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MSME

Bulletin

Special Issue

Banking, Financial Services & Insurance Board

THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata - 700016
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Behind Every Successful Business Decision, there is always a CMA

Mission Statement

"The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

About the Institute

The Institute of Cost Accountants of India is a Statutory body set up under an Act of Parliament in the year 1959. The Institute as a part of its obligation, regulates the profession of Cost and Management Accountancy, enrols students for its courses, provides coaching facilities to the students, organises professional development programmes for the members and undertakes research programmes in the field of Cost and Management Accountancy. The Institute pursues the vision of cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting as the key drivers of the profession. In today's world, the profession of conventional accounting and auditing has taken a back seat and cost and management accountants are increasingly contributing towards the management of scarce resources and apply strategic decisions. This has opened up further scope and tremendous opportunities for cost accountants in India and abroad.

After an amendment passed by the Parliament of India, the Institute is now renamed as "The Institute of Cost Accountants of India" from "The Institute of Cost and Works Accountants of India". This step is aimed towards synergising with the global management accounting bodies, sharing the best practices which will be useful to large number of trans-national Indian companies operating from India and abroad to remain competitive. With the current emphasis on management of resources, the specialized knowledge of evaluating operating efficiency and strategic management the professionals are known as "Cost and Management Accountants (CMAs)". The Institute is the 2nd largest Cost & Management Accounting body in the world and the largest in Asia, having approximately 5,00,000 students and 85,000 members all over the globe. The Institution headquartered at Kolkata operates through four Regional Councils at Kolkata, Delhi, Mumbai and Chennai and 110 Chapters situated at important cities in the country as well as 11 Overseas Centres. It is under the administrative control of Ministry of Corporate Affairs, Government of India, New Delhi.

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पी. एम. पार्लेवार
निदेशक
P.M. PARLEWAR
DIRECTOR

सत्यमेव जयते

MSME
MICRO SMALL &MEDIUM ENTERPRISES

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GOVERNMENT OF INDIA
सुक्ष्म, लघु एवं मध्यम उद्यम मंत्रालय
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MESSAGE

I am happy to observe that the Institute of Cost Accountants of India (ICAI) is bringing a special bulletin on MSME sector.

It is commendable that the Bulletin contains articles and inputs relating to multiple avenues pervading the MSME sector. All the articles contain very useful and purposeful information. The efforts will go a long way in providing researched knowledge to the MSME entrepreneurs.

I am hopeful that the Institute will bring out such informative Bulletins at regular intervals.

I wish the venture all the best.

(P.M.Parlewar)
Director
MSME-DI, Nagpur

FOSMI

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MESSAGE

FOSMI/23/E-mail/2021-22 24th May, 2021

CMA Chittaranjan Chattopadhyay
Chairman
Banking, Financial Services and Insurance Board

Dear Sir:

I am pleased to understand that ICMAI Banking, Financial Services and Insurance Board will be releasing a special issue on the occasion of MSME month being observed in the April 2021.

I take this opportunity to thank ICMAI for their concerted effort for the development of Indian MSMEs by creating opportunities for trade and business network in India UK- EU.

The institution of LOCCA at London by ICMAI would surely augment tremendous value to the ambition of ICMAI and I wish every success of ICMAI & LOCCA to achieve the objective.

BISWANATH BHATTACHARYA
PRESIDENT

Over six decades of dedicated service to the MSME sector

FOREWORD

With the significant contribution to growth of Indian economy and employment generation capabilities, the Micro, Small and Medium Enterprises (MSMEs) are considered to be the backbone of the national economic structure. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

The Government of India has designed various policies for the growth of MSMEs in the country. The Ministry of MSME runs numerous schemes targeted at providing credit and financial assistances, skill development training, infrastructure development, marketing assistance, technological and quality upgradation and other services for MSMEs across the country.

In view of the significance of the MSME sector in the Indian economy and to spread the awareness of various schemes in MSME, the Banking, Financial Services and Insurance (BFSI) Board of Institute under the Chairmanship of CMA Chittaranjan Chattopadhyay has celebrated the month of April 2021 as MSME month and organised series of Webinars at National & International level witnessing engaging technical sessions with experts from industry.

I am pleased to note that the BFSI Board has now brought out this Special Issue on MSME highlighting the activities taken by the BFSIB & other Committees of the Institute, Regional Councils and Chapters of the Institute during the MSME month. I express my appreciation to CMA Chittaranjan Chattopadhyay, Chairman BFSI Board for this initiative.

I would like to thank our eminent contributors for their efforts and support in giving a concrete shape to this publication. I also acknowledge the sincere efforts of entire BFSI Team for bringing this Special Issue on MSME within a short period of time.

My best wishes to the endeavours of the BFSI Board.

With warm regards,

Biswarup Basu

Date: 24th May, 2021

Kolkata

CMA Biswarup Basu
President
The Institute of Cost Accountants of India

FOREWORD

The Micro, Small and Medium Enterprises (MSMEs) play a significant role in the social, economic and political growth of the country. MSMEs occupy an important role in economic development of the country by providing employment opportunities for large number of population and also making significant contribution to India's GDP and export. The sector has also contributed immensely with respect to entrepreneurship development especially in semi-urban and rural areas of India. MSMEs receive more governmental focus as their role in the economic and social growth is inclusive, employment oriented. The Government of India has envisioned doubling the Indian economy to US$ 5 trillion and to achieve this goal, the Government is taking all possible steps to enhance MSME's share in exports and its contribution to GDP.

In view of the importance of the MSME sector in the economy, the Banking, Financial Services and Insurance (BFSI) Board of the Institute has observed and celebrated the month of April 2021 as MSME month by successfully organising various webinars to raise awareness about the significance of MSMEs, their contribution to Indian economy, relevant governing laws and various MSME Schemes launched by the Government of India.

I compliment CMA Chittaranjan Chattopadhyay, Chairman and other members of BFSI Board for the initiative taken to come out with this Special Issue to highlight the various activities and initiatives taken by the Institute related to MSMEs. I also express my gratitude to our resource persons for providing their valuable articles for inclusion in this document.

With best regards,

Date: 24^{th} May 2021

Kolkata

CMA P. Raju Iyer
Vice President
The Institute of Cost Accountants of India

MESSAGE

The COVID-19 has sprung its tentacles and in the 2nd wave of the pandemic, we lost many professionals who were serving in BFSI sector. We salute the bankers for their unstinted and uninterrupted service to the nation being a front line warrior in the business continuity plan of the Government. Many of them, inspite of dislocation of traffic and the continuous phobia of the pandemic, are providing service so that the economic activities goes on smoothly. We dedicate this MSME special issue to the warriors who are the fulcrum for the economic mobility of the affairs of the nation.

Micro, Small & Medium Enterprises are critical for India's Economy as they contribute significantly to its GDP and provide Employment to a sizeable population. One of the key focus areas of Indian Economy is to accelerate growth of MSMEs and to boost investment in the Indian start-up ecosystem. The MSME segment is expected to play a significant role in the emergence of the Indian Economy. As per latest reported statistics there are about 6.34 lakh units of MSME, 111 million of employees, 9000 products. MSME sector contributes to nearly 30% of GDP, 45% of Manufacturing output, 48% of exports rendering growth rate more than 10%. Therefore, development of this segment is extremely critical to meet the national imperatives of Financial inclusion and generation of significant levels of employment across Metro, Urban and Rural Areas of the country. Further it can nurture and support development of New Age Entrepreneurs who have potential to create Globally Competitive Businesses from India to make Self Reliant.

Covid-19 pandemic has impacted business, financial markets and economies all over the world including India and has impacted the business operations of MSME and exposed many of them to financial distress.

Our Institute felt it necessary to help the MSME in such trying times. We from the Banking, Financial Services and Insurance Board conducted survey amongst the members of our Institute and based on the feedback of esteemed members, we submitted suggestions for rejuvenation of MSME Sectors post COVID-19 to the MSME Ministry, Govt of India including extension of rehabilitation measures. You will be happy to know that many of our suggestions were endorsed by the Govt in various forms.

The Country has shown remarkable resilience be it tackling the pandemic or ensuring economic recovery. It was considered necessary to urgently address the specific requirements of MSMEs relating to the resolution of their insolvency due to the unique nature of their business and simpler corporate structures.

The Govt has taken several measures to mitigate the distress caused by the pandemic, including increasing the minimum amount of default for initiation of corporate insolvency resolution process to Rs. 1 Crore and suspending filing of applications for initiation of Corporate Insolvency Resolution Process in respect of the default arising during the period of one year beginning from 25th March 2020.

In view of the fact that such suspension for filing of applications for initiation of Corporate Insolvency Resolution Process has ended on 24th March 2021 the Govt of India has through an ordinance on 4th April 2021 has considered expedient to provide an efficient alternative resolution process for corporate person classified as MSMEs under the Insolvency and Bankruptcy Code 2016 ensuring quicker , cost-effective and value maximizing outcomes for all the stake holders, in a manner which is least disruptive to the continuity of their business and which preserves jobs within a Pre-packaged Insolvency framework which is a kind of Restructuring Plan. Insolvency professionals require Complete Knowledge / Understanding of 'Financial Requirements', 'Business Projections', Sources and Uses of Funds, Tangible Net worth and the reasons for which Business Entitles are facing 'Liquidity Problem', Scope for Re-structuring etc. of MSMEs for the ***Pre-Pack Insolvency Resolution Process*** for Corporate Persons classified as MSME.

You will be happy that our Institute has brought out a comprehensive Hand Book on MSME titled Aide Memorie on Lending to Micro , Small & Medium Enterprises Sector (including Restructuring of MSME Credit) which covers A to Z aspects of MSME Start Ups and also for the existing Units. It delves on **Registration Process to Restructuring of Loans** availed from the Financial Institutions including important areas like TReDs , Listing with NSE, Global Tender System , Business Continuity Plan, MSMEs Strategy for survivability etc. This comprehensive book had been widely accepted by the banking and MSME fraternity. I would request you to grab a copy of the book if not done by this time for your reference.

In view of the significance of the MSME sector in the Indian Economy and to spread the awareness of various schemes in MSME, BFSI Board in association with International Affairs Committee and Director of Studies of the Institute observed the month of April 2021 as MSME Month by organising 3 nos. of National, several local webinars and 1 International webinar across the country and globe respectively. We had our 1st Webinar on the topics viz, Project Evolution to Project Execution on 6th April 2021 which was addressed by Sri P N Prasad, Independent Director, IPA, ICMAI, and Director, Bank of India, Sri P S Manoj, DGM and In-charge of SIDBI, Kolkata and Sri K D Bhattacharya, Joint Director and in-charge of MSME Development Institute, Kolkata. This was followed by 2nd Webinar on the topics viz, Concurrent Cost Management of MSME and Value Chain on 13th April which was addressed by National Vice President of Laghu Udyog Bharati, Sri Hariharan, Our Past Presidents CMA Kunal Banerjee, CMA Gopalakrishnan, CMA A S Durgaprasad and CMA Ramachandra Venkataramni, Promoter Director of MSME Unit. We had 3rd Webinar on the topics viz, Perpetual Sustainability (with emphasis on various MSME Schemes) on 20th April which was addressed by the eminent exponents on MSME amongst which are Shri Sudhir Garg, Joint Secretary MSME Govt of India, Sri Gaurang Dixit Director Finance, The National Small Industries Corporation, CMA Baldev Kaur Sokhei, Director Finance, NBCC (India) Ltd. and Dr. CMA S K Gupta, MD RVO ICMAI and former MD & CEO of IPA ICAI.The International Webinar was hosted in association with our London Overseas Centre of Cost Accountants on 23rd April on the topics U,K,-India Living Bridge (Business and Education). Honourable guests from London amongst others were Lord John Bird, Member of the House of Lords, Mr Nick Low, British Deputy High Commissioner, Kolkata and Mr Kevin McCole, Managing Director at UK India Business Council. Sri Biswanath Bhattacharyya, President, FOSMI and Sri Chandrakant Salunke, Founder President of SME Chamber of Commerce also addressed in the International Webinar. All the webinars evoked huge response from the various strata of the society.

It gives us immense pleasure that our Regions and Chapters came forward to join hands with us to observe MSME Month by hosting webinar in association with local chamber of commerce, trade associations.

In business environment characterized by uncertainty and turbulence, cost management becomes the crucial factor of a company's success and keeping and upgrading of its competitiveness. In an effort to create a successful business strategy that might respond to all challenges of modern environment, company management has to possess a quality database that could generate various information upon request.

Our idea for holding this Webinar on the various topics is to stimulate the MSME Entrepreneurs to think about the various aspects in this VUCA time when supply chain has been disrupted. For example, Concurrent Cost Management through Value Chain is to stimulate the MSME Entrepreneurs to think about the costs, position they take in the structure of price cost and their influence on forming the sales price since it is very important to produce right product for the consumer, of desired quality and functionality but along with as low production costs as possible. It is therefore needed to construct the right design of a product and provide its production at the shortest possible time along with as low costs as possible which will impact the efficiency of the entire value chain.

CMAs can support to MSMES, in ideation stage by preparing feasibility study, Project Planning and Initial compliances, DPR preparation. In Evolution Stage by Funds Syndication, Monitoring Project Progress, Timely Commencement of Business. In Growth Stage by system development& implementation, adoption of Management Techniques, Lean Manufacturing, Budgetary Control etc.

The Cost and Management Accountants can play a very effective role in facilitating MSMEs in the management of enterprise by advising and consulting MSMEs in various areas such as

- Adequate Flow of Credit by way of extending support through domain area cost management and financial management.
- Technology upgradation & Modernization
- Integrated Infrastructural Facilities
- Modern Testing Facilities & Quality Certification
- Modern Management Practices
- Entrepreneurship Development
- Product Development, etc.
- Welfare of Artisans & Workers
- Better access to Domestic and Export Markets
- Cluster-wise Measures

I wish to conclude my thoughts today by congratulating Team – BFSI including resource persons, Faculties and Advisor to our BFSI Deptt Sri B. Rajkumar for all their commitments and achievements. I acknowledge that the BFSI Department is inspired and committed, on behalf of the Institute to put in efforts to contribute positively in this field. I am thankful to all the Board Members of BFSI for their exemplary efforts in motivating and guiding the department.

Let us remain positive in our thoughts and hope that this pandemic will be over soon. I trust my message would find you safe and healthy. Any suggestion or a constructive criticism is always welcome.

With warm regards,

Date: 24th May 2021

Kolkata

CMA Chittaranjan Chattopadhyay
Chairman
Banking, Financial Services and Insurance Board
The Institute of Cost Accountants of India

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

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Contents

Message – *Director, MSME-DI, Nagpur*
Message – *President, Federation of Small & Medium Industries, WB*
Foreword – *President, ICAI*
Foreword – *Vice President, ICAI*
Message – *Chairman, BFSI Board, ICAI*

CREDIT OFFTAKE: CHALLENGES AND STRATEGIES
BY - CMA Suraj Prakash **PAGE – 1**

IMPORTANCE OF FINANCIAL PROJECTIONS IN 'CREDIT APPRAISAL PROCESS' OF BANKS
BY - CMA (Dr.) P. Siva Rama Prasad **PAGE – 6**

IMPROVING PROFIT OF MSME UNITS THROUGH PERFORMANCE MANAGEMENT
BY - CMA R Venkataramani **PAGE – 16**

MSMEs & THE CMAs
BY - CMA (Dr.) Sreehari Chava **PAGE – 20**

UNDERSTANDING MSME FROM 'GLOBAL TO LOCAL', THE PATH OF RE-DEFINING MSME TO PROGRESS INDIA, EASE OF DOING BUSINESS
BY - CMA M. Keerthan Krishna Sai **PAGE – 28**

EXPLORING OPPORTUNITIES FOR MSMES IN INDIA POST COVID 19: ROLE OF COST AND MANAGEMENT ACCOUNTANTS
BY - Arkajyoti Pandit **PAGE – 35**

"COVID-19 AND ITS IMPACT ON INDIAN MSMES"
BY - Thippeswamy K T **PAGE – 42**

MUDRA - A BONANZA FOR MICRO ENTERPRISES
BY - Dr. Inchara P M Gowda **PAGE – 47**

REPORTS OF WEBINAR ON MSME HELD ON APRIL 2021 **PAGE – 54**

CREDIT OFFTAKE: CHALLENGES AND STRATEGIES

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Ever since the outbreak of COVID -19 pandemic across the globe more than a year ago, almost all economies of the world have faced contraction in terms of GDP growth and India is no exception to it. Having seen the contraction of around 24% in Q-1 and 7.3% in Q-2, the negative growth trend has been arrested in Q-3 with a modest GDP growth of 0.4%.Overall Indian economy is expected to contract by around 8% in Financial Year 20-21.

The Government has taken various monetary, fiscal, non-fiscal, regulatory and other policy initiatives to boost consumption and demand to put economy back on the high growth trajectory apart from providing fiscal stimulus to the sectors which in the Govt's assessment needed them most.

Increase in the Government consumption expenditure is one of the crucial factor in economic revival or more appropriate to say reversal of negative growth. Barring Q-2 in which the Govt. consumption contracted by 17.5%, increase in Government consumption expenditure in Q-1 and Q-3 by 21.4% & 7.2% respectively and expected growth of 25% in Q-4 is going to aid the economy revival.Even the Pvt. Consumption which saw major decline of around 25% in Q-1 and over 8% in Q-2 has seen growth with reversal of the declining trend with a modest growth of 1% in Q-3. The expected growth of Govt. consumption expenditure by 25% in Q-4 & overall 8% in FY 20-21 will be one of the contributors in offsetting the impact of declining trend in private consumption expenditure which is expected to contract by 9% in Q-4 & overall by around 4% in FY 20-21.

The GDP growth Nos. of Q-3 indicate that while agriculture has grown by 3.9% , the services sector has contracted by 1% and Industry has grown by 2.7%. Even within the Industry, sub-sectors like manufacturing has grown by modest 1.6% after two consecutive declines of around 36% in Q-1 and moderate fall of 1.5% in Q-2. Inspite of expected overall growth of 3.6 % in Q-4 for Industry, manufacturing sector is likely to contract by about 8% in FY 20-21. Construction sector has also seen similar trend with a growth of over 6% in Q-3, after massive fall of over 49% in Q-1 and over 7% in Q-2 and is expected to show a negative growth of over 10% in FY 20-21. Mining continues to be in negative zone with contraction of 18%, 7.6% and around 6% in Q-1, Q-2 & Q-3 respectively. Even Q-4 is expected to contract by over 5% with overall contraction of over 9% in FY 20-21.

Services sector has also seen similar trend of contraction in all the three quarters with steep contraction of over 21% in Q-1 followed by contraction by over 11% & 1% in Q-2 & Q-3 respectively.

The reversal of trend in electricity, Gas, Water Supply etc in Q-2 & Q-3 with a growth of 2.3% and 7.3% respectively after degrowth of around 10% in Q-1 has been the positive factor.

It is important to note that Services and Industry individually have share of 55% & 30% in GDP respectively and collectively account for around 85% to 86% of total GDP and hence their growth is of great significance for overall economic growth.

Having seen the key GDP Nos. of services sector and industry sector including various sub segments of industries like manufacturing, electricity, construction etc, closer look at the gross bank credit to various sectors do not reveal a very encouraging trend. While Gross banking credit till Jan '21 in the current FY has grown by 2.5% as per RBI data, the banking credit for industry including Micro, small and medium and large has declined by 4.3%.

As regards bank credit growth, while Micro and small categories have seen a decline of 2.5%, medium has shown a healthy increase of over 25%. However, since Medium constitutes only 25% of total banking credit to Micro Small & Medium category, the over all impact on Micro, Small & Medium has been a growth of just around 4% to this segment.

However, notable aspect of Banking credit to large sector is that there has been a decline of around 5.8% upto Jan 2021 in current FY so far.

It is important to note that the large sector account for over 82% of total bank credit to Industry segment and this steep contraction in large sector has been instrumental in over all Bank credit to industry sector decline by 4.3% despite growth of around 4% in Micro, Small & Medium category.

Though these numbers may not be exactly comparable, however, just to draw parallel, it may be pertinent to note that overall share of Industry including Micro, Small & Medium & large in Bank credit is around 30% as on Jan 2021 while share of service sector stands at 28%, while the corresponding share of Industry & services in GDP stand at 30% and 55% respectively. Even though it may not be fully correct to make a one to one comparison in this regard, this assumes significance in the sense that any degrowth in Bank credit to industry & service sectors may have serious impact on performance of these sectors with consequential impact on economic growth.

It would be important to note that though in Q-3 industry segment per se has registered a modest growth in terms of GDP, overall decline in the Bank credit needs to be looked into and suitable measures are required to be taken to improve the trend. It is important to note that Bank credit to GDP ratio in India is lower than most of the major economies.

While Indian Bank credit to GDP ratio is hovering around 50% in last decade or so the Bank credit to private sector (taking an average of 2016 to 2018), in certain major economies has been much higher like Korea 146%, China 159%, Brazil 61%, Thailand – 113% , South Africa 66%, Turkey – 65% and Poland – 53%.

Growth of Bank credit is not only important from the perspective of growth of Banking sector but it is also important from the economic growth perspective & for overall growth of Industry & manufacturing as well. It is worth highlighting that the Industry, especially manufacturing sector needs strong bank credit support for not only sustaining its business operations but also for achieving targeted business growth plans to meet CAPEX for expansion & diversification needs and for meeting working capital requirements for sustained business operations. Hence continuous and adequate support from Banking sector to meet their fund requirements would go a long way in facilitating the manufacturing and other sector to not only achieve their ambitious growth plans but also help in contributing to economy growth in a big way.

Though the results of more than 3000 listed entities for Q-3 do indicate a positive trend in terms of growth in top line by around 5% and growth and EBIDTA and PAT by about 40% and 60% respectively, the corporate earnings and other parameters like top line and bottom line do not truly reflect the liquidity conditions of the corporate sector.

Industry has been facing serious liquidity issues with increased inventories, increased outstandings and consequential increase in requirements for working capital. The reasons for such distressed cash flow in Corporate sector especially manufacturing sector though varies from industrial segment to segment but is mainly attributable to various factors like distressed supply chain, lack of adequate growth & liquidity in entire supply chain, imbalanced inventory & non-saleable/convertible inventory due to supply chain disruptions & reduced liquidity at customer's end etc.

It is also observed that of late Banks have been taking ultra cautious approach in terms of lending as well as sanction of non fund based limits like BGs & LCs and other non fund based requirements. Insistence by many banks for margin money requirement where no such conditions were enforced earlier or increased margin money requirement for issuance of BG and other non fund based facilities are causing serious liquidity challenges impinging upon the capabilities of corporate sector in terms of achieving planned business growth requirements with severe impact on their liquidity position and consequential impact on top line and bottom line.

It is also felt by Corporates that insistence by Banks on one year claim period for all BGs is impacting their non fund based facilities and cost associated thereof. It is not out of place to mention here that in majority of the cases, customers i.e beneficiaries are not insisting for one year claim period & such policy insistence by Banks need to be relooked in the interest of Industry.

The growth of industry in terms of their top line and healthy liquidity positions with lowest possible cost of finance will go a long way in growth of industry and consequential economic growth and hence both being inter linked it would be important that such liquidity challenges are dealt with a positive & practical approach. It would be desirable that the banks shed their ultra cautious approach and take a more balanced and reasonable view especially considering the pandemic conditions and its severe impact on the industry causing severe supply chain disruption, cash flow issues across the industry and consequential impact on the growth of industry.

It is also pertinent to note that the Govt. as a policy initiative has made it mandatory for all public procuring entities including CPSEs to reduce the BG requirements towards performance security to around 3% primarily to ease the liquidity crunch being felt by the industry and at this moment when the Govt. has acknowledged the presence of such liquidity challenges and the need to address them and as such has come out with a policy initiatives to ease out the industry from liquidity crisis, support by banking sector in this regard by not insisting on margin money requirements and taking a more balanced & pragmatic approach instead of adopting an ultra cautious approach will help the industry significantly & will ultimately boost the bank credit growth.

It is also worth highlighting that while the Govt. has been focussing on Aatma Nirbhar Bharat Mission and has come out with several regulatory and policy initiatives to support this mission, the industry on their part has been working tirelessly towards this mission and many Companies especially CPSEs have chalked out short term to long term plans & strategic initiatives to achieve self reliance through various initiatives like increased indigenisation, import substitution, localization, increased domestic manufacturing base for achieving economies of scale through various measures like tie ups with foreign technology holders through JVs, technology licensing, licensed production, co-production, contract manufacturing etc. All these initiatives will require strong support from banks for various fund & non fund based requirements.

Under the above back drop, it is suggested that while the Companies are working on these initiatives by developing various workable & financially sound business models on these lines with significant impetus on Exports growth by identifying target foreign Countries and customers and target products. Banking sector can play a very proactive role by having a close interaction with these CPSEs, other Companies as well as other agencies directly or indirectly involved in growth of export markets, be it Administrative Ministry or various other bodies by assessing and identifying the key areas identifying and assessing likely issues & challenges requiring banking interventions and taking suitable measures required to address those issues so that the same could be identified and addressed well in advance so that such measures can be implemented timely in a smooth and hassle free manner. Some of such measures though could be small measures and operational level efforts but would go a long way in creating an atmosphere of proactive & positive approach not only among the industry but also among probable customers in the foreign countries including the Govt of Target Countries. Such measures as small as having a well established banking channel for issuance of various banking products and services like BGs, LCs, funding support to probable customers in foreign countries etc, would create a very healthy & conducive business environment apart from sending positive vibes among the customers especially when proactive efforts are being made to expand global footprint by foraying into newer market territories.

While looking for new customers especially in the new target countries, even smaller and operational level issues like non existence of well structured banking channel for providing such bank products not only entails huge cost but requires lot of time and energy in creating such channels through a network of Banks in different countries and be at times be viewed adversely by the probable customers and may have impact on the growth of business potential.

To sum up and conclude, the banking sector has to seriously ponder over some of the issues highlighted as discussed here in above, and also they have to engage with different industries to understand their issues and address them at the earliest to boost credit offtake.

IMPORTANCE OF FINANCIAL PROJECTIONS IN 'CREDIT APPRAISAL PROCESS' OF BANKS

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There are Two important aspects to mitigate the '**Credit Risk**' of Commercial Banks Loans and Advances are:

- ≈ Accuracy of 'Business / Financial Projections' submitted by the Borrowing Units / Firms.
- ≈ 'End Use of Funds' provided by the Banks to the Borrowing Units / Firms.

These TWO aspects play a vital role in '**Credit Management Process**' i.e., First one is in 'Pre-sanction' Process and Second one is 'Post-sanction' Process of Credit Management.

Factors contributing to arrive the Financial / Business Projections of borrowing Units / Firms are:

- ✓ **Key Factors** availability like Raw Material, Labour, Capital etc.
- ✓ Plant Capacity **Utilisation**.
- ✓ **Economic & Political** Conditions of Business Place.
- ✓ Customer **Income Levels** and their **Satisfaction** of the Products / Services.
- ✓ **Demand and Supply** of the Product / Services in the Market.
- ✓ **Price and Quality** of the Products / Services.
- ✓ **Number of Players** in the Market and Market Share of the Products / Services.
- ✓ Budget Allocation for each **Product / Service** etc.

The above are few important factors to arrive the Business / Financial Projections.

While processing 'Loan Proposals' by the Banks, Financial Projections submitted by the borrowers / borrowing units or firms are to be checked or verified the accuracy. So that Banks can arrive the exact funds requirements of borrowing units for 'Working Capital and Term Loans'. Otherwise, it leads to either 'Excess or Short Finance' to the borrowing units / firms. Thereby it leads to 'Credit Risk' of the Banks.

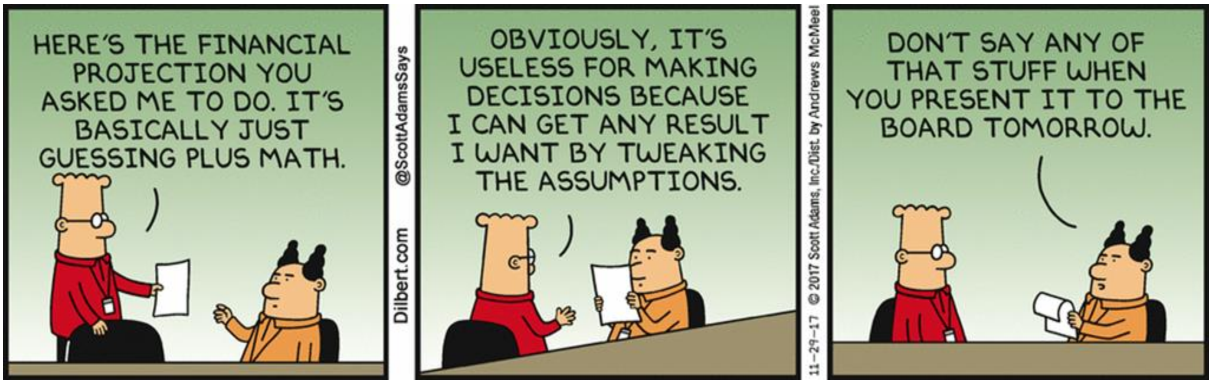
Based on the Business / Financial Projections of the borrowing units / firms, the following financial statements are prepared by the borrowing units:

- ✓ Estimated Profit and Loss Accounts for next 3 or 5 Years.
- ✓ Estimated Balance Sheet for next 3 or 5 Years.
- ✓ Estimated Funds Flow Statements for next 3 to 5 Years.
- ✓ Estimated Cash Flow Statements for next 3 to 5 Years.
- ✓ Twelve Months Cash Budget for the Current Year etc.

Decision to sanction or not to sanction the business loans extend by the Banks to the Business Firms / Organizations based on the Financial Projections or Business Projections submitted by the borrowing units / firms. And these are to be thoroughly checked by the Banks to mitigate the Credit Risk of Bank Loans and Advances.

Based on Business / Financial Projections, Economic Viability of the borrowing Unit, Repayment Capacity of Term Loans and Working Capital requirement of borrowing units are to be arrived by the Banks.

If projections are incorrect, it leads to either Excess or Short finance to the borrowing Units / Firms. Excess Finance leads to diversification of funds and short finance leads to liquidity problem of the Business firms / units. End result of these aberrations increases the 'Credit Risk' of the Commercial Banks.



For Example: The quantum of annual production can be estimated on the basis of the **Capacity Utilization** assumed as a Percentage of Installed Capacity envisaged over the Year. This should be refined for accuracy with reference to the number of shifts per day, the number of working days per year and the pattern of capacity utilization assumed over the years.

With the Estimation of the Quantum of goods to be produced and sold, the gross sales value should be arrived at on the basis of the **Selling Price Per Unit** assumed realistically in terms of the past trend or prevailing market prices and the likely future trends.

In the case of By-products, examine whether the estimated percentage of their quantum to total production is in accordance with the Ratio envisaged in the Technical Process design and whether the selling price assumed is reasonable.

If scraps / rejects are envisaged in the production process, the estimated percentage of their quantum total production should be critically examined with a view to ensuring that it is not excessive. The Selling Prices of scraps / rejects should be assumed very conservatively.

Key Factors to arrive the Business / Financial Projections are:

a) **Materials Consumed:** The Quantities of raw materials, components, packing materials and consumable stores required will depend upon the levels of production.

An accurate countercheck is to reduce the consumption factors to a given unit of finished product and then work out the quantum of materials required in relation to the total levels of production assumed, after allowing for wastage, rejection and process loss. The assumption in regard to the input costs of the materials should be cross-checked with reference to the quality required of the various materials, their prevailing price levels and the future price trend. The cost of materials consumed may be expressed as a percentage of production value and compared with the input cost structure of similar units to see that it is in tune with the industry trend.

b) **Utilities (Power, Water and Fuel):** The assumption in regard to the costs of power and fuel should be cross-checked with reference to the current rates / special rates with due adjustments for likely future revisions.

c) **Wages and Salaries:** Wages and salaries assumed should be realistic, having regard to the prevailing rates in the locality of the project and the qualification / experience required of each category of personnel. It is normal to provide for a yearly increase to the extent of about 20% on wages, salaries and bonus, provident fund and ESI contributions and about 5% on annual increments.

d) **Factory Overheads:** The estimates in respect of repairs and maintenance charges should be cross-checked with reference to the basis indicated by the technical collaborators or the suppliers of plant and machinery and compared with the position obtaining in similar units in the same industry. The estimates should provide for progressively increasing rates as the plant becomes older. The estimates in respect of rent, rates and taxes, insurance on factory assets and miscellaneous factory expenses should be examined item by item to see that they are accurate.

e) **Depreciation:** Companies have the freedom to choose either the written down value method or the straight-line method for writing off depreciation in the profit and loss account. However, whichever method is chosen, it should be used consistently for appraisal purposes. The rates at which depreciation provision has been estimated for the various items should be verified to ensure that they are in conformity with those allowed under the various Statutory Acts in force from time to time.

Where a portion or whole of the preliminary / pre-operative expenses / interest is allowed to be apportioned over the fixed assets and capitalised, examine whether the relative depreciation provision is adequate and in accordance with the legal provisions.

f) **Selling Expenses:** Selling expenses should be scrutinized under two heads, viz., sales expenses and distribution expenses. Sales expenses are the expenses incurred on sales promotion and after-sales service (if provided) and will include advertising costs, display costs, salesman's salaries, commission and expenses incurred (subsequent to the production of finished goods) in storing and despatching them to the customers. The warehouse wages and salaries, packing expenses, loading expenses, upkeep and running expenses of delivery vehicles, etc. will also form part of the selling expenses. As a counter-check, the total of selling expenses of the company should be compared with the percentage trend obtaining in similar units in the same industry and its own past record to see whether it is reasonable and acceptable.

g) Financial Expenses: Financial expenses, will consist of

Interest payable on debentures, term loans and deferred payments and commission payable for the issue of the deferred payment guarantee (DPG) and

- ✓ Interest and other charges payable on working capital and other short-term borrowings, deposits, etc.

- ✓ The estimates in respect of financial expenses should be cross-checked for accuracy with reference to the following:

    - The rates of interest applicable to the different series of debentures;
    - The rates of interest quoted by banks / financial institutions for their respective term loans (interest calculations being made on the basis of outstandings under the term loans taking into account the envisaged repayment of instalments in each year);
    - The interest components of instalments repayable over the years under deferred payment arrangement and the commission payable for the issue of the DPG;
    - The rate of interest applicable to the working capital limits (interest calculation being made on the basis of the expected average level of utilisation over the year); and
    - The rates of interest applicable to the different types of short-term borrowings / maturities.

h) Administrative Expenses: The administrative expenses are those incurred in managing the business in all its aspects and will include directors' salaries and fees, salaries of administrative staff, administrative office expenses, rent, rates and insurance, lighting, heating, air-conditioning and cleaning of office premises, repairs and maintenance of office buildings, stationery, printing postage and telephone charges, legal expenses audit fees etc.

'Administrative Expenses' as a percentage of 'Net Sales' should reflect a smooth trend over the year (without showing large upward variation in any year).

i) Royalty and Know-how: If royalty / know-how fees are payable on a recurring basis, verify the relative provisions in the collaboration agreement or the technical consultancy agreement, as the case may be, to ensure that the amounts estimated as payable are according to the stipulated rates.

j) Preliminary / Pre-operative Expenses: Preliminary / pre-operative expenses up to a stipulated percentage of the cost of a project are allowed to be amortised in equal yearly instalments over a period of 10 years. Examine whether the proposed scheme of amortisation of the preliminary / pre-operative expenses is in accordance with the extant Income Tax Rules etc.

k) **Taxation:** As taxation has an impact on the net profit and through it on the cash accruals available for meeting the maturing term obligations, it is essential that tax liability is accurately forecast, after taking into account the benefits, concession and investment allowance / other allowances / rebates (if any) available as per Income Tax / GST Rules in force from time to time, and the tax holiday benefits, if applicable.

Profitability: After a thorough scrutiny of the estimates of Cost of Production and Profitability in the light of the economic parameters circumscribing the project as stated above, furnish the resultant projections and a brief summary thereof in the body of the Appraisal Memorandum as under:

Particulars	1st Year	2nd Year	3rd Year, Etc.
(i) Cost of Production and Profitability			
a) Gross Sales			
b) Net Sales			
c) % Increase over the Previous Year			
d) Production Value			
e) Materials Consumed			
f) All other Expenses except Depreciation			
g) Depreciation			
h) Profit before Tax			
i) Provision for Tax			
j) Profit after Tax			
(ii) Turnover / Profitability Parameters			
a) Gross Sales / Total Working Funds			
b) Materials consumed, Item(e) above, as a percentage of Production Value			
c) All other expenses, Items (f) and (g) above, as percentage of Production Value			
d) Profit before Tax / Production Value			
e) Profit before interest and Tax / Total Working Funds			

Explanatory Notes:

1. Production Value = Net Sales **plus** Closing Stocks-in-process and Finished goods **minus** opening stocks-in-process and finished goods.

2. Profit Before Tax will include investment allowance / other allowance / rebates which, although charged to the Profit and Loss account, are not expenses as such.

3. Total Working Funds = Average of the Previous Year's and Current Year's balance sheet totals (**Minus** Intangible Assets, if any).

Cross Checks: The ratio of gross sales to total working funds will indicate the efficiency of operations in terms of the number of times the total working funds have been turned over during the year. The turnover would depend on the nature of the industry and the industry average could be deemed as the guiding factor for judging whether the turnover ratio in respect of a particular project is satisfactory.

The percentage of

(i) Materials consumed and
(ii) All other expenses respectively to production value should reflect a smooth trend over the years.

Any abnormality observed in the trend of the percentage of materials consumed to production value should be examined carefully to ascertain the reasons therefor. Abnormal increases in the percentage of all other expenses to production value should be examined in detail by breaking down the expenses to utilities, factory overheads, selling expenses, financial expenses and other miscellaneous expenses and expressing them individually as a percentage to production value. By this process, the categories of expenses contributing to the abnormal increase in the percentage should be pinpointed and the reasons therefor ascertained to ensure that they stem from genuine factors and are acceptable.

The ratio of 'profit before tax' to 'production value' and state whether it is satisfactory in the light of the performance of similar units in the same industry. The purpose of the ratio of profit before interest and tax to total working funds is to ascertain the remuneration earned on the total funds. The level of this ratio could be deemed satisfactory where it gives a reasonable rate of return having regard to the prevailing pattern of yields on riskless investments (such as bank deposits) plus an extra return commensurate with the nature of risk involved in the venture.

Finally, whether the profit after tax as arrived at above is realistic and achievable by making a reference to the general level of profitability and the experience of similar units in the same industry.

Conclusion: As Cost and Management Accounts (CMAs) ascertains the accuracy of Cost Accounting records to ensure that they are in Conformity with Cost Accounting Principles, Plans, Procedures and Objectives etc. they are **more suitable to arrive or verify or Certify the Business / Financial Projections of the Business Units / Firms**.

As present CMAs are authorised to verify and certify the Cost Records of **6 Regulated Sectors** (Annexure-I) and **33 Non-regulated Sectors** (Annexure-II) of various Industries / Sectors / Products / Services. If 'Commercial Banks' utilize the services of Cost Accountants to verify / certify the Business / Financial Projections of 'Various Credit Proposals', **it not only Mitigates the 'Credit Risk' of the Banks but also it 'Enhances the Quality of Credit'** of Commercial Banks 'Loans and Advances'.

Regulated Sectors

(Annexure-I)

No.	Industry / Sector / Product / Service
1	Telecommunication Services made available to users by means of any transmission or reception of Signs, Signals, Writing, Images and Sounds or intelligence of any nature and regulated by the Telecom Regulatory Authority of India under the Telecom Regulatory Authority of India Act, 1997 (24 of 1997); including activities that requires Authorisation or license issued by the Department of Telecommunications, Government of India under Indian Telegraph Act, 1885.
2	Generation, Transmission, Distribution and Supply of Electricity regulated by the relevant regulatory body or authority under the Electricity Act, 2003 (36 of 2003).
3	Petroleum Products; including activities Regulated by the Petroleum and Natural Gas Regulatory Board under the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006).
4	Drugs and Pharmaceuticals.
5	Fertilisers.
6	Sugar and Industrial Alcohol.

Non-Regulated Sectors

(Annexure-II)

No.	Industry / Sector / Product / Service
1	Machinery and Mechanical appliances used in Defence, Space and Atomic Energy Sectors excluding any Ancillary item or items. Explanation: For the purposes of this sub-clause, any company which is engaged in any item or items supplied exclusively for use under this clause, shall be deemed to be covered under these rules.
2	Turbo Jets and Turbo Propellers.
3	Arms and Ammunitions and Explosives.
4	Propellant Powders; Prepared Explosives (other than Propellant Powders); Safety fuses detonating fuses; Percussion or Detonating Caps; Igniters; Electric Detonators.
5	Radar Apparatus, Radio Navigational aid apparatus and Radio remote control apparatus.
6	Tanks and other Armoured fighting Vehicles, motorised, whether or not fitted with weapons

	and parts of such vehicles, that are funded (investment made in the company) to the extent of ninety per cent, or more by the Government or Government Agencies.
7	Port Services of Stevedoring, Pilotage, Hauling, Mooring, Re-mooring, Hooking, Measuring, Loading and Unloading services rendered for a Port in relation to a Vessel or Goods regulated by the Tariff Authority for Major Ports under the Major Port Trusts Act, 1963 (38 of 1963).
8	Aeronautical Services of Air Traffic Management, Aircraft Operations, Ground Safety Services, Ground handling, Cargo facilities and Supplying fuel rendered at the Airports and regulated by the Airports Economic Regulatory Authority under the Airports Economic Regulatory Authority of India Act, 2008 (27 of 2008).
9	lron and Steel.
10	Roads and other Infrastructure Projects Corresponding to para-No. (1) (a) as Specified in Schedule VI of the Companies Act, 2013 (18 of 2013).
11	Rubber and Allied products; including Products regulated by the Rubber Board constituted under the Rubber Act, 1947 (XXIV of 1947).
12	Coffee and Tea.
13	Railway or Tramway Locomotives, Rolling Stock, Railway or Tramway Fixtures and Fittings, Mechanical (Including Electro Mechanical) Traffic Signalling Equipment's of all kind.
14	Cement.
15	Ores and Mineral products.
16	Mineral Fuels (other than Petroleum), Mineral | Oils etc.
17	Base Metals.
18	Inorganic Chemicals, Organic or Inorganic Compounds of Precious Metals, Rare-earth Metals of Radioactive Elements or Isotopes, and Organic Chemicals.
19	Jute and Jute Products.
20	Edible Oil.
21	Construction Industry as per para-No. (5) (a) as specified in Schedule VI of the Companies Act 2013 (18 of 2013).
22	Health Services, namely functioning as or running Hospitals, Diagnostic Centres, Clinical Centres or Test Laboratories.

23	Education Services, other than such similar services falling under Philanthropy or as part of Social Spend which do not form part of any Business.
24	Milk Powder.
25	Insecticides.
26	Plastics and Polymers.
27	Tyres and Tubes.
28	Pulp and Paper.
29	Textiles.
30	Glass.
31	Other Machinery and Mechanical Appliances.
32	Electricals or Electronic Machinery.
33	Production, import and supply or trading of following medical devices, namely: i. Cardiac Stents. ii. Drug Eluting Stents. iii. Catheters. iv. Intra Ocular Lenses. v. Bone Cements. vi. Heart Valves. vii. Orthopaedic Implants. viii. Internal Prosthetic Replacements. ix. Scalp Vein Set. x. Deep Brain Stimulator. xi. Ventricular Peripheral Shud. xii. Spinal Implants. xiii. Automatic Impalpable Cardiac Defibrillators. xiv. Pacemaker (Temporary and Permanent). xv. Patent Ductus Arteriosus, Atrial Septal defect and Ventricular Septal Defect Closure Device. xvi. Cardiac Re-synchronize Therapy. xvii. Urethra Spinicture Devices. xviii. Sling Male or Female. xix. Prostate Occlusion Device and xx. Urethral Stents.

IMPROVING PROFIT OF MSME UNITS THROUGH PERFORMANCE MANAGEMENT

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Preamble:-

Costing is a necessity for MSME units for both survival and growth. At the same time, the units may not be able to employ a full time CMA or maintain a full-fledged costing system. However, there is a possibility of bridging the gap with available information from the system records to have a costing system which can bring them multiple benefits. Probably they can consult a CMA on a periodical basis, say monthly or quarterly and benefit from his knowledge to improve the profitability of their business. Consulting CMAs should also understand the limitations as well as opportunities available in the unit and help the management to improve the bottom line without suggesting full-fledged costing systems.

ISO 9000 system:-

MSME units supplying components to large units as well as to consumers directly are forced to go for ISO 9000 certification. Since it is a customer requirement, there is no other option for MSMEs except obtaining a certification under ISO. The amount of information generated in the quality management systems as per ISO requirements is enormous. Most of these information are of non-monetary nature originated from the shop floor from the field level staff, the importance of which they may not know. However they are most vital information from both management as well as customer perspective. Apart from annual audit under ISO frame work, customers of the company also go through these information on periodical basis and satisfy themselves that the information is captured perpetually and proper procedures as per ISO systems are followed internally to ensure that quality of the products are as per their requirements. ISO 9001 -2015 is currently prevailing certification system and the same has gone through several improvements over the previous systems. Big customers of MSME units generally insist the certification done by reputed international organizations such as TUV Germany, BVQI France etc. so that the audit is not just an annual formality but carries credibility. There are several certifications available under ISO and ISO 9001-2015 is the basic certification on quality management which most of the MSMEs obtain to satisfy their clients.

CMAs role:-

CMAs are experts in both financial and non-financial information. They can make use of relevant financial information from the statutory financial accounting records and at the same time collect non-financial information from the ISO records. Combining these two, they can work towards improvement of performance with increased profits benefitting the entire organisation. MSME businesses are mostly organised as unlisted companies or partnerships or proprietorship firms. Business promoters have to pledge their dream houses or family jewels to get loans from banks. If they don't run their unit efficiently, they will lose their savings. Profit is a necessity for any private enterprise particularly MSME units and CMAs can play a vital role in improving the profits on perpetual basis.

Overall Equipment Effectiveness (OEE):-

A simple mathematical formulae is available for performance measurement which is easy to adopt. Necessary information is available in the ISO records.

Overall equipment effectiveness (**OEE**) is a measure of how well a manufacturing operation is utilized (facilities, time and material) compared to its full potential, during the periods when it is scheduled to run. It identifies the percentage of manufacturing time that is truly productive. An OEE of 100% means that only good parts are produced (100% *quality*), at the maximum speed (100% *performance*), and without interruption (100% *availability*).

Measuring OEE is a manufacturing best practice. By measuring OEE and the underlying losses, important insights can be gained on how to systematically improve the manufacturing process. OEE is an effective metric for identifying losses, bench-marking progress, and improving the productivity of manufacturing equipment (i.e., eliminating waste)

The OEE of a manufacturing unit are calculated as the product of three separate components:

- **Availability:** percentage of scheduled time that the operation is available to operate. Often referred to as Uptime.
- **Performance:** speed at which the Work Centre runs as a percentage of its designed speed.
- **Quality:** Good Units produced as a percentage of the Total Units Started. It is commonly referred to as the First Pass Yield (FPY).

OEE = Availability x Performance x Quality
OEE is non-monetary performance measure which could be calculated making use of the information available from ISO records.
OEE could be calculated for each machine, a production line as well as the entire production facilities.

CMAs can convert the same in financial terms using simple marginal costing principles. A simple calculation of a particular production line is listed below.

In the following calculations only material is taken as variable cost and all other costs have been treated as fixed costs.

Increasing profits through Performance Improvement.					
Capacity of a production line				**60**	**units per hour**
Selling Price				**300**	**Rs per unit**
Raw Material Cost				**225**	**Rs per unit**
Contribution				**75**	**RS per unit**
Number of hours per day				**16**	
OEE	**Units produced**	**Total contribution**	**Fixed costs**	**Profit**	
70%	**672**	**50400**	**40000**	**10400**	
75%	**720**	**54000**	**40000**	**14000**	
80%	**768**	**57600**	**40000**	**17600**	
85%	**816**	**61200**	**40000**	**21200**	

It could be seen from the above, profit doubles just by improving the OEE. From the same production line by improving quality, availability and performance, the profit increases from Rs 10,400 per day to Rs 21,200 per day which is a huge benefit for the MSME unit. Since we are not going to incur any additional fixed cost such as labour, factory space, electricity etc, only material is assumed as the variable cost in the above calculations.

Incidentally we are fixing and measuring performance of all the individuals responsible for quality, productivity, maintenance etc and those who drag the performance could be identified and pulled up. Once we bring out the losses of non-performance in financial figures, both top management as well as the concerned people responsible will be forced to perform.

As mentioned earlier, this is just for one production line calculation and if the unit has multiple production lines, the same logic could be used for each production line. Also each production line will have multiple machines and OEE could be calculated for each machine. It is possible that one or two machines in a particular production line will drag the performance of entire production line and the same could be identified & corrected to improve overall performance of the entire line.

Role of CMAs should be focused on performance improvement of each and every equipment at micro level to overall performance improvement of the entire unit.

International benchmarks of OEE for every segment of the industry are available and the same could be obtained from relevant industry associations. For example if 85% OEE is the international benchmark for a particular industry, the same or above this benchmark level has to be aimed at the individual unit.

Conclusion:-

At present there is a big gap between CMAs and MSME units. The gap could be bridged provided both the above make themselves flexible in their approach. MSME business owners will definitely engage CMAs if they show them that profits could be improved from existing facilities by making use of the available information. Mindsets of MSME units are to focus on performance and are very much allergic to statutory compliance areas. CMAs should also understand the mindset of MSME practicing area focussing on performance improvement and other decision support areas. It will be a mutually beneficial association for both if improving profit is the goal.

MSMEs & THE CMAs

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01.00 MSMEs

It is an established fact that Micro, Small and Medium Enterprises (MSMEs) have emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. The sector contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating large employment opportunities at comparatively lower capital cost, next only to agriculture.

The primary responsibility of promotion and development of MSMEs is that of the State Governments. However, the Government of India, supplements the efforts of the State Governments through various initiatives. In this direction, a number of statutory and non-statutory bodies work under the aegis of the Ministry of MSME which includes:

(i) The Khadi and Village Industries Commission (KVIC)
(ii) The Coir Board
(iii) National Small Industries Corporation (NSIC)
(iv) National Institute for Micro, Small and Medium Enterprises (NIMSME)
(v) Mahatma Gandhi Institute for Rural Industrialisation (MGIRI).

The Ministry of MSME, also, runs various schemes aimed at financial assistance, technology assistance and up-gradation, infrastructure development, skill development and training, enhancing competitiveness and market assistance of MSMEs.

Such is the statutory support provided to this sector that in case of delay in payment beyond 45days, MSEs suppliers may approach the Micro and Small Enterprises Facilitation Council (MSEFC) constituted under the MSMED Act in all State/UTs. The legislative provisions, in such instances, stipulate that delayed payment to supplier units attracts compound interest with monthly interests at three times of the bank rate notified by the Reserve Bank.

Under the Atmanirbhar Bharat Abhiyaan, the MSME sector has not only been given substantial allocation but has also been accorded priority in implementation of the measures to revive the economy.

02.00 MSME Potential

The MSME sector in India is exceedingly heterogeneous in terms of size of the enterprises and variety of products and services, and levels of technology employed. MSMEs are complementary to large industries as ancillary units and contribute significantly in the inclusive industrial development of the country. The MSMEs are widening their domain across various sectors of the economy and cater to the demands of domestic as well as global markets. The economic potential of the MSMEs may be gauged by the Gross Value Added (GVA) by them over the years. The data relating to the trend of GVA of Indian MSMEs for the period from 2011-12 to 2018-19 are tabulated as table 1.

Table 1: Trend of GVA of Indian MSMEs

Year	GVA			Rate of Growth (%)	
	MSME (Rs. Lakh Crore)	India (Rs. Lakh Crore)	MSME % to India	MSME	India
2011-12	25.83	81.07	31.86		
2012-13	29.78	92.03	32.36	15.27	13.52
2013-14	33.43	103.63	32.26	12.27	12.61
2014-15	36.58	115.04	31.80	9.43	11.01
2015-16	40.60	125.75	32.28	10.97	9.30
2016-17	45.02	139.65	32.24	10.90	11.06
2017-18	50.86	155.13	32.79	12.98	11.08
2018-19	57.42	171.40	33.50	12.88	10.49

MSMEs have, evidently, been contributing around one third of the Indian GVA continually. Another salient feature that comes to the fore is that, except for 2014-15, the growth rate of the GVA of the MSME sector is fairly higher than that of the Indian economy on a consistent basis. The rational inference that may be drawn, here, is that focus on MSMEs would facilitate augmentation of Indian GVA.

As per the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation during the period 2015-16, there were 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities comprising 196.65 lakh in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission, 230.35 lakh in Trade and 206.85 lakh in Other Services. Table 2 provides the locational distribution of these MSMEs.

Table 2: Locational Distribution of the MSMEs (Figures in lakhs)

Category	Rural	Urban	Total	Share (%)
Micro	324.09	306.43	630.52	99.47
Small	0.78	2.53	3.31	0.52
Medium	0.01	0.04	0.05	0.01
Total	324.88	309.00	633.88	100.00
Share (%)	51.25	48.75	100.00	

The table throws up the facts that out of 633.88 lakhs, Micro sector accounts for 99.47% (630.52 lakh enterprises); Small sector for 0.52% (3.31 lakh) and Medium sector 0.01% (0.05 lakh) of the total. Further, 51.25% (324.88 lakh) of MSMEs are located in rural areas and 48.75% (309 lakh) are in urban areas.

Apparently, the sector-wise distribution of the MSMEs is concerted on micro units whereas locational distribution appears to be fairly balanced between the rural and urban areas. It is also reported that 95.98% (608.41 lakh) MSMEs were proprietary concerns.

MSMEs have been providing huge employment across the country. The data relating to the employment in MSME are furnished table 3.

Table 3: Employment in MSMEs

Category	Rural (Lakhs)	Urban (Lakhs)	Total (Lakhs)	Share (%)	Employees per unit
Micro	489.30	586.89	1076.19	96.96	1.71
Small	7.88	24.07	31.95	2.88	9.65
Medium	0.60	1.15	1.75	0.16	35
Total	497.78	612.11	1109.89	100.00	1.75
Share (%)	44.85	55.15	100.00		
Employees per unit	1.53	1.98	1.75		

As may be seen from the table, Micro sector with 1076.19 lakh employees accounts for 96.96%; Small sector with 31.95 lakh accounts for 2.88% and Medium sector with 1.75 lakh accounts for 0.16% of the total. Location wise, 44.85% (497.78 lakh) are employed by the rural MSMEs and 55.15% (612.11 lakh) are employed in the urban units.

The average number of employees per unit works out to 1.71 for the micro units, 9.65 for small units, 35 for medium sector, and 1.75 in the overall. Location-wise, the employees per unit work out to 1.53 for rural units and 1.98 for urban units.

It goes without saying that Micro, Small & Medium Sector has the potential to strengthen the socio-economic growth of the nation by providing solution to the unemployment problem of the country at local level which will reduce the population load at megacities. This will, also, enable lessening the inequalities between the geographical areas in terms of economic imbalances. In addition, the sector holds the potential to grow at a faster pace.

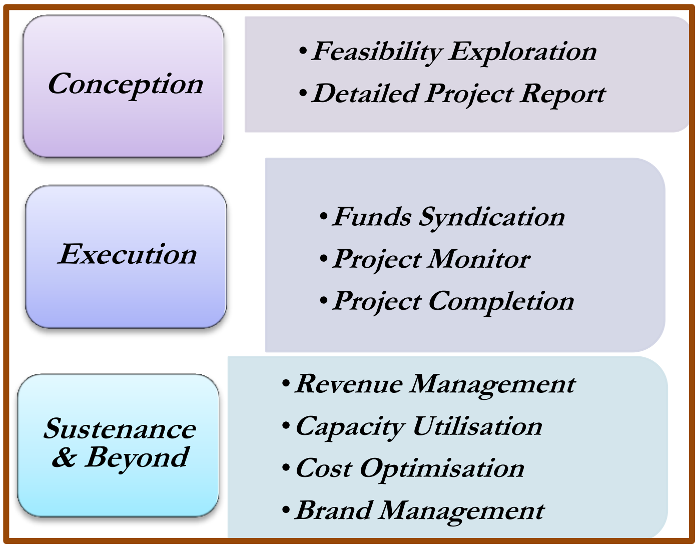
03.00 CMA Competency

The fraternity of CMAs has been tuned to facilitate prudent deployment and optimum utilisation of the entrepreneurial resources. CMA computations take forward the financial analysis by introducing cost classification and segregating costs into convenient categories. The enshrined objective is ascertainment of the unit costs with reasonable accuracy for the purpose of cost analysis, cost control and value maximisation.

Over the decades, various methods of cost computing were evolved with a view to fill the needs of the manufacturers and service providers. The list reads on like Job Costing, Batch Costing, Contact Costing, Process Costing, Operating Costing, etc. Different methods are adopted for different industries. Even a combination of the methods is chosen as is needed.

Simultaneous to the methods, multiple techniques of Cost Management too have come up. Marginal Costing, Budgetary Control, and Standard Costing may be mentioned as vital techniques that can be adopted conveniently by the small and Medium Enterprises. In addition, Cost Strategies such as Target Costing, Lean Manufacturing, Financial Reengineering and Cost Leadership have also been evolved to pave the way for competitive advantage.

The CMA approach embraces the whole of the life cycle of a project, process, product, service, and so on. It tracks the entire flow of activities from 'Cradle to Cradle' mapping and wrapping the movements from one generation to the next and so forth. The process covers the entire gambit of Project Conception, Project Execution, Project Sustenance, and beyond. The onward momentum is incessant and perpetual.



Any of the methods, techniques, systems and strategies adopted by the CMA fraternity focuses and targets four vital quadrants comprising:

(i) **Revenue Management** that **refers** to all those activities that are adopted by an enterprise in pursuit of augmenting the revenue inflows from the existing pool of resources. The process includes revenue maximisation measures across various streams as also control measures that arrest revenue leakages.

(ii) **Capacity Optimisation** that refers to rediscovering the hidden potential of the existing resources with a view to optimise the outputs. Resources, in this context, pervade physical such as infrastructure facilities; human such as employees; and financial such as capital employed.

(iii) **Cost Synergy** that reflects the Synergic Impact arising from the chain of Cost Management Activities carried out, in cohesion, during the course of Value Addition. The idea is on looking beyond any of the Cost Management Activities singularly; and targeting for an integrated unidirectional approach that would foster a synergic impact from the combination.

(iv) **Brand Positioning** that reflects the strategic ranking awarded to the entity by the basket of stake holders. In other words, Brand Positioning reveals the superior acclamation of the enterprise over its competitors. No need to mention that Brand is the unique output that keeps stakeholders bonded to the enterprise.

In the end, CMA Competency is organisation centric. It is an enabler for the organisation as a whole. The perspective is for the long term with unidirectional goal congruence. The CMA approach may be demonstrated by analysing certain figures relating to Khadi and Village Industries.

04.00 Khadi and Village Industries

Khadi and Village Industries is an active segment of the micro enterprises. Its activities are the primary source of livelihood for rural and urban people who largely include Spinners, Weavers and other Artisans spread across the country.

Khadi activity is considered as a potential tool for creation of employment opportunities at the doorstep of rural artisans at a very low capital investment. Immediately after independence, Khadi and Village Industries productivity became the grand symbol of nationalism. As such, Khadi came to be known not just a piece of cloth, but as a symbol of freedom and self-reliance.

Village Industries comprise six different sectors, viz.:

(i) Agro Based and Food Processing Industry
(ii) Mineral Based Industry

(iii) Wellness & Cosmetics Industry
(iv) Hand Made Paper, Leather and Plastic Industry
(v) Rural Engineering and New Technology Industry
(vi) Service Industry

Khadi & Village Industries Commission (KVIC) has been identified as one of the major organizations in the decentralized sector for generating sustainable non-farm employment opportunities in rural areas at a low per capita investment. It undertakes activities like skill improvement, transfers of technology, research & development, marketing, etc., and helps in generating employment / self-employment opportunities in rural areas.

Khadi and Village Industries (KVI) programmes are implemented through 34 State / Union Territories (UTs), Khadi and Village Industries Boards (KVIBs); and Registered KVI Institutions. Table 4 provides the data relating to the Khadi and Village Industries for the last five years.

Table 4: Performance of Khadi and Village Industries

Serial	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
I	Khadi Sector					
	Production (Rs. Crore)	1521	1627	1963	2324	2104
	Sales (Rs. Crore)	2147	2510	3215	4211	3857
	Employment (Lakhs)	4.56	4.65	4.96	4.97	5.00
2	Village Industries					
	Production (Rs. Crore)	41110	46455	56167	65343	76582
	Sales (Rs. Crore)	49992	56672	71077	84664	101307
	Employment (Lakhs)	131.84	135.71	142.03	147.76	154.12
3	Total					
	Production (Rs. Crore)	42631	48081	58130	67667	78686
	Sales (Rs. Crore)	52138	59182	74292	88876	105163
	Employment (Lakhs)	136.40	140.36	146.99	152.73	159.12

The data in the table reveal that as of 2016-17, the sector accounted for Rs.42,631 crore of production, Rs.52,138 crore of sales and employed human resources of 136.40 lakhs. By 2020-21 the performance has moved up to Rs.78,686 crore of production, i.e. an increase of 84.57% over the years; Rs.1,05,163 crore of sales i.e. an increase of 101.70% and an employed human resources of 159.12 lakhs, i.e. an increase of just 16.66%.

The growth in relation to production and sales appear to be fair and reasonable. However, the growth in employment is comparatively very low.

The analysis may be taken forward by computing the Key Performance Indicators (KPIs) of Production per Employee and Sales per Employee year-wise and segment-wise. The data so computed, in terms of performance per employee, is furnished as table 5.

Table 5: Performance per Employee of Khadi and Village Industries

Serial	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	Production per employee (Rs.)					
	Khadi Sector	33352	34982	39583	46765	42080
	Village Industries	31182	34231	39546	44222	49690
	Total	31254	34256	39547	44305	49451
2	Sales per employee (Rs.)					
	Khadi Sector	47075	53983	64821	84734	77130
	Village Industries	37918	41760	50044	57299	65732
	Total	38224	42165	50542	58191	66091

It may be observed from the table that production per employee for Khadi Sector has gone up by 26.16% (i.e. from Rs.33,352/- in 2016-17 to Rs.42,080/- in 2020-21); by 59.35% (i.e. from Rs.31,182/- in 2016-17 to Rs.49,690/- in 2020-21) for village industries; and the overall aggregate movement being 58.22% (i.e. from Rs.31,254/- in 2016-17 to Rs.49,451/- in 2020-21).

Sales per employee for Khadi Sector has gone up by 63.84% (i.e. from Rs.47,075/- in 2016-17 to Rs.77,130/- in 2020-21); by 73.35% (i.e. from Rs.37,918/- in 2016-17 to Rs.65,732/- in 2020-21) for village industries; and the overall aggregate being 72.90% (i.e. from Rs.38,224/- in 2016-17 to Rs.66,091/- in 2020-21).

The evidence is that per employee performance of village industries is better on both the fronts, i.e. production and sales, in comparison to khadi sector. However, the difference between the two sectors in per employee performance of sales is lower.

A fair assumption is that the excess of sales per employee over production per employee reflects the 'Net Value Addition (NVA) per Employee'. Accordingly, the NVA per employee of khadi and village industries over the years would work out to the figures as tabulated in table 6.

Table 6: NVA (in Rs.) per Employee of Khadi and Village Industries

Serial	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	Khadi Sector	13723	19001	25238	37969	35050
2	Village Industries	6736	7529	10498	13077	16042
3	Total	6970	7909	10995	13886	16640

Khadi sector was providing a net value addition of Rs.13,723/- per employee in 2016-17 as against Rs.6,736/- by village industries and an average of Rs.6,970/-. The figures have gone up to Rs.35,050/- per employee in 2020-21 for khadi sector, to Rs.16,042/- for village industries and to an average of Rs.16,640/- for both together. The output of khadi sector turns out to be better when the performance is analysed in terms of net value addition per employee which reflects the ground reality.

The critical observation, in this context, is whether a net value addition of Rs.16,640/- per annum is sufficient for the survival of any artisan or a worker? The obvious need is towards augmentation of the NVA per employee to sustainable levels; and that is where the skill set of a CMA would come handy.

05.00 Bottom Line

The example of computation of 'Production per Employee', 'Sales per Employee' and 'Net Value Addition per Employee' has been chosen to demonstrate the CMA capabilities that can add visionary advantage to micro enterprises. The tools and techniques of CMA fraternity could be many; but the objective is singular – "Enabling a competitive edge by unveiling and unleashing the untapped potential of the entrepreneurial resources". MSMEs and CMAs could, therefore, churn out to be a fantastic synergic combination for the economic prosperity.

Resources:

1. *Annual Report for 2020-21 of Ministry of MSME, Government of India*
2. *Budget documents of Government of India*

UNDERSTANDING MSME FROM 'GLOBAL TO LOCAL', THE PATH OF RE-DEFINING MSME TO PROGRESS INDIA, EASE OF DOING BUSINESS

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Abstract:

This article forms the reader to understand the global to local definitions of MSME's and the achievement of sustainable development goals. The various policies and measures implemented by the Government of India in boosting the economy by announcing Atmanirbhar Bharat Abhiyan. World Bank's Ease of Doing Business rankings that support the countries to encourage investments from global industries and the concerns that really matters.

- *Small and mid-size enterprises (SMEs) are businesses that maintain revenues, assets or a number of employees below a certain threshold.*
- *Each country has its own definition of what constitutes a small and medium-sized enterprise (SME).*
- *Small and mid-size enterprises (SMEs) play an important role in the economy, employing vast numbers of people and helping to shape innovation.*
- *Governments regularly offer incentives, including favourable tax treatment and better access to loans, to help keep them in business.*

Understanding MSME from 'Global to Local', the path of Re-defining MSME to Progress India, Ease of Doing Business

The concept of Micro-, Small, Medium-sized enterprises is defined at global level by many countries in many ways for increasing their focus to create new business opportunities, employment, various support services for the encouragement of MSME's to reap the markets, domestic and international, and achieve the targets in a sustainable way. Just as the requirements for the categories differ per nation, so do their names and abbreviations. Let us now discuss MSME (SME) as defined by some of the countries as below:

United States of America: The Small Business Administration (SBA) classifies small business according to its ownership structure, number of employees, earnings and industry. For example, in manufacturing, an SME is a firm with 500 or fewer employees. In contrast, businesses that mine copper ore and nickel ore can have up to 1,500 employees and still be identified as an SME.

European Union: EU offers, clearer definitions, characterizing a small sized enterprise as a company with fewer than 50 employees and medium-sized employees as one with less than 250 employees. In addition to small and mid-size companies, there are micro-companies, which employ up to 10 employees.

China: According to the law of People's Republic of China on the Promotion of Small and Medium Sized Enterprises, SME's are defined as companies, that have relatively a small size in personnel and scope of business. The standards for classifying small and medium enterprises are formulated by the relevant departments of the State Council, and the identification of a company as a micro, small or medium-sized enterprise is dependent on a series of variables such as the industry it belongs to, its operating income, its total assets and its number of employees.

Russian Federation: It defines MSME as follows:

Type	**Employees**	**Revenue (RUB million)**
Micro	Up to 15	Up to 120
Small	16-100	Up to 800
Medium	101-250	Up to 2000

Importance of MSME's in achieving Sustainable Development Goals:

As per the United Nations report on MSME's, it says that MSME's can create employment that lift out of poverty, Small holder farmers and agricultural- focused enterprises directly contribute to the goal, are health care providers bridging the gap in healthcare, providers of technical and vocational education and as complementary formal education providers. Also a significant portion of MSME's are owned by women which employs women and bridge the gender gap.

The beginning of journey to MSME's in Indian context:

Definition of MSME (Before July 2020 and after):

MSME upto 30th June, 2020

Criteria: Investment in Plant and Machinery or Equipment			
Classification	**Micro**	**Small**	**Medium**

Manufacturing enterprises	Investment < Rs. 25 lakhs	Investment < Rs. 5 crore	Investment < Rs. 10 crore
Services enterprises	Investment < Rs. 10 lakhs	Investment < Rs. 2 crore	Investment < Rs. 5 crore

Revised classification applicable w.e.f. 1st July, 2020:

Composite Criteria: Investment in Plant and Machinery or Equipment and annual turnover			
Classification	**Micro**	**Small**	**Medium**
Manufacturing enterprises and enterprises rendering services	Investment Not more than Rs.1 crore and Annual Turnover; not more than Rs.5 crore	Investment Not more than Rs.10 crore and Annual Turnover ; not more than Rs.50 crore	Investment Not more than Rs.50 crore and Annual Turnover ; not more than Rs.250 crore

<u>Atmanirbhar Bharat Abhiyan:</u>

Drawing parallels to the 'Aatmanirbar Bharat', Union Finance Minister had announced measures focused on 'Getting Back to Work'. Efforts to strengthen NBFC's, HFC's, micro finance sector and power sector were also unfolded. Other than this, the tax relief to business, relief from contractual commitments to contractors in public procurement and compliance relief to Real Estate sector were also covered. The announcement also covers the revised classification of MSME based on the composite criteria as detailed above.

Following measures were announced:

1. Rs. 3 lakh crore emergency Working Capital Facility for businesses, including MSMEs
To provide relief to businesses, additional working capital finance of 20 per cent of the outstanding credit as on 29 February 2020, in the form of a term loan at a concessional rate of interest will be provided. This will be available to units with up to Rs. 25 crore outstanding and turnover of up to Rs. 100 crore whose accounts are standard. The units will not have to provide any guarantee or collateral of their own. The amount will be 100 per cent guaranteed by the government of India providing a total liquidity of Rs. 3 lakh crore to more than 45 lakh MSME's.

2. Rs. 20,000 crore subordinate debt for stressed MSMEs
Provision made for Rs. 20,000 crore subordinate debt for two lakh MSMEs which are NPA or are stressed. Government will support them with Rs. 4,000 crore to Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE). Banks are expected to provide the subordinate-debt to promoters of such MSMEs equal to 15 per cent of his existing stake in the unit subject to a maximum of Rs. 75 lakhs.

3. Rs. 50,000 crore equity infusion through MSME 'Fund of Funds'
Government will set up a 'Fund of Funds' with a corpus of Rs. 10,000 crore that will provide

equity funding support for MSMEs. The 'Fund of Funds' shall be operated through a mother and a few daughter funds. It is expected that with leverage of 1:4 at the level of daughter funds, the 'Fund of Funds' will be able to mobilise equity of about Rs.50,000 crore

4. Other measures for MSME
E-market linkage for MSMEs will be promoted to act as a replacement for trade fairs and exhibitions. MSME receivables from government and CPSEs will be released in 45 days.

5. No global tenders for government tenders of up to Rs. 200 crore
General Financial Rules (GFR) of the government will be amended to disallow global tender enquiries in procurement of goods and services of value of less than Rs. 200 crore

6. Employees Provident Fund support for business and organised workers
The scheme introduced as part of PMGKP under which Government of India contributes 12 per cent of salary each on behalf of both employer and employee to the EPF will be extended by another 3 months for salary months of June, July and August 2020. Total benefits accrued is about Rs. 2,500 crores to 72.22 lakh employees.

7. EPF contribution to be reduced for employers and employees for 3 months
Statutory PF contribution of both employer and employee reduced to 10 per cent each from existing 12 per cent each for all establishments covered by EPFO for next 3 months. This will provide liquidity of about Rs. 2,250 crore per month.

8. Rs. 30,000 crores special liquidity scheme for NBFC/HFC/MFIs
Government will launch Rs. 30,000 crore Special Liquidity Scheme, liquidity being provided by RBI. Investment will be made in primary and secondary market transactions in investment grade debt paper of NBFCs, HFCs and MFIs. This will be 100 percent guaranteed by the government of India.

9. Rs. 45,000 crores partial credit guarantee scheme 2.0 for liabilities of NBFCs/MFIs
Existing partial credit guarantee scheme is being revamped and now will be extended to cover the borrowings of lower rated NBFCs, HFCs and other Micro Finance Institutions (MFIs). Government of India will provide 20 percent first loss sovereign guarantee to Public Sector Banks.

10. Rs. 90,000 crore liquidity injection for DISCOMs
Power Finance Corporation and Rural Electrification Corporation will infuse liquidity in the DISCOMs to the extent of Rs. 90,000 crores in two equal installments. This amount will be used by DISCOMs to pay their dues to transmission and generation companies. Further, CPSE GENCOs will give a rebate to DISCOMs on the condition that the same is passed on to the final consumers as a relief towards their fixed charges.

11. Relief to contractors
All central agencies like Railways, Ministry of Road Transport and Highways and CPWD will give extension of up to 6 months for completion of contractual obligations, including, in

respect of EPC and concession agreements

12. Relief to real estate projects
State governments are being advised to invoke the 'Force Majeure' clause under RERA. The registration and completion date for all registered projects will be extended up to 6 months and may be further extended by another 3 months based on the state's situation. Various statutory compliances under RERA will also be extended concurrently.

13. Tax relief to business
The pending income tax refunds to charitable trusts and non-corporate businesses and professions including proprietorship, partnership and LLPs and cooperatives shall be issued immediately.

14. Tax-related measures
Reduction in rates of 'Tax Deduction at Source' and 'Tax Collected at Source" - The TDS rates for all non-salaried payment to residents, and tax collected at source rate will be reduced by 25 percent of the specified rates for the remaining period of FY 20-21.This will provided liquidity to the tune of Rs. 50,000 crore.

Ease of Doing Business (EoDB):

Background:

As per World Bank, Economies are ranked on their ease of doing business, from 1–190. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm. The rankings are determined by sorting the aggregate scores on 10 topics, each consisting of several indicators, giving equal weight to each topic. Then 10 areas are: Starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency.

As per the World Bank EoDB report of 2020 (rankings benchmarked to May 2019), India ranked 63rd in doing business. In 2014, the Government of India launched an ambitious program of regulatory reforms aimed at making it easier to do business in India. The program represents a great deal of effort to create a more business-friendly environment. The efforts have yielded substantial results with India jumping 79 places in the Doing Business rankings since 2014. Positive changes have led to this impressive improvement in India's ranking in the EoDB index. India's major achievement is summarised here:

Construction Permits: India's ranking on this parameter has improved from 184 in 2014 to 27 in 2019. This improvement has been mainly on the account of a decrease in the number of procedures and time taken for obtaining construction permits in India.

Getting Electricity: India's ranking on this parameter has improved from 137 in 2014 to 22 in 2019. It takes just 53 days and 4 procedures for a business to get an electricity connection in India. Apart from these significant improvements, among the 190 economies, India ranks 13th in Protecting Minority Investors and 25th in Getting Credit.

Atmanirbhar Bharat towards EoDB:

Following are some of the measures announced:

Reforming governance for EoDB:

Globally, potential investors look at country's Doing Business Report(DBR). India's position in DBR improved from 142 in 2014 to 63 in 2019. This included streamlining process such as granting of permits and clearance, self-certification and third party certification among others. India is working towards the reforms relating to easy registration of property, fast disposal of commercial disputes and simpler tax regime for making India one of easiest places to do business.

Corporate Law measures to do EoDB:

Integrated Web based Incorporation Form- Simplified Proforma for Incorporating Company Electronically Plus (SPICE +) which extends 10 services of different ministries and one state government through a single form. Databank of independent directors launched. Withdrawal of more than 14,000 prosecutions under the Companies Act, 2013. Of the 221 cases, 44% recovery has been achieved since incorporation of Insolvency and Bankruptcy Code, 2016 where the admitted amount claims to Rs.4.13 lakh crores and realizable amount is Rs.1.84 lakh crores.

Further enhancement of Ease of Doing Business through IBC related measures

Minimum threshold to initiate insolvency proceedings has been raised to Rs. 1 crore (from Rs. 1 lakh, which largely insulates MSMEs). Special insolvency resolution framework for MSMEs under Section 240A of the Code will be notified soon. Suspension of fresh initiation of insolvency proceedings up to 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.

Further Ease of Doing Business for Corporates:

Key reforms include:

- Direct listing of securities by Indian public companies in permissible foreign jurisdictions.
- Private companies which list NCDs on stock exchanges not to be regarded as listed companies.
- Including the provisions of Part IXA (Producer Companies) of Companies Act, 1956 in Companies Act, 2013.

- Power to create additional/ specialized benches for NCLAT
- Lower penalties for all defaults for Small Companies, One-person Companies, Producer Companies & Start Ups.

Reality that concerns:

A development that will hardly put India at ease:

Make in India policy aimed at GDP contribution of manufacturing sector from 16-17% to 25% which is still at the same level in 2019. The indicators looks more de jure and not de facto. More instantly the safety standards are compromised for the EoDB, ex :which in Maharashtra had reduced the annual mandatory inspection of steam boilers as per the Boilers Act,1923 and Indian Boilers Regulation,1950 which is followed by many other states. Instead they are asking for a third party inspection and self-certification by the employer which is not complied by many. As the States of India are ranked for Ease of Doing business, 2020 with first as Andhra Pradesh, the Central Government can draft a plan to attract foreign investments in these states which will create a better competition among the Indian states which will also help improve EoDB world ranks.

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EXPLORING OPPORTUNITIES FOR MSMES IN INDIA POST COVID 19: ROLE OF COST AND MANAGEMENT ACCOUNTANTS

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Abstract:

The prolonged lockdown of Indian MSMES due to the CORONA pandemic may have raised questions regarding the enterprises' survival but on an alternative note it has provided ample scope for the enterprises to rethink business models and leverage adverse situations in their favor. In this background, the current research paper highlights the challenges faced and can be faced by MSMEs during and after the lockdown phase respectively. It also analyses how MSMEs can overcome these challenges by using the existent revival and financial opportunities in the economy and how Cost and Management Accountants (CMAs) can help the MSMEs make optimum utilization of these existent opportunities.

Keywords: *COVID-19, Micro Small and Medium Enterprises (MSMEs), business opportunities, Cost and Management Accountants (CMAS), Lockdown*

Introduction:

Indian MSME are considered the lifeline of Indian economy as they comprise almost 90% of the country's Industrial units and are responsible for 48.1% of India's Industrial Value Addition in the last financial year. (Gaud, 2020). However the sector has long been under distress even before the Covid 19 pandemic due to vivid absence of adequate credit worthiness. The situation has worsened during the lockdown phase as 95% of MSMEs has to cease their operations which have questioned the sustainability of the sector (Vivek Vijaykumar, 2020).

The pandemic may have heavily dismantled the un-organized sector but on the positive side it has brought a paradigm shift in the ways business are defined and imagined. This fosters the need for exploring new business opportunities and look for digital implications in the small scale enterprises to proceed with their ventures post lock down. In this regard the role of Cost and Management Accountants (CMAs) are utterly significant as when the MSMEs will start operating in the post Covid lockdown, it will attract a host of new Fixed Costs in the form of use of masks, sanitizers and social distance norms which demands optimum cost management that can be provided by the CMAS.

The impact of the virus on the economy has taught the lesson of leveraging unfavorable business situations to one's gain (Gaud, 2020). With a host of small enterprises shifting their production from chemicals to sanitizers, merchandise to mask, road side stalls to home deliveries (Sipahi, 2020); there is an urgent need for proper utilization and transformation of resources. This emphasizes the role of the management accountants who are licensed to provide suggestions regarding policy making, cost control and decision making. Besides the Government bailout packages to fiscal policies and the 'Atmanirbhar Abhiyan' of 20000 crores with significant contribution to distressed MSMEs must be utilized in an optimal way. The CMAs are one of the professionals for such optimal usage as they are expertise in budgeting, cost control and price regulation, which once again highlights the importance of CMAs in revival of MSMEs. This provides the impetus for the current research paper to identify the problems that can be faced by MSMEs post lockdown, the opportunities available to them and how CMAs can help in proper utilization of the opportunities.

Research Objectives:

I. To find the challenges faced by the Indian MSMEs during the lockdown period of the COVID-19 and can be faced post lockdown period.

II. To analyze the business opportunities available to the MSMEs to overcome the challenges and start afresh.

III. To analyze the Role of Cost and Management Accountants (CMAs) in helping the MSMEs to make optimum utilization of the available business opportunities in the post lockdown period.

Research Methodology:

The study proceeds with collection of secondary data regarding the challenges faced by the MSMEs during the lockdown and prospective future challenges that they can face in the post lockdown period. Secondary data pertaining to the various government schemes introduced for revival of MSMEs have also been analyzed for the research. A list of common problems faced by all the MSMEs were identified and observational method of descriptive research has been used to analyze how such challenges can be overcome by taking opportunities of government schemes and innovative business models. The research also puts forward the salutatory role of Cost and Management Accountants and how their expertise can be used in leveraging the opportunities available for MSMEs to their optimum utilization.

Results and discussions:

The current section individually discusses the challenges already faced in the lockdown and can be faced by MSMEs in the post lock down era with a detailed analysis of how opportunities can be used to solve such problems as well as prosper in the future and finally how CMAs can act as the driver for availing the revival opportunities. The concerned challenges their revival opportunities and the role CMAs in leveraging those opportunities in the enterprise's favor are discussed below:

Problem I:	**<u>Existence and increase of Informality in MSMEs in the post lock down era :</u>** The MSME sector operates largely on the informal basis irrespective of the fact whether its pre or posts lock down era (Sipahi, 2020). The informal nature and makes it difficult for the enterprises to avail government schemes as they are not registered. In India more than 85% of the MSMEs are not registered and this figure is bound to increase as many a working person have lost their service during lockdown and have set up small scale enterprises for their survival (Sipahi, 2020). According to International Labour organization workers in the informal sector have no opportunity for income replacement and probably the worst hit during the lockdown are the street vendors and domestic workers.
Opportunities:	The government of India has provided an incentive to the MSMEs to get registered through "UDYOG AADHAR MEMORANDUM" whereby a registration will provide the MSMEs with insurance coverage (National Institute of Public Finance and Policy, 2020). Besides in order to solve the problem of informality the MSMEs can organize themselves through registering through the JANDHAN – ADHAR-MOBILE (JAM) trinity whereby if they are registered once the problem of identifying the beneficiary workers and enterprises are reduced to a greater extent.
Role of CMAs	According to Amnda A. The Cost and Management Accountants are equipped with knowledge of performing SWOT analysis for any sector. In order for MSMEs to get registered to avail government schemes, it is necessary that the MSMEs have a SWOT analysis of their own to understand which scheme suits them best (Sen, 2020). The role of CMAs in such a case is inevitable.
Problem II:	**<u>MSMEs becoming Vulnerable to risk of shutting down due to increase in fixed cost for maintaining hygiene policies</u>** : The MSMEs of India are largely a group of homogenous workers with little Fixed capital (Vivek Vijaykumar, 2020). Once the MSMEs will roll out their operations post COVID they will have to adhere to government regulations regarding social distancing, working with fraction of workforce, using sanitizers and masks etc (Ministry of Health and Family Welfare, 2020). These measures demand huge fixed cost and a substantial

	change in previous set up which may not be possible for many small vendors particularly road side eatery, small manufacturing sectors etc. to afford. Consequently they may be forced to shut down.
Opportunities:	The Government's 3.5 lakh Crore package for distressed MSMEs during the lock down can provide adequate liquidity to the sector (National Institute of Public Finance and Policy, 2020). The terms of the loan allow the MSMEs a principal repayment moratorium of 12 months which can provide adequate time for tackling the issue of survival.
Role of CMAs	In contemporary environment companies view their spending as investment. The increase in fixed cost for MSMEs must give in return adequate revenues to maintain a profitable structure. In this regard devising and optimal cost structure is utterly significant and the Cost Accountants are licensed to do the same. The measures of **Material and Standard costing procedures** will enable the MSMEs to determine a profitable cost structure.
Problem III:	**Decrease in credit worthiness of MSMEs:** The credit worthiness of small and medium enterprises (SME) in 'FY20 has reduced by 6 basis points to a seven-year low at 1.03 MCR from 1.09 MCR in FY19' (National Institute of Public Finance and Policy, 2020). This is because of the fact that there had been huge disruptions in Demand and supply balance. With demand of their products reducing to a huger extent the MSMEs have been bound to sell off some of their assets to pay off employees and to survive the pandemic. This has reduced the Credit worthiness of MSMEs
Opportunities	If the credit worthiness of MSMEs are reduced then it's natural that the Banks and financing agencies will not be willing to give credit to these type of organizations in the fear of borrowings may not be repaid. To tackle the situation the Government has introduced the concept of credit guarantee to banks and has stipulated an amount of 3lakh Crores for this purpose. Under this the MSMEs will not need any collateral to avail these loans.
Role of CMAs	The loan amount taken from government must be utilized in an optimal manner. The prices of commodities the MSMEs will sell must be set at a value such that the customers are able to purchase the commodity at the given price and enough revenue is generated to clear the debts. For this **Target Costing** is required. It is a cost accounting tool that determines the target price and target profit by selling a product is determined in advance. Target price is then subtracted from target profit to determine Target Cost. The costing knowledge of the CMAs enables them to perform target costing and thus help MSMEs determine the target price of their product.
Problem IV	**Increase in debt of public sector and government towards MSMEs:** According to SAMADHAN delayed payment monitoring system, various

	public sectors and the government itself owe 10583 crore to the MSMEs (National Institute of Public Finance and Policy, 2020).During the lockdown this debt has increased by 7%. This is mainly in the form of unpaid GST returns which are pending mostly due to improper documentation like unsatisfactory audit, incomplete return statement etc.
Opportunities	Though legal procedures are cumbersome in India and it takes a long time to facilitate the process a safer solution lies in proper documentation by a licensed and experienced professional.
Role of CMAs	The manufacturing sector has to mandatorily perform **cost audit** and the manufacturing MSMEs cannot be an exception. Cost Audit are performed by CMAs and they do it after taking into account all documentations are correct and p[resent a true and fair view of the organization.
Problem V	**<u>Huge increase in operational risk due to external impact of COVID -19:</u>** The operational risk is defined as the risk of direct or indirect loss that may arise due to faulty processes of manufacture. Such risks can be high as with epidemic there can be change in the way in which a operation takes place with lesser number of workers involved and lesser output per day. In such a manner the entire cost of production is bound to rise and the organization can be highly prone to operational risk.
Opportunities	To tackle the problem of MSMEs becoming vulnerable to operational risk and increased cost of production they must have an optimum **process costing structure.** Besides there will arise a huge demand for equity as funds needs to be invested for a considerable amount of time without necessary obligations for its immediate return. Such equity can be gained by the MUDRA scheme which offers a partial credit guarantee to the promoters of MSME units so that they can increase their equity. For this a lump sum amount of 20000 Crore will be available through 'Credit Guarantee Fund Trust for Micro and Small enterprises (CGTMSE)'.
Role of CMAs	Operational risk arises due to faulty process and the increase in production cost has a direct relation with improper process costing. For production costs to be optimum **Process Costing** is important (Institute of Cost and management Accountants of India, 2020). It is the process by which the costs are assigned for mass production of goods. It determines the cost involved in every stages of the production process. A higher cost may not be favorable and hence the role of CMAs in proper determination of process costs is highly significant.
Problem VI	**Debtors and receivables turning out to be bad or doubtful debts:** One of the most important challenges that the MSMEs will face post lock down will be increase in bad and doubtful debts as majority of the

	business enterprises will not be able to feel the wrath of business losses (Institute of cost Accountants of India, 2020). The conclusion might result in cascading effect for growth of business and adequate supplies.
Opportunities	To remove the cascading effect and tackle the liquidity crunch The MSMEs can take help of the fund of fund system where the centre will provide Rs.10,000 crore as initial corpus for the fund (National Institute of Public Finance and Policy, 2020). This fund of Rs. 10,000 crore can leveraged by five times, i.e., up to Rs. 50000 crore which can be used to support the MSMEs which are desperate in need of equity through the process of derivation of funds from the main fund of funds.
Role of CMAs	The CMAs help the MSMEs determine those debtors that have a greater chance of becoming bad debts or doubtful debts. The CMAs are professionals who have the expertise of using trend analysis to determine the payment trend and the credit period of the buyers and can essentially estimate those who have prospective chances of failure in payments.

Conclusion:

The sudden outburst of the COVID-19 had on one end devastated the way business has been carried on by MSMEs but on the other it has opened the doors for MSMEs to think differently and leverage adverse situations to their profit. In fact the lockdown phase has very convincingly shown that making provisions for alternate sources and ways of business has not only become an option but it can now be considered as a necessary. The opportunities available in the form of government financing, loan waiver schemes or alternative business ideas must be used by MSMEs optimally. Here arises the need for Cost and Management Accountants (CMAs). The role of these professionals in helping the MSMEs navigate through the obstacles of high fixed cost, low credit worthiness, risk of bankruptcy is immense. They are licensed to provide the MSMEs with suggestions for obtaining a sustainable cost structure. The intricate methods of Target Costing, process costing, standard costing can be best applied by the CMAs to not only help the MSME help the MSMEs avail government grants but also use those grants for the MSMEs to prosper for future. On an ending note it can be said the Cost and Management accountants are the steering for the MSMEs to navigate from the adversity of COVID-19 to the fecundity of business in a post lockdown era.

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"COVID-19 AND ITS IMPACT ON INDIAN MSMES"

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Abstract:

The study aims to make an assessment of COVID-19 on Indian economy by analyzing its impact on micro, small and medium enterprises (MSME) sector. The impact of the pandemic across sectors and in capacity utilization is massive on the Indian economy. The economy is heading towards a recession and the situation demands systematic, well targeted and aggressive fiscal-monetary stimulus measures.

Keywords: *Lockdown, Indian Economy, MSMEs, Pandemic.*

Introduction

Today the entire world is undergoing through a tough times. A virus named Covid-19 has taken the entire world into its grip and as a result people's life and global economy have been disheveled. Covid-19 is a one of the giant disaster in the year 2020. No any country is left from the trap of Covid-19. It is impacting the global economy devastatingly whose outcome is totally uncertain and unpredictable. We have also tried to illuminate what will be the revival strategies of Indian MSME after the end of pandemic period and expected changes in business operation. What are the different measures that are taken by the Government of India in MSME sectors to achieve the dream of Self- Reliant India or Atman Nirbhar Bharat. After studying the devastating impact and various revival strategies, we found that business practices of Indian MSMEs will be totally changed.

Classification:

Existing MSME classification
Criteria: Investment in plant & machinery or equipment

Classification	Micro	Small	Medium
Manufacturing enterprises	Investment <25 lakh	Investment <5 crore	Investment <10 crore

Service enterprises	Investment <10 lakh	Investment <2 crore	Investment <5 crore

Revised MSME classification
Composite Criteria: Investment and Annual Turnover

Classification	Micro	Small	Medium
Manufacturing & service enterprises	Investment <1 crore and turnover < 5 crore	Investment <10 crore and turnover < 50 crore	Investment <20 crore and turnover < 100 crore

Source: Financial express

Importance:

MSME sector in India is second largest employment generator after agriculture, and acts as a breeding ground for entrepreneurs and innovators with considerable support in strengthening business ecosystem. The estimated number of MSMEs in India is 63 million and employs 110 million individuals. Indian MSMEs produce more than 6,000 products for local and global consumption. According to DGCIS data, the value of MSME related products in India is $147,390.08 million and contributed 48.56% of total export during 2017-18. MSMEs exposed to higher level of integration with global value and supply chains are playing critical role in global trade systems. Data from 2019 shows that sector contributed 29% to overall GDP.

Various reports, researches and surveys have proved again and again that this sector act as a catalyst for socio-economic development of the country. All this becomes more important with government's new mission of achieving $5 trillion economy target by 2025. Within this target the role of MSME sector is going play an important role, with expected contribution to GDP [Gross Domestic Product] above 50% mark. The potential of Indian MSME sector is still untapped and that is one of the reasons why government policies are now more convergent towards building resilient ecosystem with better breadth and depth.

Impact on Micro, Small and Medium Enterprises Sector

Impact of Covid-19 on MSME are very significant. It affects on production, employment, export, contribution to GDP. The announcement of country wide lockdown dragged MSME owners, employers and external stakeholders in unexpected times, where no one had experience to handle this kind of situation. Extended lockdown had negative impact on supply of finished goods, procurement of raw material and availability of employees to work in production and supply processes. During April to June 2020, sector faced challenges related to debt repayments, wages/salaries, statutory dues, etc.

Survey reports have shown that disruptions caused by the Covid-19 pandemic have impacted MSMEs earnings by 20-50%, micro and small enterprises faced the maximum heat, mainly due to liquidity crunch. Enterprises working in essential commodity business were better off in terms of interrupted but predictable cash flows. Some enterprises innovated their ways by shifting focus from non-essential commodities towards essential commodities; like production of hand sanitizer and toiletries, PPE kits, reusable masks, etc. and are able to survive in tough times. MSMEs present in remote areas also faced lots of difficulties due to interrupted supply chain systems and intrastate lockdown provisions.

It is not only the enterprise which faced challenges; even consumers are left with lower disposable income. Many enterprises laid-off their workers because of inability to pay salaries, vacated their offices due to incurring expenses and halted their production due to stopped demand. Ambiguity in future trade and bounce back of new normal is keeping financial institutions at bay for extending any new financial lending or cover potential risk. This all-round uncertainty needed a push by government, to boost market confidence and bring back regular cash flow in economy.

Economic slowdown along with border tensions, had again dragged us to focus back on self-sustainable values, the Swadeshi dream. The Atmanirbhar Bharat Mission was launched to face two burning issues simultaneously; one being boost to MSMEs and other being less dependent upon foreign nations.

We compute the estimated loss in MSME sector using the latest data of MSMEs' real GVA[Gross value added] for the year 2016–2017. The real GVA is obtained by applying the GVA deflator of base year 2011–2012. The impact assessment for MSME sector is based on two step process. First we compute the GVA for manufacturing and services sector by applying the weights of shares in the number of total establishments under the two segments (manufacturing and services). After computing the GVA of these two sectors we find the percentage share of each in the national manufacturing and services GVA. Then using the estimated values of percentage decline of these two sectors computed using the quarterly data for 2020 in the first section, we compute the corresponding decline for MSME. The aggregate impact on MSME is computed through weighted average of MSMEs' manufacturing and services sectors' losses.

The lockdown affected these small firms from both domestic demand and supply side. The sudden collapse of trade also affects MSME sector. India's top exports including labour intensive products starting from Gems and jewellery to garments/apparel or sea food are mainly supplied by MSME sector. Similarly, the lockdown affected the imports of raw materials and intermediates which affect the supply chain of MSME sector. Therefore, the COVID-19 is going to affect MSME sector and millions employed in this sector. In fact, if the situation gets worse and prolongs for a few months, many small and tiny firms may cease to exist as it would be difficult for them to survive and hold onto their men and machines.

The MSME sector, the majority of which relies on day-to-day business to stay afloat, continues to be the most vulnerable owing to the lockdown and a decrease in demand.

According to a survey covering 5000 MSMEs, conducted by the All India Manufacturers' Organization (AIMO) has revealed that 71% of the businesses weren't able to pay salaries in March. The survey further revealed that a whopping 43% would shut shop if panic extends beyond eight weeks. Considering the stoppage of economic activity over the past few weeks, it is unfathomable that a vast number of MSMEs will be choked, perhaps to the point of permanent closure.

Relief measure taken by Government of India (GOI) for MSMEs

Government of India announces 20 lakh crore economic packages on 12.05.2020. It is around 10% of country GDP which will help India to become Self Reliant and boost Make in India initiative. It's time to "Be Vocal for the Local". There will be five pillars of Self Reliant India.

Out of 15 relief measures declared under this package, 6 were entirely focussed to empower MSMEs. These 6 measures are:

1. Definition level change for MSME
2. Credit and Finance Scheme
3. Allocating Fund of Funds for Equity Participation
4. Relief in Non-Performing Asset
5. Clearing off dues to MSMEs
6. Disallowing Global Tenders

Ministry of MSME is taking steps towards making these enterprises global and improve the overall business environment, by making it more conducive and transparent for all stakeholders. The sector also hold answer to critical questions like unemployment, local economy development, fiscal deficit, trade balance, financial sector development, SDG alignment and so on. Private sector engagement in various bottlenecks of value chain and supply chain system is critical for success of various policies announced by the government.

Policy Implications

To inject lifeblood to the MSME sector, the government needs to soon arrive at a fiscal stimulus. The Reserve Bank of India declared several monetary policy measures to curb the impact of the coronavirus pandemic:

- Declared a considerable cut in the policy repo rate by 75 basis points to 4.4% – lowest policy rate in this century
- Announced to inject around ₹3.74 lakh crore liquidity into the system
- Allowed a 3-month moratorium on payment of instalments on the existing term loans

RBI has also opened another Rs 50,000 crore in refinancing window for NABARD,SIDBI and NHB under which:

- Banks will require to make these investments within one month from receiving the funds from the RBI
- Reduced the liquidity coverage ratio to 80% from 100% previously, and provided a special financial facility of Rs 50,000 crore to All India Financial Institutions (AIFIs) at the repo rateOther measures to help the MSME sector comprises emergency credit lines announced by Public Sector Banks, a low-interest loan rate of 5% within 48 hours declared by SIDBI, and business continuity measures by the RBI.

Conclusion

Almost every country in the world is being affected from devastating outbreak of Covid-19. The most powerful economies countries have become helpless, situation has become uncontrollable. But the bounce back by taking quick and timely decision by India is really appreciable. we cannot overlook the devastating impact of covid-19 but if we compare India with some developed countries like USA or Italy whose comparison obviously is not justified but if we analyze, India is in too much better position. This is just because of quick lockdown of country, giving more attention towards social distancing. To great extent India has to contain the spread of virus till now. If India did not take quick decision, then impact of the pandemic is being more and more dangerous and visualization of its impact will be really shocking in coming future.

Every sector is being affected due to the pandemic. But whether India will tolerate the consequence of the Covid-19 pandemic in near future. How much it will take time to come back in the track of growth is unanswered. India has already suffered from unemployment and this will be further extended. From every incident of life we learn something new it may be positive or negative or both. This positive thing is that, from this pandemic India can analyze its potential. India is too much dependent on other countries for importing goods, how India has tackled this situation by home sourcing arrangement instead of import from other country. This will improve BOP situation of India to some extent. Work from home concept is going to being new culture of India. As a result use of digital practice will be increase in near future. Make in India and Digital India will be encouraging more.

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MUDRA - A BONANZA FOR MICRO ENTERPRISES

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Abstract:

MSMEs are playing a pivotal role in the development of Indian economy. This is true even in the case of micro enterprises which account for more than 99% of MSMEs. And they are contributing substantially in multiple ways for the economic development of the country with their exposure to many opportunities for expansion and diversification across the sectors. However, these micro enterprises are facing many problems and one such common but major problem is that of 'finance'. MUDRA under the aegis of PMMY has come as a bonanza for the fund-starved micro enterprises.

Introduction

Micro, small and medium enterprises (MSMEs) have been contributing immensely for the development of Indian economy in many ways and this is true even in the case of micro enterprises (MEs) which constitute a major segment of MSME sector - out of 633.88 lakh unincorporated non-agriculture MSMEs in the country, 630.52 lakh enterprises (99.47%) are MEs. And majority of these MEs (51.40%) are in rural area strengthening the rural economy.

Many committees, studies, etc., have brought to light the varied problems faced by the MEs. One of the common but major problems of almost all MEs is the financial problems. Realizing the role of MEs in the economic development of the country and also their financial problems, the Government of India (GOI) has formulated and implemented a few schemes/ packages. One such initiative is the Pradhan Mantri MUDRA Yozana (PMMY) and establishment of agency called, Micro Units Development and Refinance Agency (MUDRA) under the aegis of PMMY. In this backdrop, an attempt is made here to analyse the role of MUDRA in assisting the MEs in their financial requirements.

The Dawn of MUDRA

Most of the MEs are proprietary/single ownership or 'own account enterprises' (OAEs i.e., the enterprises functioning without hired persons on regular basis). These enterprises comprise myriad of artisans, food processors and service units, fruits and vegetable vendors, machine operators, repair shops, shopkeepers, small manufacturing units, street vendors, taxi and truck operators, etc.

Unfortunately, most of these enterprises are outside the formal banking system. The authorities including GOI admit that only less than 15% of bank credit is channelled to the MSMEs. And the share of MEs is obviously very meagre. One of the reasons for this situation is that majority of these enterprises are unregistered and they do not maintain proper books of account which are essential for seeking loan from the banks. Consequently, these MEs/ entrepreneurs are depending on informal sources such as private moneylenders, relatives, friends, etc., which are characterised by uncertainty, limited capacity to finance, and/or higher cost of capital.

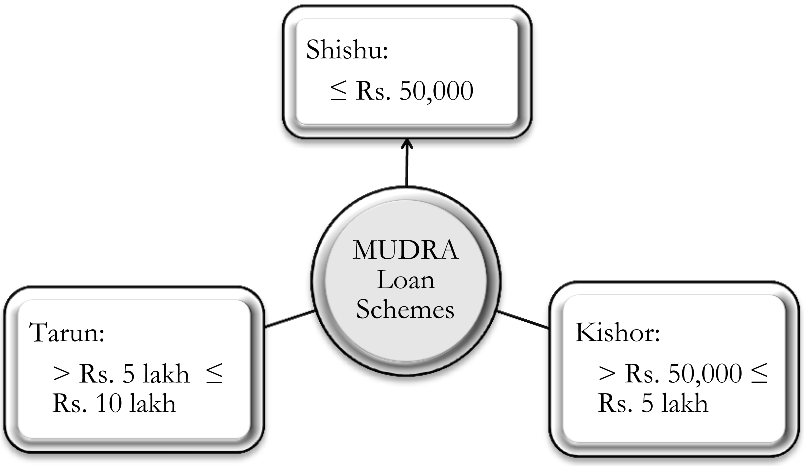
In this backdrop, the GOI, in its budget for 2015-16, proposed to form MUDRA Bank. And MUDRA was registered as a company under the Companies Act, 2013 in March 2015 and as a non-banking finance institution with the RBI on 7 April 2015. The next day, 8 April 2015, MUDRA was officially launched for funding the unfunded MEs. It is formed as a wholly subsidiary of Small Industries Development Bank of India with authorised capital of Rs. 10 billion and paid-up capital of Rs. 7.50 billion.

MUDRA – Mandate and Schemes

MUDRA is required to develop and nurture ME sector in the country by providing necessary assistance such as technology, refinancing the participating banks and financial institutions (FIs), credit guarantee for MUDRA loan (through National Credit Guarantee Trustee Ltd, NCGTC), and development and promotional support. Public Sector Banks, Private Sector Banks, Regional Rural Banks, Non-Banking Financial Companies, Micro Finance Institutions, Small Finance Banks, etc., are the institutions through which MUDRA arranges loans for MEs as MUDRA does not provide loan to MEs directly. MUDRA is also required to monitor the programme and progress by collecting the relevant details from the participating institutions on a continuous basis. For this purpose, MUDRA has put in place a monitoring portal which captures the data on lending under PMMY.

Of the products/offerings of MUDRA, arrangement for loan is important. Keeping in mind the stage of growth/development of MEs and also their funding requirements, MUDRA has designed three loan schemes viz., Shishu, Kishor and Tarun. Maximum amount of loan for each ME depends upon the loan scheme as presented below (Figure – 1).

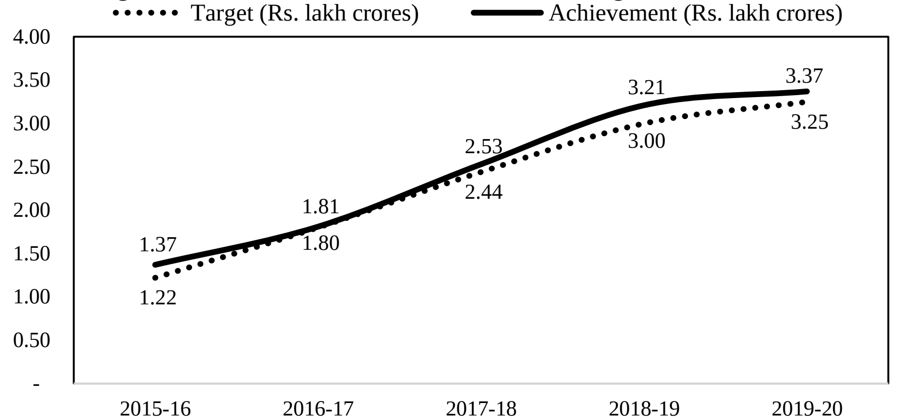
Figure – 1: MUDRA Loan Schemes



There are two unique features of loan schemes under MUDRA. One is, for each year and for each participating bank/FI, MUDRA sets the target in the form of the amount of loan to be sanctioned by them to the MEs. The second feature is, MUDRA loans up to Rs. 10 lakh (for each ME) are collateral free.

As far as the performance of lenders (in terms of targets) is concerned, it is commendable to note that they have exceeded the target in all the five years its (i.e., MUDRA) functioning as evident from Figure – 2.

Figure - 2: Sanction of Loan under MUDRA – Target Vs Achievement



Performance Evaluation of MUDRA

MUDRA has completed five years of its functioning. During this five-year period, it has improved its performance on a continuous basis year after year which is a rare feature of any government scheme. The performance statistics presented below (Table – 1) for three measures and for five years substantiate this inference.

Table – 1: Achievements under PMMY

Year	Number of PMMY Loans Sanctioned	Amount Sanctioned (Rs. crores)	Amount Disbursed (Rs. crores)
2015-16	3,48,80,924.00	1,37,449.27	1,32,954.73
2016-17	3,97,01,047.00	1,80,528.54	1,75,312.13
2017-18	4,81,30,593.00	2,53,677.10	2,46,437.40
2018-19	5,98,70,318.00	3,21,722.79	3,11,811.38
2019-20	6,22,47,606.00	3,37,495.00	3,29,684.63
Sum	24,48,30,488.00	12,30,872.70	11,96,200.27
Mean	4,89,66,097.60	2,46,174.54	2,39,240.05
CV	24.60	35.32	35.52
CAGR	12.28	19.68	19.92

Note: CV = Coefficient of Variation, and CAGR = Compound Annual Growth Rate

Source: Compiled the table based on the data collected from the Annual Reports of MUDRA, 2015-16 to 2019-20 and the calculations made based on these data

As far as the number of MEs for which loan (under MUDRA) was sanctioned, one can observe a continuous increase. It increased from 3,48,80,924 enterprises during 2015-16 to 6,22,47,606 in 2019-20 registering an increase by 2,73,66,682 enterprises or by 78.46%. During this five-year period, 24,48,30,488 enterprises were assisted which works out to an annual average of 4,89,66,098 units. Therefore, the scheme has registered CAGR of 12.28% with no wide variation in the number of MEs assisted from one year to another as evidenced by CV of 24.60%. The authorities claim that the scheme has generated at least self-employment for 24.48 crore persons at the rate of one per ME.

Even the amount of loan sanctioned under MUDRA has registered an incessant increase during this five-year period. It increased from Rs. 1,37,449.27 crore during 2015-16 to Rs. 3,37,495 crore in 2019-20 representing an increase by Rs. 2,00,045.73 crore or by 145.54% and this rate of increase is higher than that of number of MEs assisted of 78.46%. This shows the increase in the amount of loan sanctioned per unit during 2019-20 (compared to 2015-16). During this five-year period, Rs. 12,30,872.70 crore which works out to an annual average of Rs. 2,46,168.57 crore of loan was sanctioned. And the CAGR is much higher at 19.68% than that of number of MEs assisted.

Most importantly, the amount of loan disbursed (out of loan sanctioned) registered a perennial increase during this five-year period. It increased from Rs. 1,32,954.73 crore during 2015-16 (working out to 96.73% of loan amount sanctioned) to Rs. 3,29,684.63 crore in

2019-20 which again works out 97.69% of loan amount sanctioned. The increase works out to Rs. 1,96,729.90 crore or 147.97%. During this five-year period, the participating banks and FIs have disbursed Rs. 11,96,200.27 crore of loan under MUDRA to MEs which amounts to an annual average of Rs. 2,39,240.05 crore. The percentage of loan disbursed works out to more than 96% of loan amount sanctioned which is commendable. Therefore, the CAGR in the loan disbursed works out to 19.92% with no wide variation in the loan disbursed as CV is 35.52%.

Performance Evaluation – Two more Dimensions

In order to appreciate the role and importance of MUDRA, it is necessary to evaluate the performance of MUDRA from the point of view of two more dimensions viz., scheme-wise and category-wise (social strata) evaluation.

As already stated, MUDRA has devised and implemented three loan schemes. With the objective of serving more persons in their entrepreneurial activities, the GOI has directed MUDRA and the lending institutions to accord more importance to Shishu category enterprises followed by Kishore and Tarun category enterprises in the same order. Therefore, one can observe a large number of beneficiary-units in Shishu category followed by Kishor and Tarun categories as evident from the following (Table – 2). For this purpose, relevant performance statistics for 2019-20 are used and the performance is, more or less, similar in the previous four years.

Table – 2: Scheme-wise Performance of MUDRA, 2019-20

Loan Category	Number of PMMY Loans Sanctioned	Amount Sanctioned (Rs. crores)	Relative Share in the Total (%)		Amount of Loan sanctioned per ME (Rs)
			Number of Loans	Amount Sanctioned	
Shishu	5,44,90,617	1,63,559	87.54	48.46	30,016
Kishor	64,71,873	95,578	10.40	28.32	1,47,682
Tarun	12,85,116	78,359	2.06	23.22	6,09,743
Total	6,22,47, 606	3,37,496	100.00	100.00	54,218

Source: Compiled the table based on the data collected from the Annual Report of MUDRA, 2019-20 and the calculations made based on these data

It is unequivocal from the above that 87.54% of beneficiary-enterprises have availed off loan under Shishu scheme as against only 2.06% under Tarun scheme. And the units which have availed off loan under Kishor scheme account for 10.40% of the total number of units assisted with MUDRA loans. On the other hand, only 48.46% of total loan amount sanctioned is for units which have availed off Rs. 50,000 or less each whereas the units which availed off loan under Tarun scheme have garnered 23.22% of total loan sanctioned under MUDRA. And the units which obtained loan under Kishor scheme have taken 28.32% of total loan. Of course, this difference among three schemes is natural as the maximum ceiling differs from Shishu to Kishor and to Tarun. On an average, under Shishu scheme, Rs. 30,016 of loan is sanctioned per enterprise, Rs. 1,47,682 per unit under Kishor scheme and Rs. 6,09,743 per unit under Tarun scheme. Overall, the amount of loan sanctioned per unit works out to Rs. 54,218.

Another dimension of performance of MUDRA is the sanction of loans to different sections of the society including less privileged sections. Relevant data, again for 2019-20, are presented below with a few calculations (Table – 3).

Table – 3: Category-wise Loan under MUDRA, 2019-20

Category	Number of PMMY Loans Sanctioned	Amount Sanctioned (Rs. crores)	Relative Share in the Total (%)		Amount of Loan sanctioned per ME (Rs)
			Number of Loans	Amount Sanctioned	
General	3,24,97,506	2,23,612	52.21	66.26	68,809
SC	1,02,81,553	34,662	16.52	10.27	33,713
ST	38,89,696	13,794	6.25	4.09	35,463
OBC	1,55,78,851	65,428	25.03	19.39	41,998
Total	6,22,47, 606	3,37,496	100.00	100.00	54,218

Source: Compiled the table based on the data collected from the Annual Report of MUDRA, 2019-20 and the calculations made based on these data

It is apparent from the above that the amount of loan sanctioned per beneficiary-enterprise differs from one category to another. However, what is not convincing is the fact that the amount per beneficiary is very low in the case of SCs (Rs. 33,713) followed STs (Rs. 35,463) and OBCs (Rs. 41,998). It can be observed that the amount per beneficiary from SC category is less than 50% of that of 'General' category. Another important point is, in the case of less privileged classes (SCs, STs and OBCs), the relative shares in the total amount of loans sanctioned are lower (10.27%, 4.09% and 19.39% respectively) than that in the number of beneficiary-enterprises (16.52%, 6.25% and 25.03% respectively). But in the case of 'General' category, these percentages are just reverse – 52.21% of beneficiaries were sanctioned 66.26% of total loan sanctioned under MUDRA.

Most importantly, out of total number of beneficiaries, 62.82% are woman-beneficiaries (3,91,03,349 women; receiving 43.02% of total loan sanctioned), 10.14% are new entrepreneurs (1,19,13,903 new entrepreneurs; receiving 29.41% of loan sanctioned) and 10.33% belong to minorities (64,27,116 persons) receiving 9.16% of loan sanctioned.

Observations-cum-Conclusion

From the above, it is obvious that the PMMY has come as a bonanza for MEs as it has assisted a large number of entrepreneurs in their financial requirements. Further, it has provided assistance to less privileged classes and also to woman-entrepreneurs, new entrepreneurs, etc., which is appreciable. However, it is necessary to take note of the following observations to strengthen the PMMY further.

As the targets in terms of amount of loan to be sanctioned are fixed and the lending institutions are required to achieve the targets, it puts lot of pressure on the employees/officers of banks and FIs. As a result, there is every possibility of clearing loan proposals without proper due diligence leading to, in certain cases, sanction of loans to fake enterprises. In this regard, it may be noted that, the government informed the Parliament that as many as 2,313 PMMY accounts with PSBs reported instances of fraud. In another case, Central Bureau of Investigation has filed two First Information Reports pertaining to alleged abuse of official position by a bank branch manager in sanctioning/disbursing 26 MUDRA loans amounting to Rs. 65.25 lakh.

Another drawback of the Scheme is collateral free loans under MUDRA which is against the accepted principles of financial management. Already, MUDRA loan related NPAs work out to more than 5%. Although this is much lower than NPA Ratio of banks, it deserves the attention of regulators and the banks concerned. The reason is, the Scheme is just five-year old and many loan accounts have not become due for payment.

At the current price level, it is very difficult to acquire/develop income generating capital asset with the help of current maximum loan under different schemes especially, under Shishu where the average amount of loan sanctioned per beneficiary-unit is only Rs. 30,016. Besides, it is necessary for the authorities to note the possibility of increase in the number of applications herein after as the definition of micro enterprise has changed from < Rs. 0.10 crore (< Rs. 0.25 crore in the case of manufacturing units) to < Rs. 1 crore of investment (and turnover of < Rs. 5 crore).

It is, therefore, necessary to modify the scheme appropriately in the light of the above observations to make the Scheme effective and useful serving the purpose for which the Scheme was designed.

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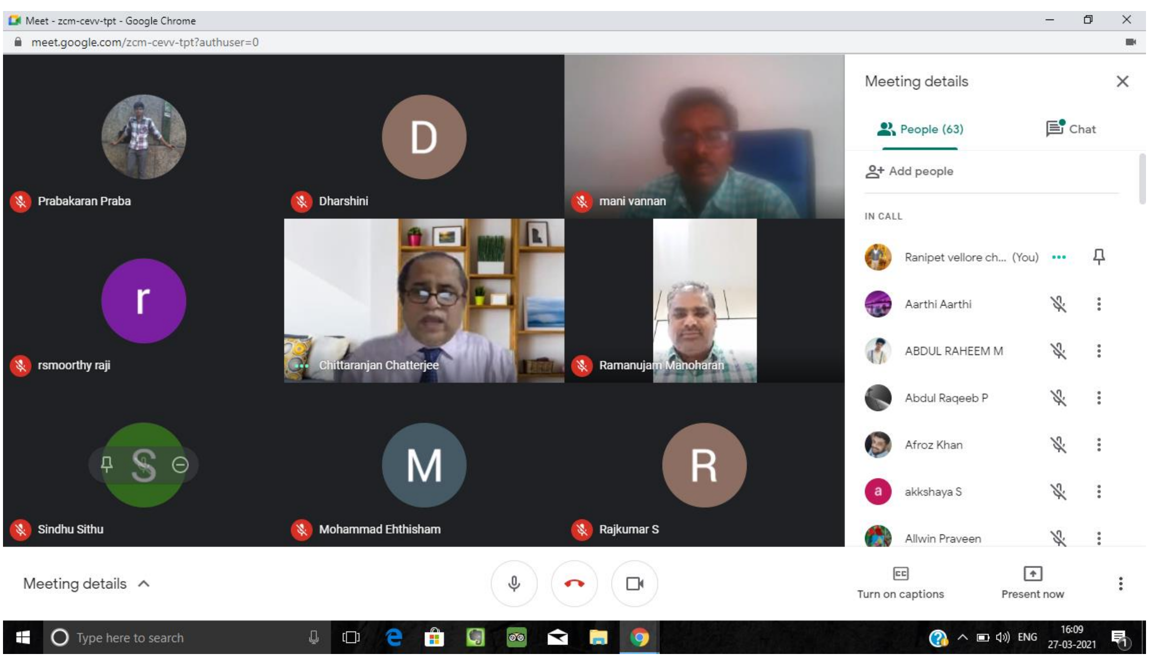
REPORTS OF WEBINAR ON MSME HELD ON APRIL 2021

MSME PROGRAMS HELD AT CHAPTERS

The Institute of Cost Accountants of India - Ranipet Vellore Chapter

The chapter organized a virtual programme on 27/03/2021 on "Recent Government Initiatives for the growth of MSME Sector". CMA Manoharan .R, chairman of the chapter welcomed the members, CMA Chittaranjan Chattopadhyay, CCM, ICAI had graced the occasion as guest of honour. CMA Manivannan.V, DEPARTMENT OF INDUSTRIES AND COMMERCE GOVERNMENT OF TAMILNADU was the Guest Speaker. CMA Chittaranjan Chattopadhyay, CCM and Chairman, BFSI Board, ICAI highlighted that in the growth of MSME, Cost Accountants will play a crucial role in making India self-reliant. Manivannan. GM delivered to the participants about the recent Initiatives for the growth of MSME Sector and briefly explained the various scheme at MSME Sector. There was an overwhelming response and also the participants had highly appreciated the programme.



The Institute of Cost Accountants of India - Serampore Chapter

A webinar was conducted on the topic of MSME- A vibrant sector of Indian Demography on 18th April, 2021 from 5.00 P.M. to 7.00 P.M. The speakers were Shri Prabir Dutta, Former General Manager, United Bank of India, CMA Dr.Sreehari Chava, Consultant, MSME and Shri Banghsi Badan Dolui, MSME Entrepreneur. The webinar was graced by CMA Biswarup Basu, President,ICAI, CMA P.

Raju Iyer, Vice-President, ICAI and CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and Council Member, ICAI. The webinar was also attended by CMA Ashis Banerjee, Chairman, EIRC and CMA Santanu Mukhopadhyay, Chairman, Serampore Chapter. The webinar emphasized the role of MSME in the Indian Economy since Independence. It also focused on the employment opportunities at competitively lower capital cost than large industries and industrialization of rural and backward areas and mechanism of reducing imbalance and ensuring equitable distribution of income and wealth. The webinar also highlighted the impact of Covid 19 and ways and measures to alleviate the crisis. The MSME is the panacea for successful implementation of Atmanirbhar Bharat (Self Reliant India) as it contributes a sizeable contribution in India's GDP and has huge potential for providing net exports. Shri Bangshi Badan Dolui who is a MSME entrepreneur shared his journey of starting the MSME setup and building it over the years. The role of CMAs will help the MSMEs by providing an expert advisory for their growth and development. The webinar was thought provoking and was attended by a good number of CMAs.

The Institute of Cost Accountants of India - Howrah Chapter

The Chapter conducted a webinar on "MSME : The Key factor for Indian Economy" on 30th April, 2021 from 4 to 6 pm. CMA Biswarup Basu, President, ICAI, CMA P.Raju Iyer, Vice-President, ICAI and CMA Chittaranjan Chattopadhyay, Chairman,BFSIB and Council Member graced the occasion and delivered their views on the needs of development of MSME sector for the Indian Economy. The other eminent speakers included CMA Dr.Sreehari Chava, MSME Consultant and CMA Jyotsna Rajpal, Practising Cost Accountant and deliberated their speeches on the above topic in detailed manner. CMA Jyotirmay Auddy, Chairman, Howrah Chapter along with other Managing Committee members of the chapter, members from the CMA fraternity and members from the Howrah Chamber of Commerce & Industry participated during the session.

The Institute of Cost Accountants of India - Durgapur Chapter

The Chapter organised a webinar on Opportunities of CMA In MSME Sector in the observation of MSME Month. The webinar was held through google meet and the welcome address was delivered by Secretary of Durgapur Chapter, CMA P.K.Somaddar and then followed by Chapter Chairman, CMA Arup Mukherjee. The webinar was graced by the presence of Central Council Member and also Chairman of Banking, Financial Services and Insurance Board of the Institute, CMA Chittaranjan Chattopadhyay, following him it was a honour to have Vice-President of the Institute, CMA P.Raju Iyer. The chief guest of the webinar President of the Institute, CMA Biswarup Basu sir also graced the occasion with his presence. After the addressing was completed by all the dignitaries the session was followed by the speaker, CMA Rabindrnath Kaushik. The session concluded with vote of thanks by Treasurer of Durgapur Chapter, CMA R.N.Choubey.

The Institute of Cost Accountants of India - Trivandrum Chapter

As per the direction from the HQ for observing April 2021 as MSME month and to take up initiatives in this sector, Trivandrum Chapter in association with the District Industries Centre, Thiruvananthapuram appointed CMA Raja Padmanabhan, Practicing Cost Accountant as a full time MSME Consultant of Trivandrum Chapter for co-ordinating the activities of the MSME helpdesk content creation for awareness session & requisite consultancy services in this regard and co-ordination with various government agencies like SIDCO, District Industries Centre, KSIDC, KFC etc. with the guidance for the promotion our MSME program. The Chapter had also conducted an online Professional Development Programme on the topic "Services to MSME Sector by CMAs" by CMA Raja Padmanabhan and launched MSME Helpdesk on April 24, 2021 through online mode in Microsoft teams platform. CMA H Padmanabhan, Central Council Member of the Institute, launched the MSME Helpdesk and CMA Chittaranjan Chattopadhyay, Chairman, Banking, Financial Services and Insurance Board of the Institute attended the meeting and blessed the occasion. CMA Dr. Geeta Sharma, Director (Finance), HLL Lifecare Limited was the Chief Guest of the program. Shri Vinod Kumar S, Dy. Director, District Industries Centre, Thiruvananthapuram, Shri. Fassiludeen, Secretary, KSSIA, Trivandrum District Committee also participated in the program. CMA Pramode Chandran P G, Chairman, CMA Pranav Jayan, Secretary, CMA Raman Pushpakumar, CAT Committee Chairman, CMA Ajith Kumar A, PD Committee Chairman of Trivandrum Chapter also participated in the programme.

Brief of the webinar on "PROJECT EVOLUTION TO EXECUTION" on 6th April, 2021

Banking, Financial Services & Insurance Board of the Institute organized a Webinar on "PROJECT EVOLUTION TO EXECUTION" on 6th April, 2021 from 4 to 6 pm. This was streamed live on YouTube. The following snippets of the deliberations made by the speakers are as follows:

In rendering the Special Address by Shri B.Rajkumar, Advisor to BFSI Department and Former Dy. Chief Executive of Indian Banking Association, he appreciated the initiatives taken by the Committee in considering April as observance of MSME month since a major share of GDP comes from the MSMEs and wished the programme a grand success.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, ICAI opined that MSMEs are critical for India's economy, since they contribute significantly to its gross domestic product and provide employment to a sizeable population. The BFSI Board published a novel handbook which is a comprehensive handbook for MSME Sectors titled as *Aide Memoire on Lending to MSME Sector (INCLUDING RESTRUCTURING OF MSME CREDIT)* to improve their financial literacy. The book will be working as a guiding factor for any entrepreneur, consultant, IPA, who will be assisting themselves for their sustainable growth.

CMA P. Raju Iyer, Vice President of the Institute addressed that by conducting such webinars, this would increase knowledge of the members to support the MSME sectors.

He exclaimed that these programmes will be helpful for the members, students, bankers etc and would assist the members to prepare the project report.

Guest of Honour, Shri P.S. Manoj, Dy. General Manager, SIDBI discussed about Stand Up Mitra Portal where many success stories are available and any entrepreneur into the business who wants to view the project report can visit the website standupmitra .com. SIDBI is known to be having one of the most lowest NPA levels in the country, also shared that no NPA in Kolkata for the last three years. CIBIL Score and CMR are two important parameters for project evaluation. He asserted the post pandemic measures, like giving moratorium for the interest, Emergency Credit Line Guarantee Scheme (ECLGS) scheme that has been extended upto June 30, 2021. To facilitate the flow of credit to Micro Small and Medium Enterprises (MSMEs) for investing in machineries, SIDBI has recently launched the new scheme called SIDBI-Loan for purchase of equipment for Enterprise's Development Plus (SPEED Plus) for machinery purchase from Original Equipment Manufacturers (OEMs) on competitive rate of interest. Under this scheme, financial assistance is provided to borrowers of SIDBI, for the purchase of equipment for the development of enterprises. CIBIL scores of the promoters should be above 700, minimum three years profitable track record is required, loan repayment period is 5 yrs. He also discussed on Solar Roof top scheme where 100% funding is provided depending on the credit score of the borrowers and this scheme will empower MSMEs to adopt sustainable energy for their businesses and promote greener tomorrow. He also briefed about the Star Scheme where SIDBI has recognized self-sufficiency with renewable energy as a critical area where MSME can reduce its cost of power and be competitive. To assist units willing to replace existing grid power with solar power, SIDBI is offering financial assistance under STAR Scheme.

Shri P. N. Prasad, Director, Bank of India, Guest of Honour, briefed that evolution happens on the mind of the entrepreneur and he is the first person who germinates the idea of the project. Lack of awareness is the major problem in the MSME sector and most of the MSME Entrepreneurs are unaware of various Government Schemes, incentives etc. Banks are the basic providers of credit. But the cost of debt should not be that high to make it a successful venture. There are two different stages in a bank process. One is the pre sanction stage and another is the post sanction stage. Based on working capital cycle, banks do extend credit facilities normally known as the working capital facilities. This is provided on the basis of fund based limits known as the cash credit limits whose minimum period is one year. Sometimes it is also extended in form of overdraft facilities. The working capital process is slow so that the money can be rotated faster. There are also non fund based facilities like Letters of Credit, Bank Guarantee which are extension of the basic features. Timely credit is very important. He discussed about various Government schemes on MSMEs like Mudra Loan Scheme, Credit Guarantee Schemes available, various projects for Make in India, Post Covid Schemes like ECLGS Scheme etc and the promoters can make use of it.

Chief Guest of the webinar, Shri K.D. Bhattacharya, Joint Director and HOO, MSME-DI, Kolkata asserted that a MSME Facilitation centre can be opened where renowned technologists needs to be tied up with the Institute and a databank can be built for the development of MSMEs to the desired level. For financial assistance of the MSMEs, according to him the Institute can act as the support. Full Handholding support to MSME entrepreneurs is to be given for their betterment and they are to be properly guided regarding Detailed Project Report (DPR). Entrepreneurs to be made aware of the online subsidy schemes, Micro & Small Enterprises - Cluster Development Programme (MSE-CDP) Schemes etc. His concern is the MSME is going in the verge of NPA and as a result the Banking sector is facing issues. Time Factor giving finance to MSMEs is a vital factor. If post sanction operation is followed by the bank, NPAs will become less. The Institute can assist by opening service centres for MSMEs and guide them to a large extent.

CMA Shubhro Michael Gomes, Director, Studies, ICAI also shared his thoughts on the above theme and CMA Sreehari Chava, Consultant of MSME gave the closing remarks for the webinar.

CMA Arup S Bagchi, Sr. Director, HOD and Secretary, BFSIB gave the vote of thanks and concluded the webinar.

Brief of the webinar on "CONCURRENT COST MANAGEMENT THROUGH VALUE CHAIN" on 13th April, 2021

Banking, Financial Services & Insurance Board of the Institute organized a Webinar on "Concurrent Cost Management through Value Chain" on 13th April, 2021 from 4 to 6 pm. This was streamed live on YouTube. The following are the excerpts of the deliberations made by the eminent dignitaries in the webinar as follows:

The welcome address was given by CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, ICAI. He said the Micro, Small & Medium Enterprises (MSME) Segment is expected to play a significant role in the emergence of the Indian Economy. The development of this segment is extremely critical to meet the national imperatives of Financial Inclusion and generation of significant levels of employment across metro, urban and rural areas across the country. It can nurture and support development of new age entrepreneurs who are potential to create globally competitive business from India to make India self-reliant.

CMA H Padmanabhan, Chairman, Committee for Accounting Technicians, ICAI in his special address shared that Maharashtra Government has come forward and requested the CAT Department of the Institute to be their partner to train 2 Lakhs youths within a span of 3 years for the survey of MSMEs and public utility services. Government is very serious about the skill development of MSMEs. According to him, the unorganized sectors should also come under the purview of MSMEs. 36 Help Centres in India are established and huge demand has come from the southern part of the country to prepare the MSME book in vernacular language (may be in the form of video or CD) for dissemination of the information across the country.

CMA P. Raju Iyer, Vice President, ICAI, mentioned that unorganized sector needs to be focussed and they are the real experts to handle finance and make contributions in Indian economy, so adequate support services are required to be provided to them.

Guest of Honour, CMA (Dr.) A S Durga Prasad, Former President, ICAI stated that MSMEs can deliver value to their customers and review to maximize that value. There are three objectives in value chain, one is to determine costs and profitability in different stages of value chain, to understand the cost composition and third is to measure the cost competitiveness. He asserted that in order to highlight the imperatives of becoming a part of the global value chain as well as the opportunities to align MSMEs' operations and processes with the value chain, FICCI-Grant Thornton Report India highlights specific models and approaches that MSMEs could explore to plug into new market opportunities. He discussed certain case studies on integrating the global value chain like Tirupur textile clusters, Ballari cluster, Walmart etc. and discussed on end to end value chain analysis on MSMEs in details.

Guest of Honour, CMA M Gopala Krishnan, Former President, ICAI discussed on the Tirupur Cluster where he visited and observed that the concerned cluster is delivering some of the leading chains across the globe. Almost 93% of their costs are based on material for making of a garment. But one of the major aspects is that some of the orders they were losing and the reason behind it was non systematic approach for accounting of materials inside the factory. They were not concentrating on the value chains within the factory. He suggested outsourcing of the materials among the competitors, Coopetition he insisted is a better term which means cooperation among the competition.

Guest of Honour, CMA Kunal Banerjee, Former President, ICAI delved on the holistic approach of MSMEs especially the post covid measures. This pandemic effect is still continuing and the effect of lockdown has disproportionately hurt the poor and marginalised communities, affected the MSMEs and small scale businesses, supply and value chain got disrupted and there is lack of required labour force. This pandemic crisis can be an opportunity for India to enact sweeping reforms and attract more foreign investments into the country. Growth capital is to be focussed upon and the positive impact and expected fall out of this current situation needs to be discussed where the MSME sectors can play a vital role. He advised that MSME sectors can get the assistance of CMAs for looking at and guiding them in an advisory capacity as consultants by introducing proper systems and procedures.

Guest of Honour, Shri Hariharan S. Ramamoorthy, National Vice President, LAGHU UDYOG BHARATI said that the fundamental bottom-line discussed in the webinar is the accountability of the materials. He took the example of Arthashastra and detailed its principles. MSME sector is facing real challenges in post covid era especially in cash flows and overall financial well-being and they are getting prepared for the new normal. Some of the challenges faced by MSMEs are the lack of basic accounting principles like the cash flows, profitability, accounting standards etc. They also need strong focus in building systems in the Accounting Practices. He urged that the Institute must come forward and prepare booklet on MSME sectors in simplified form. Businesses should ensure that the working capital and cash credit should come down to increase the same.

Guest of Honour, CMA R. Venkataramani, Director, Westcott Electricals Pvt Ltd, Chennai requested that the Institute should come forward and assist the MSME sectors. MSME sector is the ISO 9000 certification and it generates lots of non-monetary information. CMAs can utilize this information to enhance the performance improvement and improve the Overall Equipment Effectiveness (OEE) from 70% to 80% or 85%. Three minimum parameters viz availability, performance and quality are essential for the improvement of performance of the organizations.

CMA Jyothi Satish, Former Chairperson of SIRC, ICAI moderated the webinar.

Concluding remarks were deliberated by CMA P V Bhattad, Former President, ICAI and CMA Sreehari Chava, Consultant of MSME summed up the session.

The webinar ended with the vote of thanks by CMA Arup S Bagchi, Sr. Director, HOD and Secretary, BFSIB.

Brief of the webinar on "PERPETUAL SUSTAINABILITY (WITH EMPHASIS ON VARIOUS MSME SCHEMES)" held on 20th April 2021

The Banking, Financial Services & Insurance Board of the Institute organized a webinar on "Perpetual Sustainability (with emphasis on various MSME Schemes)" held on 20th April 2021 from 4 pm to 6 pm. This was streamed live on You Tube. The followings are the snippets of the deliberations made by the eminent speakers:

While giving the welcome address, CMA Chittaranjan Chattopadhyay, Chairman, BFSIB asserted that the MSMEs are critical for Indian Economy as they contribute significantly to its GDP and provide employment to a sizeable population. One of the key focus areas of the Indian economy is to accelerate growth of Micro, Small and Medium Enterprises (MSMEs) and to boost investment in the Indian start-up ecosystem. The Covid-19 pandemic has caused an economic slowdown on a global scale as the markets and businesses are unable to operate under these circumstances. Companies, especially the MSMEs, are struggling to keep afloat as their business activities collapse over time. Ministry has taken several steps for ease of doing business by the MSME entrepreneurs with various schemes and concessions for sustenance of the units.

CMA P. Raju Iyer, Vice President, ICAI, said that three aspects are most important for sustainability of MSMEs: Cash Flow, Profitability and Inventory Management. Institute is organizing many more such webinars and programmes across the country for the benefit of MSME sectors and he proposed to set up a cost clinic for MSMEs where members can provide consultancy services to the same with nominal charges. MSME sectors will thereby get benefitted and boost the economy at large.

CMA Biswarup Basu, President, ICAI addressed that the soul of Indian Industry lies in MSMEs.

He sincerely appreciated the necessary steps taken by the Government and RBI to mitigate the impact of Covid 19 pandemic and providing assistance to the MSME sectors. Having created 11 crore job opportunities in the country with a significant contribution to the GDP by about 30%, MSMEs are the hearts of the Indian economy and with the change in the definition, Indian Enterprises have better prospects for growth.

CMA Chandra Wadhwa, Former President, ICAI, Guest of Honour, briefed on the technological challenges faced by MSMEs and discussed on the types of Models like Cooperative Model etc required for MSMEs for their sustainability in the long run.

Shri Sudhir Garg, IRSEE, Joint Secretary, MSME, Chief Guest, thanked the Institute for coming out with lots of solutions through their booklet on MSME sector and also opening a continuous dialogue with MSMEs to sort out their problems. He also suggested to prepare a digital copy of the booklet for wider circulation. Strength of MSMEs is that they are agile and that can be encashed upon. Ministry of MSME is working with various clusters and through two major schemes, SFURTI and MSE-CDP Scheme, MSMEs can be brought together and in a cooperative manner, trying to sort out their high end technological issues.

CA Mukesh Singh Kushwah, Government Nominee, ICAI, Guest of Honour, highlighted the role of Government of India and its various schemes in the MSME contribution.

COVID-19 pandemic has impacted businesses, financial markets and economies all over the world including India and hugely impacted the business operations of MSMEs. It has been considered necessary to urgently address the specific requirements of MSMEs relating to the resolution of their insolvency, due to their unique nature of their businesses and simpler corporate structures. CMA (Dr.) S.K. Gupta, MD, RVO of ICAI, Special Speaker gave a brief presentation on Pre Pack Insolvency Framework for MSMEs introduced by Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021.

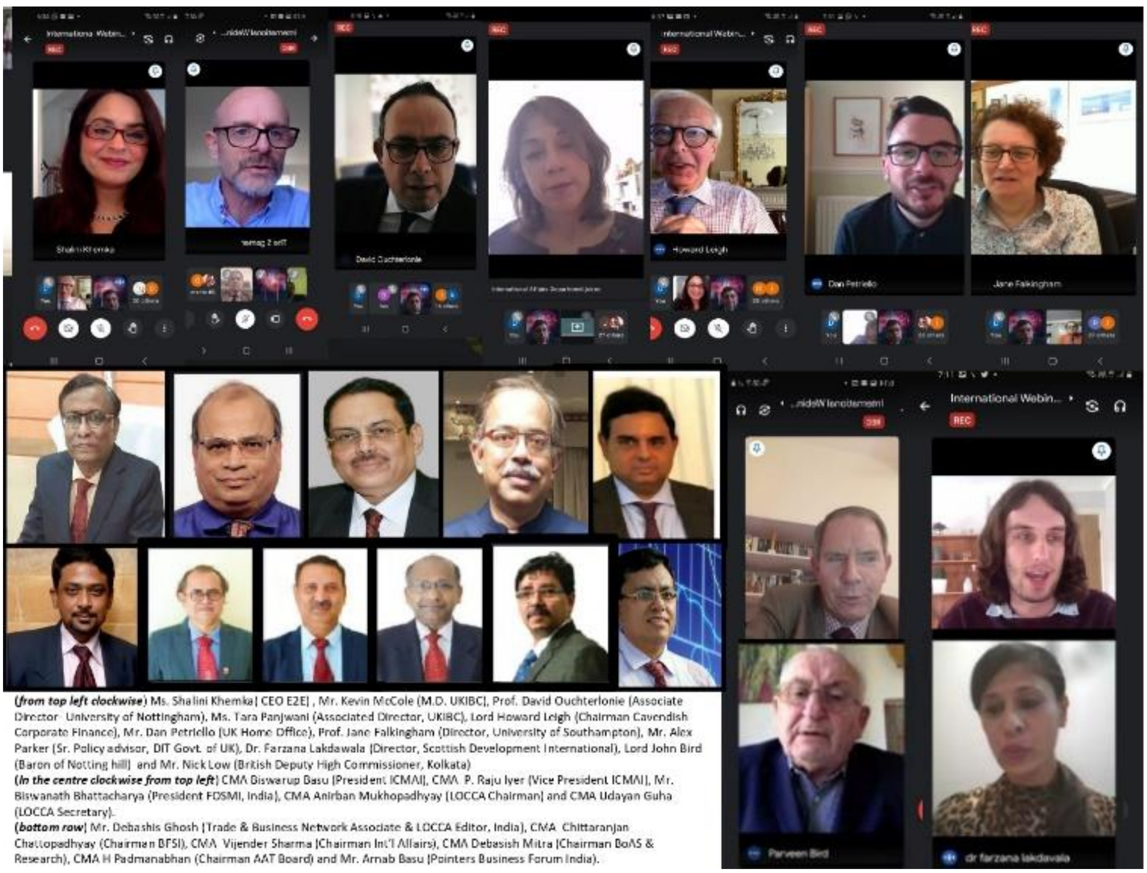
CMA Baldev Kaur Sokhey, Director (Finance), National Building Construction Corporation LTD., Guest of Honour, stated that MSMEs have been encouraged to market through e commerce platform designated specifically for Government and PSUs to do business compulsorily for MSMEs. She exclaimed that upto September 2020, so far, 55000 crores of transactions have been handled through that platform which is highly commendable. MoU parameters have also made a compulsion for the PSUs to procure through MSMEs and many online schemes are introduced by the Ministry for their betterment. There is a need to create the awareness for MSMEs and make them apprised of the schemes available for their enhancement.

CMA Gaurang Dixit, Director Finance, NSIC, Guest of Honour, discussed that the National Small Industries Corporation (NSIC) is doing activities on behalf of commercial basis and activities on promotional basis for the MSMEs. Basic purpose of NSIC is to facilitate the MSME sector and they are providing with various concessions and schemes for the MSME sector.

CMA Sreehari Chava, Consultant of MSME summed up the session.

The webinar concluded with the vote of thanks by CMA Arup S Bagchi, Sr. Director, HOD and Secretary, BFSIB.

INDUSTRY AND ACADEMIC DIASPORA OF U.K. CONNECT WITH THE INDIAN COUNTERPARTS AT UK – INDIA LIVING BRIDGE



(from top left clockwise) Ms. Shalini Khemka| CEO E2E| , Mr. Kevin McCole (M.D. UKIBC), Prof. David Ouchterlonie (Associate Director- University of Nottingham), Ms. Tara Panjwani (Associated Director, UKIBC), Lord Howard Leigh (Chairman Cavendish Corporate Finance), Mr. Dan Petriello (UK Home Office), Prof. Jane Falkingham (Director, University of Southampton), Mr. Alex Parker (Sr. Policy advisor, DIT Govt. of UK), Dr. Farzana Lakdawala (Director, Scottish Development International), Lord John Bird (Baron of Notting hill) and Mr. Nick Low (British Deputy High Commissioner, Kolkata)
(In the centre clockwise from top left) CMA Biswarup Basu (President ICMAI), CMA P. Raju Iyer (Vice President ICMAI), Mr. Biswanath Bhattacharya (President FOSMI, India), CMA Anirban Mukhopadhyay (LOCCA Chairman) and CMA Udayan Guha (LOCCA Secretary).
(bottom row) Mr. Debashis Ghosh (Trade & Business Network Associate & LOCCA Editor, India), CMA Chittaranjan Chattopadhyay (Chairman BFSI), CMA Vijender Sharma (Chairman Int'l Affairs), CMA Debasish Mitra (Chairman BoAS & Research), CMA H Padmanabhan (Chairman AAT Board) and Mr. Arnab Basu (Pointers Business Forum India).

London Overseas Centre of Cost Accountants (LOCCA) organized its first international webinar **UK–India Living Bridge** on 23rd April 2021 in association with the Government of UK, UKIBC, IBG and supported by FOSMI-Bengal, SME Chamber of India and PBF Kolkata who represented Indian MSMEs.

LOCCA Chairman CMA Anirban Mukhopadhyay said it was the beginning of a journey where MSME sectors in India would get to connect with UK SMEs. Similar sentiments were reiterated by President of the Institute, CMA Biswarup Basu and Vice-President, CMA P Raju Iyer along with CMA Vijender Sharma, Chairman, PD & CPD Committee and International Affairs Committee, CMA Chittaranjan Chattopadhyay, Chairman, Banking, Financial Services and Insurance Board and Indirect Taxation Committee, CMA Debasish Mitra, Chairman, Board of Advanced Studies & Research and Members in Industry

Committee, Immediate Past President, CMA Balwinder Singh, Chairman, Training & Education Facilities and Placement Committee and Cost Accounting Standards Board of the Institute who collectively highlighted MSME's role in India's GDP and employment generation.

Former Addl. Chief Adviser (Cost), Ministry of Finance, GOI, CMA BB Goyal, Guest of Honour asserted that the Indian community has been playing a sizeable role in building up UK's economy and its education sector and discussed about the role both the countries could play in developing the MSMEs.

FOSMI President Mr. Biswanath Bhattacharya touched upon sectoral opportunities in Bengal wherein Mr. Arnab Basu of PBF talked about skill requirements in the VUCA world. Founder President of SME Chamber Mr. Chandrakant Salunkhe spoke about EDP and facilitation of bank loans to SMEs.

Guest of Honour, British Deputy High Commissioner of Kolkata Mr. Nick Low gave insights of the impending UK–India trade partnership and upcoming world-class vaccine industry in UK. Mr. Kevin McCole M.D. of UKIBC talked about UK SMEs with advanced technologies looking to support make-in-India initiatives.

Ms. Shalini Khemka, E2E, UK Govt Dealmaker spoke about the EIS tax schemes which is a tax relief scheme created by the UK Government to encourage investment into startups and early-stage businesses. At present the EIS Tax scheme offers a 30% tax shield that can be offset against current income of an investor that lowers investor's overall tax bill in the UK.

Lord Howard Leigh, Chairman of Cavendish Corporate Finance and Guest of Honour, Lord John Bird, Baron Bird, Member of the House of Lords, spoke about the security-and-investment bill and skill-based education for young generation. Mr. Daniele Petriello of UK Home Office presented the new points-based immigration system for students and professionals.

The event also saw excellent deliberations from eminent speakers like, Dr Farzana Lakdavala from Scottish Development International, Mumbai, Mr Alex Parker, Sr Policy Advisor, Export & Investment Policy Unit, Dept for International Trade, Govt of UK, who spoke on British freeports, Prof Sanjib Basu, Dean, St Xaviers College, Prof Jane Falkingham, Vice President International from University of Southampton, Mr David Ouchterlonie, Nottingham University and Ms. Tara Panjwani, from UK India Business Council.

LOCCA Secretary, CMA Udayan Guha deftly conducted the webinar and Chairman, CAT Committee and AAT Board of the Institute, CMA H Padmanabhan concluded the programme with the vote of thanks.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