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**Suggestions
to assist rehabilitation of
MSME sector
seriously impacted due to onslaught
of COVID-19**



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At the outset, we appreciate the Government's move to conditional easing of lockdown in specified areas where threats of this virus seem to be emaciating. There is no reason why the whole country would suffer due to complete lockdown when some restricted relaxations might reap greater dividends than the impending risks. Already MSME sector is facing untold miseries and many of them are under the scourge of complete extinction and thus any rational attempts to break the deadlock assessing the ground reality is certainly a welcome move. Although more than one month's lockdown has completely jeopardized this sector and any kick start will necessarily be fraught with a number of insurmountable problems like fund crunch, scattered and fleeting workforce, the communication barriers, supply-chain deadlock, stalling of import and export avenues and so on and so forth that certainly will stymie the lion's portion of tiny enterprises yet some of the few will take up the challenges for sake of survival and then only the extent of the problems will surface and find means to be sorted out. In times of this uncertainty, when everything seems to be fuzzy, we think the ministry might ponder over the following aspects.

1. Drawing up of a flexible policy:

Combating any catastrophe of this devastating nature which shows no sign of abatement at this juncture and can be detrimental in many more ways than we presently conceive if it prolongs beyond our perception, must require some systematic approach to combat with. Although the ministry by this time is likely to be engaged in right direction, our humble observation is that the government might draw-up some flexible policy framework/nimble plan-schedule to address multiple emerging scenarios and can prioritize its different re-addressal measures under each of this scenarios. This policy framework should incorporate both short term as well as medium and long term measures. While question of sustainability of this sector both owner and worker alike may be treated as short- term measure, the conditions that this sector encounter say for a specified time after lift-up of lockdown and measures to counter them appropriately may be treated as medium term measure and finally creating capacity building for these sector for future growth may be a long term measure. Thus, for example, solving worries of labour force, helping them to assemble for work, addressing the problems of partial revival of the sector, mitigating liquidity crunch of the enterprises may be contemplated as very short term measures while creating enabling conditions for this sector to flourish and grow by providing different concessions, reliefs and sops and



creating a level playing field for them to face pressure of competition from peer groups both within our country and abroad may be a medium to long term measure. This policy being flexible in nature can be suitably tweaked/modified as per upcoming emergencies.

2. Mitigating the worries of livelihood of the labourers:

This is a very crying need of this time which if not solved, the whole efforts might be in fruituous. The by and large portion (more than 90%) of our MSME units is so called micro enterprises. Most of the units are run by entrepreneurs of small means. The prolonged lockdown has virtually emptied all their purses to run their businesses let alone ensuring payment of salaries/wages to their employees/labourers. To keep these employees/labourers engaged and ensuring their smooth payment, the government might think subsidizing a portion of the wages/salaries of these employees through a well devised support system for a specified period. It is by no means an easy task given paucity of a veritable MSME database specifying accurate number of MSMEs in the country. So, the Government must try a feasible solution taking different MSME mouth organs, representative bodies/organizations, trade associations, related government units etc. into confidence. The concept of single window system that we discussed hereinafter may be suitably utilized for this purpose. It is not that this demand for wage support is a unique cry for our government as these instances of subsidizing the wages are available in many other countries of the world. Despite its budgetary constraints, government must not shy-up to do this as it will not only act as a necessary fillip to this sector, it will also help create more demands in the economy as thousands will be gainfully employed in the process and this with their multiplier and accelerator effect will create more employment and more demand in the economy which the country is precariously starved at this moment. In specific cases where the companies are required to provide for CSR funds, payment of salaries/wages for a strictly specified period may be deemed as CSR payment under specific guidelines.

3. Resumption of logistical support:

Lockdown spanning over months have virtually disrupted all walks of our life let alone the business lines of MSMEs. Communication system has been dislodged sparring disruption of supply chains, access to market and what not. So the government should first look into resumption and reinforcement of the areas that has a holistic bearing. Resumption of transport and communication system is one of such priorities. This will also help assembling the labour force both skilled and unskilled scattered all over the country. This will also help dealing with all various other individual centric problems like problems of factory premises, idle plant and machineries, inventory damages, fund



crunch etc. But resumption of communication system is no less easy. As the total system remained standstill, many problems must come to surface when wheels start rolling. Government must come forward to sort out these problems and help cash starved transport operators by allowing sufficient moratorium of their loan, deferment of date of permit, renewal road taxes etc. to put everything in place.

4. Providing for the entrepreneurs:

MSME entrepreneurs more specifically micro entrepreneurs are also the victims of the situation and badly in need of succour at different fronts to thrive and get go. They need help in the following areas.

- I. **Supply of utilities:** Utility bills like electricity, water, rent, property taxes etc. pose a huge burden during this clampdown period; many of these bills being fixed expenses in nature get accumulated and become a huge burden for the entrepreneurs to bear at least initially. Here the government can intervene and in suitable cases may find out ways in deferment thereof or may allow partial concession/exemption up to a reasonable period covering both its non- working period and initial operational period together to mitigate liquidity crunch of the entrepreneurs.

- II. **Supply of Inputs:** At the initial stages of operations, the units are likely to face input constraints as the suppliers may grudge to provide any credit option, may insist payment of arrears, may unnecessarily hike up prices or some other artificial constraints may emerge. It may so happen the problems are industry specific or product specific. There should be ground level reach by the government to grasp the problems at its root and should intervene urgently. If the matters stuck up with government bodies who are suppliers of such inputs, government may issue necessary instructions. Where the input suppliers are big business houses or big manufacturing concerns, government may give the necessary push-up by issuing adequate guidelines. Where the input supplies are from abroad and critical in nature affecting a bunch of entrepreneurs, government pro-active intervention will be an urgent necessity.

5. Mitigating fund constraints:

Role of Banks, NBFCs and other financial organisations: While RBI in its two stimulus packages have ushered in a number of measures to enhance liquidity in the system as well as providing various kinds of facilities to the MSMEs and small borrowers that inter-



alia include i) allowing three months moratorium on term loans ii) deferring interest payments on working capital iii) easing of working capital financing etc., we think considering the procrastination of this endemic, some more measures may be considered. Our suggestions, in this respect are:

- a) **Extension of Moratorium period on term loans:** Moratorium of 3 months on term loans may be extended to 6 months or even more as till today most of the MSMEs are in the lockdown zone with no certainty when they will be able to start their operations. Moreover, the instability created all around due to this lockdown will not be congenial for the enterprises to earn profit at the initial stages of starting their operations. Since instalments of term loan is repaid out of profits and since for the non-payment they cannot be blamed, pressurizing them for making payment will serve no purpose.
- b) **Sanctioning short term loan:** Although a number of banks have declared COVID-19 emergency line of credit for their affected existing borrowers, the severity of the problem may call for more holistic approach. In order to mitigate the problem of cash flows and circumvent their working capital constraints, banks may, after assessing case specific requirement can give short term loan with specific repayment schedule and without any additional securities. This may be in addition to the working capital limit already sanctioned to the unit. Since this fund crunch is temporary in nature in strict sense of the term, blanket enhancement of working capital limit should be avoided as our experience suggests, once limit is enhanced it remains there to stay. On the contrary, short term loan with repayment compulsion will infuse a sense of financial discipline to the MSME borrowers.
- c) **Interest subvention:** Granting of moratorium on term loan or deferment of interest on working capital limits might be helpful temporarily to an MSME enterprise but strictly they cannot give any real concession in the sense that deferment is not a debarment of payment of interest. Our experience suggests, any deferment of any sort does not stall interest charging rather it ultimately results in more payment by way of interest as interest gets compounded on unpaid amount. In order to give real benefit to this sector, government may consider increasing the rate of interest subvention from its existing 2% for all GST registered MSMEs on fresh or incremental loans.



- d) **Gearing up and reinforcements of resources of financial institutions:** RBI in its stimulus packages has specified an indicative list of Covid-19 operations and business continuity measures to be put in place by scheduled commercial banks, NBFCs, payment banks etc. Financial institutions have been directed to assess the impact of the health crisis on their balance sheets, asset quality, liquidity etc. and introduce contingency measures to manage risks. But it is easier said than done. When hundreds of starved MSMEs will throng bank door for necessary relief, it is not an easy task for the banks to do justice to all applicants and to assess need based finance. For this banks and other financial institutions should form dedicated cells with skilled officials adept in dealing and assessing the proposals coming in numbers so that genuine need can be catered on an urgent basis without compromising risk parameters. In order to quicken the process, banks should suitably revamp its lending strategies with a quick due diligence exercise and simplified processing system to give sanction within a scheduled deadline that RBI may suitably frame-up. We may also think of making some structural changes to lending practices by expanding the role of fintech lenders. In view of the present scenario, digital finance lending platforms seem to be better option. Since these platforms seek to assess future enterprise potential and determine the creditworthiness of the borrowers with their analytics tool in a faster and safer way, it is time that they are given more room in the lending ecosystems for the MSMEs. In this context we also suggest that as the finance minister promised, the app-based invoice financing loans product should be operational in no time to obviate the problem of delayed payments and consequential cash flow mismatches for MSMEs.
- e) **Reclassification of NPAs:** Since many of the MSMEs for no fault of theirs will not be in a position to meet repayment commitment, it is perhaps the right time when RBI should come up with new classification norms of NPA. We suggest the criteria for NPA on overdue period of instalment of principal or interest may be extended from present 90 days to 180 days for a specified time period with scope for gradually reinstating it to its earlier position as per improvement of the situation. Although the RBI has already declared that 90- day non-performing asset norm would not apply to moratorium granted on existing loans by banks, a more comprehensive approach in the line of above is suggested by us.
- f) **Enhancing guarantee coverage of CGTMSE:** During this trying period there may be scope of bringing more and more MSMEs under CGTMSE cover by enhancing the upper limit of term loan and working capital to be eligible for cover.



While we speak of CGTMSE guarantee scheme, the government may think of providing a certain guarantee at least partially in respect of certain MSME loans with sound rating and good repayment history under some specific guidelines. Government guarantee will expedite the processing and sanction of loan and help lending credence in the minds of the lenders. In fact, Government of many countries in the world is adopting this technique of giving guarantee to their MSME units to get them a steady go.

- g) **Stalling encashment of guarantee:** We endorse the apprehension of the MSMEs that PSUs may encash the performance guarantee during Covid-19 lockdown for disrupted supplies and thus suggest that Government should direct state-owned entities to put any such move on hold albeit temporarily until the situation becomes normal allowing MSMEs to function smoothly.
- h) **Proactive role of SIDBI:** Being the apex organization, in this crucial time, SIDBI has a more pro-active role to play with. Although it has launched 'SAFE' schemes to provide financial assistance to MSEs and 'CSAS' to provide financial assistance and stability to start-ups, its coordinating and monitoring role among activities of different financial functionaries in present scenario appears to be no less important to avoid overlapping of financial aids coming from multiple financial institutions and ensure optimization of these all-bound efforts. This is particularly true in rural and semi-urban areas. The provision of special refinance facility around Rs. 15000 crores by RBI with assurances of more liquidity support on assessment of further requirement is a welcome help to SIDBI who can continue its refinance programme to SCBs and financial entities sanctioning loans to MSMEs with renewed thrust for tangible benefit to this sector. SIDBI must also extend its advisory role in knowledge dissemination to MSMEs, many of whom are perturbed with array of problems associated with their businesses and require continuous help, advices and nurturing through its various training programmes and tie-up with different organisations having these training facilities with a history of working intimately with different MSMEs at the ground level.
- i) **Restructuring and subsidizing fund raising from capital market:** As more and more MSMEs face the wrath of extinction for fund flow crunch and delayed realization of sale proceeds, many of them require urgent restructuring and elongated repayment schedule for survival. The Hon'ble minister of MSME has already apprehended that nearly 8-10 lakh units would be restructured in the coming days. In this respect RBI has done the right thing in extending deadline



for its existing one-time restructuring schemes for MSME loans to December 31, 2020. The scheme of one-time restructuring of loans to MSMEs that were in default but standard's on January 1, 2019 were permitted without an asset classification downgrade upto Rs. 25 crores. This was a scheme already on the floor much ahead of the spur of this endemic. No doubt this deferment of deadline will help many existing borrowers, it is not clear whether this scheme will assist to the myriad of MSMEs who freshly suffered the blows of this endemic and badly needs help. Our suggestion is that the condition and modalities of this one time regulatory dispensation may be adequately tweaked and aptly spruced up to cover thousands of fresh MSMEs who were earlier sound but became victims of this pandemic.

- j) **Resourcing from capital market:** In view of its inability to tap capital market for garnering necessary resources from the capital market because of its various rules, regulations and formalities, and for their less recognition and brand value, many of MSMEs shy away from capital market. This despite the fact that raising capital is a must for the entities who are well rated and want to strengthen them to face competition from national and international quarters. While think-tank in Government may be engaged to devise various ways how participation of more footfalls of eligible MSMEs in the capital market can be ensured that may include thinking for an exclusive 'MSME Exchange', the creation of its 'Fund of Funds' to the tune of Rs. 10000 crores is a right move in this direction. The fund is meant for buying up to 15% equity in MSMEs with high credit rating that want to be listed in stock exchanges and raise capital from capital market. The initiative may further be ramped up in the future increasing the corpus in this fund for covering more MSMEs specially affected in this situation subject to review of the scheme and its efficacy. Again, the proposal of buying 10% of the bonds issued by the export potential MSMEs as mooted by the MSME ministry to help MSME units to tap capital market well ahead of this disaster may be enriched and the limit of 10% can be increased sufficiently. Besides, government may think of building a corpus of MSME Benefit Fund not through any budgetary allocation but appraising many other options like floating of tax-savings MSME Bonds. These Funds can be gainfully utilised for providing various types of assistance to this sector.
- k) **Clearing MSME dues, incentives on urgent basis:** The urgent need of clearing pending dues to MSMEs by various government departments, units, agencies has been emphasized by the MSME ministry. The dues should necessarily



include payments for supply for goods and services to PSUs by MSMEs, GST refunds, various state and central government incentives for MSMEs. Blocking legitimate payment to MSMEs by PSUs and other corporates are a common malady that create enormous liquidity problems for MSMEs for decades together and one of the crucial reasons for liquidation of many MSMEs. The point is endorsed by a statement of our Hon'ble Finance Minister when she much ahead of this endemic on October,2019 told that the government would ask big corporates to expedite clearing dues worth Rs.40000 crore to MSMEs. The aspect has been much more significant in view of this pandemic. Government must issue strict guidelines to repay all dues within 15 days and a monitoring cell may be formed under the MSME ministry to oversee that this is ritually done. The cell may be entrusted to take care of various other complaints raised by different MSME units and justify for their ready disposal on a war footing.

- l) **Bill rediscounting schemes:** Before elaborating this point we can mention the speech delivered by our Hon'ble Finance Minister on October, 2019 when she iterated "to ensure liquidity for small businesses, banks have been asked to provide bill discounting facility to the MSME sector against payments due from the large corporates." This sufficiently exhibits that bill discounting schemes have not been gained the required ground in our banking fraternity. In this trying time, the government and the RBI should take all measures to invigorate the scheme to augment liquidity in their businesses. This apart, the scope of existing bill discounting scheme where bills drawn by small scale units for supplies made by them to reputed Public Limited Companies/State and Central Government Departments/Undertakings and duly accepted by purchaser are financed against security of bank guarantee in favour of NSIC may be reviewed for further upgradation. In this context, mention of TReDS, the online bill discounting platform for the cash stripped MSMEs comes to the fore. The government should take a more flexible approach and push up the large corporates to register themselves in the platform. These units still prefer to take offline route thus prolonging the delayed payment and leave it unchecked to vitiate the underlying objects. Besides to justify fully to the purposes for which it was instituted, TReDS needs to be automated completely so that transaction costs get reduced and the smallest MSMEs can leverage the benefits. Here we can also mention MUDRA BANK – which has proved to be a game-changer with its overarching impact on last-mile credit delivery thus creating a win-win situation for both the MSMEs and lenders looking for a growth opportunity alike. In order to plug the loopholes, financial institutions serving the MSME sector must be mandated to register on



TReDS. Again, GSTN is required to be linked to TReDS and they should work in tandem to achieve twin objectives. First, it will link everyone with GSTN to TReDS by default and maintain the automated invoicing records across networks. This will help identify delayed payment beyond legally defined time-frame of 45 days for MSMEs and duly directed to make the payment immediately to the respective banks of MSMEs. This mechanism has gained tremendous importance now when any sort of physical movement is restricted and physical distancing has been the order of the day. The strengthening of 'Factoring' service may also be a good option in this respect.

- m) **Concession as well as deferment of payment of statutory dues:** MSMEs are burdened with a lot of statutory dues that are to be timely met to avoid penal interest and necessary persecution. In this respect our government has already extended the deadline for filing income tax returns, GST returns and Central exercise return due for March, April and May. It has also extended the deadline in many other areas relating to Direct tax, Indirect tax upto 30th June, 2020. But given the extension of lockdown period for an uncertain period of time, we think the deadline should be extended at least upto 30th September if not further. The government has taken steps to reduce corporate tax already. But thousands of proprietorship and partnership firms which constitute the total number of MSMEs in India are denied the benefits thereof. Government may incentivize them by reducing their tax rates, tax holidaying, carryover of losses over a longer period, increasing scope of deductions and so on and so forth. Exemption from capital gains tax for the MSMEs may be another option. Enhancement of limit of pending Income tax refund order for MSMEs from Rs.5 lakhs to 15 lakhs may be a feasible option. All payments to MSMEs may be shielded from TDS deduction. Again, since production cannot be held during this lockdown period, government should take enabling steps to relax/relieve the burden of demurrages charged by Railways/Ports/Airlines/Customs etc. for timely non-release of goods.
- n) **Amendment of IBC code:** It has been experienced that due to insolvency process of a number of corporates coupled with upheaval in the banking and finance sector, a large number of MSME players are understood to be suffered by the aftershock and learnt to have burnt their fingers in the form of unpaid bills, bad debts and NPAs. Since the problem will be more exacerbated in the coming days, we suggest that some deliberation can be made to ease out the code further to make it more pro-MSMEs.



6. Preferential Purchase from Government and PSU and innovative platform for marketing:

The public procurement policy for MSEs that was effective from 1st April, 2019 comes handy in enhancing the scope of marketing for MSEs by mandating a minimum 25% annual procurement of reserved MSE products by every Central Ministry/Department/PSUs. The policy also ensures the scope of review of number of exclusive reserved items including the scope of suitable enhancement of the minimum target level along with increase of number of reserved item for this procurement. That apart, we can also mention the role of Government eMarketplace (GeM) for giving MSME entrepreneurs easy and enhanced access to markets. While by this time thousands of MSME suppliers have been registered with GeM, efforts should be initiated in a bigger way to get more suppliers registered in this platform. As our Hon'ble Prime Minister emphasized, it should be reviewed whether all public sector undertakings of the Union Government have been a part of GeM and whether they also get their vendors registered on GeM. Again, to boost the support of the women entrepreneurs after this lockdown, government may think of increasing reserve quota of 3% in the mandated procurement policy of the Government. Here we like to highlight the idea of creating MSME marketing platform like Alibaba or Amazon conceived by MSME ministry to give a worldwide coverage of our MSME products. This platform as is hoped would provide world-wide access to find out various products available in them and help marketing potential a lot. This ambitious scheme should get immediate attention and the required lift.

7. Concept of single window system:

As a plethora of different supporting stimulus's for the MSMEs are on the anvil, one point that the government may seriously ponder over is to see that there remains a perfect co-ordination among all the bodies entrusted to implement these stimulus's and should see there is no duplicity. It should also to be ensured that the benefits of all these schemes are transmitted to the ground level quickly and adequately. Unless the government can develop that dedicated bottom line, many of the MSME entrepreneurs may be left unnourished. The Government can think of building some single window system at district/zonal level to co-ordinate all MSME related activities that inter-alia may include linking MSMEs with different government schemes, linking small units with different marketing platforms, GST regulations, loan approval and disbursement, rehabilitation of sick units, dissemination of various MSME related information, helping them to be more digitalized and so on and so forth. This window may act as an interface of the Government to assess the groundwork reality, intermittently review what has



been done and what is left, may consider building a wide network of different MSME related bodies/organizations/institutions so that an inclusive and comprehensive response can be meted out. In this connection we want to reiterate the importance of planned website of MSME ministry -- 'Bank of ideas, Innovation and Research' meant for compiling innovative and ingenious ideas for growth of MSMEs. The website will be immense help in this trying time and so is a hearty welcome.

8. Spread of Digital awareness:

Many people believe that there will be a noticeable change in the mode of doing business after this pandemic is over. Business will try to shed their physical activities and movements as much as possible and will be heavily dependent on their digital platform. We have already spoken of the growing role of fintech companies for lending purposes, TReDs for bill discounting schemes, GeMs for marketing of their products. Apart from that, growing use of plastic money, network based payment etc. would be more in vogue. Here the role of the Government is to build up the necessary logistics and infrastructure on a war footing so that MSME of smallest size and at the remotest corner of the country can take advantage of that. Government should make a wide publicity among the MSMEs for adopting the order of the new regime and proper training facilities for this purpose are also a need of the day.

9. Relief from burden of compliances and ease of doing business:

Admittedly, our MSME sector is bulldozed with enormous burden of huge compliances and regulations. Thousands of employer compliances with their constant changes in a year make India an unresponsive habitat for MSME job creation. Our government is aware of the problem and already some commendable initiatives to lessen compliance burden have been initiated. Government has already changed the norm of submission of return under eight labour laws and 10 Union regulations only once in a year. We understand, Government has assessed that an MSME enterprise requires only two clearances as a part of establishing its unit namely environmental clearance and consent to establish. Since both air pollution and water pollution have now been merged, the enterprise may require a single consent and related return through self-certification. Again, matters related to Inspection of the unit, decision of visiting the establishments by an inspector will now be decided through a computerized random allotment. Regarding minor violations under the Companies Act, Government has introduced an ordinance that gives respite to the entrepreneurs to approach the court who can take remedial measures themselves through simple procedures. Raising the turnover threshold for audit of accounts of MSME borrowers to Rs.5 crores is also an



enabling step in this direction. While all these are hailed, we suggest government to form an empowered committee for this purpose who will meticulously delve into the different compliances under different laws/rules in our country that an MSME is required to shoulder in starting and continuing its business and suggest remedial measures to simplify/eliminate/merge them and these should be implemented at earliest possible time. If one shot solution may not be imminent, government may come out deferring/simplifying/trimming/tweaking the critical compliances initially then heading progressively to its goal.

10. Social security for MSME employees:

This aspect is an important point to reckon which our Hon'ble Prime Minister has already noted seriously. The programme highlighted by the finance ministry regarding launching a mission aimed at MSME employees to get Jan Dhan Accounts, Provident Fund and Insurance should gather required momentum immediately. It should be meticulously monitored how this outreach programme of the government can be strengthened and what more measures can be adopted to provide social security to the MSME employees. In this respect, we can mention the PF dues of thousands of workers working in MSMEs which are unable to be met by most of the entrepreneurs of small means. Here the government should reasonably come forward, can shoulder the burden of PF payment for a specified period say for 6 months thus relieving the entrepreneurs a lot.

11. Technology Upgradation:

Although this is a long term issue but needs worth mentioning. Technology will be the most determining factor in the coming days for MSME to reign in the market. It is learnt that the government is, for this purpose, in the process of creating 20 hubs and 100 spokes in the form of tool rooms across the country. We have a pool of talented engineers, have some well accredited premier educational institutions and enough unutilized resources. A bit of stewardship on the part of the Government in harnessing these resources with provisions of required incentives, facilities, logistic support, foreign collaboration, import of need based high-end technology etc. can do miracle.

12. Address to right information:

The flexible policy framework with multiple scenarios that we have, at the outset of our observation, mentioned should include this point as a medium and long term measure. Many of the MSMEs usually at the remotest parts of the country suffer from ignorance and lack of information regarding the documentation and other formalities for obtaining



licenses and registrations. Government portals and website should be updated with all information so as to reach to the unreached in the remotest part of the country for removing unnecessary confusion amongst the entrepreneurs. Here the government can moot over in launching a centralized online system of licensing with right use of technology in resolution of the issue.

13. Simplifying patent registration laws:

This point should also find place in government flexible policy framework to be initiated as a medium and long term objective. The research and development aspect in our country is lagging far behind compared to many other countries in the world. The huge expenses that it entails cannot be subscribed by most of our MSME entities. Similarly, long drawn process of registration of patents and lack of proper monetary incentives for research and development is a permanent drag for this sector. Here government may envisage what can be done, can make tie-up with many premier educational institutions, can goad the big business houses to provide necessary wherewithal both in terms of money and means and can dig many other innovative ways.

14. Unified labour code:

This point may also be treated as long term policy measure. In fact this is a cry from different quarters for a long time. Factory and manufacturing establishments in India are governed by a multiple number of labour legislations. Many of these acts are overlapping and the companies face difficulty in complying each legal requirement every month. Moreover, many provisions of these legislations are due for necessary upgradation in sync with new technological advancements and business model. In this scenario, compilation of all these legislations into a single labour code that may take care of all major verticals like wages, industrial safety and welfare, industrial relations, social safety etc. may be a need of the hour.

15. Export Incentives:

While MSME sector in general is impacted a lot due to this lockdown on account of Covid-19, the plight of MSME exporters is more deplorable. It is estimated that more than 50% of the country's total outbound shipments are catered by MSMEs. The problem seems to be gloomier in the sense that due to this global pandemic, global trade in goods is set to decline steeply in coming days which may vary from 13% to 32% as estimated by WTO. So a comprehensive incentive package should be rolled out like many other countries in the world for these exporters. In this respect, the government's initiative to drive ecommerce platforms for pushing exports with an



emphasis on small enterprises which are located in remote areas should gather the enhanced steam and government should consider allowing greater export incentives for the exports effected through ecommerce platforms. The government should initiate the calibrated opening up of various export-oriented MSMEs to start production under strict safety guidelines not only mitigating the woes of this sector but to avert the possibility of losing market in different countries to many other peer competitors.

16. Optimising resource utilization and creating cost consciousness:

As the possibility of shifting global manufacturing epicenter in India is looming large in post corona-virus regime, needless to say that it is a shot in the arm of our thousands of MSMEs who must grab this opportunity by continuous evolving . This calls for adopting jugaad on the part of MSME sector. As resources are scanty, the winner in the face of worldwide competition must be the one who can optimize most its resource utilisation and in the process can produce the goods at minimum costs.

Sir, here the role of our Cost Accountant fraternity is immense. Our institute with thousands of efficient Cost and Management Accountants in its fold can make a tangible contribution in capacity building of this sector. At a time when the government is working vigorously on import substitution to promote MSMEs and encourage local to manufacturing attain self-sufficiency the lack of which we have badly felt in this crisis time, our competency as professionals can help form required building blocks and contribute fruitfully to the broader ecosystem congenial to this initiative.

Sir, we got enthused by your vision statement for MSMEs when you said to increase MSME contribution to India's GDP to over 50% from the current 29% to help India achieve 5 trillion dollar mark. You also aspired to scale MSME exports' contribution from the current 50% to 75% while employment generation would extend to 15 crore people from the MSME segment as against 11.10 crore at present. Sir although this ambitious scheme has suffered a jolt due to this pandemic and for the time being our growth rate may get a beating as is normal in these circumstances; we strongly believe that India has required potential to withstand this shock and to march ahead forcefully. India with its huge population and young workforce has a distinct advantage. At a time when inflation is tamed, oil prices is plummeted, Government and RBI will get more room in wielding its fiscal and monetary policies to its advantages and once investment in key sectors having backward and forward linkages comes floating albeit slowly in given circumstances- we hope, the demand will be generated and will be permeated all through the interconnected sectors. This will generate Income and help capital formation in the country and the consequent multiplier-accelerator paradigm will provide



the required momentum to the economy to roll-over. We think, despite budgetary constraints, Investment will not be a problem for the government as it has, apart from budgetary dispensations, lots of other avenues to garner funds for investments both from within and outside the country. Moreover, now an idea of India as a 'future global manufacturing hub' is hovering globally and government, as reports emanate, are sincerely in the process of building up the necessary facilities to take most advantage of the situation. So what we think necessary at this time is to take time to gather ourselves, to play our cards cautiously, timely and appropriately. If it happens, certainly we will flourish all at a time – the big industries and MSMEs together.
