Informal enterprises should benefit from government programmes

The second wave of the Covid-19 pandemic has disrupted economic activity in many parts of the country. As people reduce their discretionary spending, the same may lead to pent-up demand once business activity returns to normal as the lockdowns get lifted. However, the crisis has led to loss of incomes for many, especially in the informal sector, which may curtail demand.

While the government may not be able to provide tax sops to enhance demand, given its rising fiscal deficit, required to meet the livelihood needs of the weaker sections of the society, and commitment to infrastructure development, that can spur economic activity, at a time when private investments do not come forward, the MSME sector will likely face weak demand for its products.

As many MSMEs are marred with rising costs, lack of skilled workforce and poor technical know how, they may get ousted from the market due to resource crunch and lack of efficiencies. Innovations in the financial sector, therefore, that can bring down the costs of borrowing as also improvement in monetary policy transmission in the form of lower interest rates may help MSMEs mitigate the adverse impact of the crisis.

Further, technologies such as artificial intelligence can help in determining credit scores of low income households based on their saving and past repayment histories. This can improve access to finance for the unbanked population, while also improving targeting efficiencies of government programmes. Bringing more number of informal enterprises into the formal sector net, so that they can benefit from government schemes, can bring about lasting economic revival.

Moreover, creating a robust data collection machinery that can aid in informed decision-making, and decentralized economic planning for building capacity in the informal and MSME sectors at the local level, can fasten bouncing back of the ailing economy.

Notifications

PIB

Relaxations provided under Gas Cylinders Rules, 2016


Wheat procurement up by 30%


INDIA’S FOREIGN TRADE: April 2021


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Fixation of Tariff Value of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver- Reg