lakhs stressed MSMEs.
  - **Who is eligible for this scheme?**
    - Promoters of MSMEs will be given by banks, which will then be infused by promoter as equity in the unit.
  - **What are the key features?**
    - Government will provide a support of Rs.4000 crores to CGTMSE (Credit Guarantee Funds Trust for Micro and Small Enterprises). This CGTMSE will provide partial credit guarantee support to banks.
3. There is also **Rs. 50,000 crores equity infusion** for MSMEs through Fund of Funds
  - **What is this?**
    - Scheme to be operated through a Mother Fund and few daughter funds; this will help to expand MSME in size as well as capacity.
  - **Who is eligible for this scheme?**
    - We need to await for announcement regarding detailed eligibility.
  - **What are the key features?**
    - Fund of Funds with Corpus of Rs. 10,000 crores will be set up and will provide equity funding for MSMEs with growth potential and viability.
    - Fund structure will help leverage Rs 50,000 crores of funds at daughter funds level.
4. To help MSMEs further and as a first step to create self-dependent India, **global tenders** will be **banned** for government procurement up to Rs 200 crore.
5. Other interventions for MSMEs:
  - **E-market linkage** for MSMEs to be promoted to act as a replacement for trade fairs and exhibitions.
  - **MSME receivables** from Government and CPSEs to be released in 45 days.