Emergency Credit scheme receives maximum budgetary allocation for MSME sector

Government of India has increased budgetary allocation to the Ministry of Micro, Small and Medium Enterprises (MSMEs) by almost three times to Rs. 15699 crore for the next financial year (2021-22), which represents almost three times growth in spending from Rs. 5664 in the current year. However, it must be noted that around 64% of the allocation for the next financial year has gone towards one scheme, which is Guarantee Emergency Credit Line (GECL) facility to eligible MSME borrowers. In order to provide liquidity support to distressed small scale sector amidst COVID pandemic, Government of India announced this facility of additional bank funding of up to Rs. 3 lakh crore to eligible MSMEs and interested MUDRA borrowers in May 2020.

Under this Scheme, the National Credit Guarantee Trustee Company Limited (NCGTC) provides 100% guarantee coverage to eligible MSMEs and MUDRA borrowers. In order to support NCGTC in extending this guarantee coverage, the government decided to allocate Rs. 41,600 crore to this company over four financial years. Consequently, as a first installment of this allocation, the government allocated Rs. 10,000 crore for the next financial year.

Media reports suggest that as of January 8, 2021, around 71.3% of the Rs 3 lakh crore additional funding has been sanctioned to Covid-hit MSMEs and other businesses by 12 state-run banks, 23 private sector banks and 31 non-banking financial companies (NBFCs). These financial institutions have sanctioned Rs 2.14 lakh crore to 90.57 lakh eligible borrowers. Of the total sanctioned amount, Rs 1.65 lakh crore has been disbursed to 42.46 lakh borrowers, as of January 8, 2021.

Other schemes

Other schemes that received higher allocation for the next financial year are: Prime Minister Employment Generation Programme (PMEGP), Fund of Funds, Establishment of New Technology Centres and Infrastructure Development and Capacity Building Scheme. Under PMEGP, the government aims to create self-employment opportunities for artisans, women, people from SC and ST communities in manufacturing and services sectors. The government provides margin money subsidy ranging from 25%-35% to eligible beneficiaries in rural and urban areas for setting up projects, whose maximum cost is pegged at Rs. 25 lakh (for manufacturing sector) and Rs. 10 lakh for services sector. Allocation for this project has increased 21% to Rs. 2000 crore for the next financial year from the current year. However, this amount is less than the amount allocated in 2019-20, which stood at Rs. 2464 crore. Under the Fund of Funds (FoF) scheme, the government supports Venture Capital (VC) or Private Equity (PE) firms investing in the MSME Sector. The allocation for this scheme more than doubled to Rs. 350 crore for the next financial year.

For Establishment of New Technology Centres, the government increased allocation more than three times to Rs. 300 crore. Under this scheme, the government extends grant-in-aid to 18 Technology Centers for procuring machinery & equipment of latest technology. These Technology Centers support

MSMEs through technology support and by conducting technical training programmes to impart relevant skills to employees of MSMEs.

Under the Infrastructure Development and Capacity Building scheme, the government supports MSMEs in developing clusters. The government helps MSME clusters in developing necessary infrastructure such as common facility centres (for testing, training centre, raw material depot, effluent treatment, complementing production processes, etc.) and infrastructural facilities in the new and existing industrial areas. Under this scheme, the government also supports group of women enterprises in establishing exhibition centres at central places for display and sale of their products. The allocation for this scheme has grown from Rs. 455 crore in the current financial year to Rs. 507 crore for 2021-22.

Decline in Allocation

On the other hand, the following schemes witnessed decline in allocation for the next financial year: Credit Linked Capital Subsidy and Technology Upgradation Scheme, Interest Subvention Scheme for Incremental Credit to MSMEs and Scheme for Fund for Regeneration of Traditional Industries (SFURTI). For the Credit Linked Capital Subsidy and Technology Upgradation Scheme, government allocated Rs. 315 crore for next year, which is far less than Rs. 1080 crore allocated for the current financial year.

Under this broad scheme, the government supports MSMEs through six small schemes, viz. Lean Manufacturing Competitiveness Scheme, Design expenses for Manufacturing MSME Sector, Digital MSME, Support for Entrepreneurial & Managerial Development of MSMEs through Incubators, Building Awareness on Intellectual Property Rights for MSME and Financial support to MSMEs in ZED certification scheme (ZED Scheme).

Under the Interest Subvention Scheme, the government offers 2% interest subvention on fresh or incremental loans upto Rs. 1 crore to MSMEs, who have valid GSTN Number and Udhyog Aadhaar Number. Allocation for this scheme has declined to Rs. 200 crore for 2021-22 from Rs. 350 crore in the current financial year.

Under the Scheme for Fund for Regeneration of Traditional Industries (SFURTI), the government helps traditional industries and artisans in enhancing their productivity and economic viability. Allocation for this scheme has declined to Rs. 170 crore for 2021-22 from Rs. 300 crore for the current financial year.

Notifications

PIB

Budget marks directional change in Indian economy

https://pib.gov.in/PressReleseDetail.aspx?PRID=1695223

Scheme to promote textile exports

https://pib.gov.in/PressReleseDetail.aspx?PRID=1695178

Steps to boost textile industry

https://pib.gov.in/PressReleseDetail.aspx?PRID=1695171

Promoting of Handloom sector

https://pib.gov.in/PressReleseDetail.aspx?PRID=1695176

DGFT

Introduction of online e-Tariff Rate Quota System for imports

https://content.dgft.gov.in/Website/dgftprod/7c95bca8-1524-463b-9cfa-fef49449d6c4/Trate%20notice%20no.40.pdf