

Schemes for Supporting MSMEs

Micro, small and medium enterprises (MSMEs) account for more than 90% of all enterprises in Europe and Asia. In India, they account for 99% of all enterprises, according to a recent article published in Times of India. Most of the enterprises in India have come under the MSME category after Government of India expanded the criteria for defining these enterprises in May 2020.

The Union government revised the definition of MSMEs in order to enable more number of entities take benefit of the various schemes announced for this sector. Accordingly, manufacturing and services units with an investment up to Rs. 1 Crore and turnover upto Rs. 5 Crore are termed as micro enterprises. Units having an investment up to Rs. 10 Crore and turnover up to Rs. 50 Crore are termed as small enterprises; while those having an investment up to Rs. 50 Crore and turnover up to Rs. 250 Crore are termed as medium enterprises.

Further, exports have been excluded from the counting of turnover, therebyencouraging MSMEs to enhance their exports, without fearing to lose their benefits as MSME units. These steps are welcome as MSMEs are significant contributors to India's employment, exports and output. The upward revision of investment and turnover criteria and exclusion of export turnover will lead to MSME growth.

However, MSMEs should be abreast with government schemes that can help them during this crisis.

Following are some National Small Industries Corporation (NSIC) schemes that can help MSMEs in this time of crisis:

RMA against Bank Guarantee Scheme

Raw Material Assistance (RMA) Scheme aims at helping MSMEs by way of financing the purchase of Raw Material (both indigenous & imported). This gives an opportunity to MSMEs to focus better on manufacturing quality products.

Benefits of the Scheme:

Financial Assistance for procurement of Raw Material upto 180 days.

MSMEs helped to avail Economies of Purchases like bulk purchase, cash discount etc.

Process of Application:

Duly filled application form is to be submitted along with the Application to the nearest Branch Office of NSIC.

Preliminary appraisal and Unit inspection is carried out by NSIC.

Sanction of Limit to the Unit.

Signing of agreement between NSIC and Unit.

Disbursement of assistance to the unit.

Terms and Conditions:

Security in the form of Bank Guarantee from Approved Banks.

Charges:

Rate of interest in respect of assistance availed on or after 01.06.2020 will range between 8.00 - 9.50% p.a..

Processing fee on new sanctions and renewals will range between 0.5 - 1.00% p.a..

Bill Discounting Scheme

The Scheme will cover discounting of bills arising out of genuine trade transactions i.e. supplies made by Micro, Small and Medium Enterprises (MSMEs) to reputed Public Limited Companies / State and Central Govt. Departments / Undertakings / Private Limited Companies (not traders), engaged in manufacturing / service activities.

Grant of Seller-wise Limits:

Bills (Bill of exchange) drawn by MSMEs against their supplies made, duly accepted by the purchaser will be discounted. Annual limits can be fixed for such units by obtaining information as per the prescribed application form.

Period of Usance of Bills to be considered for Discounting:

The maximum usance period of the bills (Bill of Exchange) shall not exceed 180 days.

Security:

- i) Bank guarantees issued by approved banks equivalent to the value of assistance.
- ii) Personal guarantee of proprietor, partners of firms and Directors of the company.

Charges:

Discounting Charges (Effective from 01.06.2020) range between 7.00 - 8.50% p.a.

Processing fee on new sanctions and renewals will range between 0.5 - 1.00% p.a.

Source: <https://www.nsic.co.in/Schemes>

At a time when MSMEs are marred by the COVID-19 crisis, and require government support to tide over their difficulties, assistance provided by the government can go a long way in helping them mitigate the adverse impact of the crisis.

Notifications

Press Information Bureau, Government of India

Update on COVID 19

<https://pib.gov.in/PressReleasePage.aspx?PRID=1637583>

Daily Bulletin on COVID 19

<https://pib.gov.in/PressReleasePage.aspx?PRID=1637587>

DGFT

Amendment in import policy of cut flowers

https://dgft.gov.in/sites/default/files/Notification%20No.%2017%20English_0.pdf

CBIC

Anti-dumping duty imposed on Phenol

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-add2020/csadd18-2020.pdf>