

28th July, 2020 / 12752

To

Smt. Nirmala Sitharaman
Hon'ble Union Minister of Finance
Ministry of Finance
Government of India
New Delhi-110001

Durgesh V. Buch
President

Natubhai Patel
Sr. Vice President

Bhargav Thakkar
Vice President

Sanjeev Chhajer
Secretary

Dilip M. Padhya
Secretary (R)

Pathik S. Patwari
Treasurer

Sub: Suggestions on the Impact of the Stimulus package for MSMEs

Respected Madam,

Greetings from the Gujarat Chamber of Commerce and Industry.

Gujarat Chamber of Commerce and Industry (GCCI), founded in 1949 is the apex body for promotion of trade, commerce, industry and overall economic development in the State of Gujarat and for the Nation. GCCI works to create and sustain an environment conducive to the growth of industry and trade in Gujarat, partnering both of them through advisory processes.

With more than 4000 direct members which include over 200 Trade and Industry Associations and leading Chambers of Commerce of the State, and more than 2,00,000 indirect members across Gujarat, GCCI represents all cross sections of trade and industry across segments ranging from large corporates to SMEs.

We would take this opportunity to appreciate the commendable efforts taken by the government towards fighting the COVID-19 pandemic and also applaud the stimulus package declared with an aim to benefit MSMEs in coming out of the acute business crisis scenario as a result of the unavoidable lockdown.

Madam, GCCI has prepared a report on the Impact Study of Stimulus package announced by your good self. We had taken feedback from our actively associated MSMEs and have compiled key suggestions related to actual impact of stimulus package which are attached herewith. The primary object of preparing this report is to obtain the opinion of the stakeholders for whom the stimulus was announced, to know their first hand impression and possible acceptability & response, and compile any suggestions that they may have about the package or otherwise with the final aim of getting the country's economic activity rolling post lockdown.

We are writing this letter to your good self to consider the following recommendations which emerged out of the many different suggestions received through the study and which we believe should be included in the modified package:

1. In addition to Emergency Credit Line which is maximum up to 20% of the outstanding credit as on 29 February 2020, we strongly feel that there is a need to extend the number of days for which a bill shall be discounted and recommend to extend the period from 90 to 150 days which will enable the working capital cycle to operate smoothly.



2. We strongly recommend to include all Co-op banks including Urban, Districts and Rural as member lending institution (MLI) under NCGTC for which GCCI has made a representation vide letter no. GCCI/6251 dated 09/06/2020.
3. Fund for creating e-market linkages and schemes for virtual exhibition be provided.
4. Condition of 90% employee with less than Rs.15,000/- should be changed to 75% with basic salary less than Rs.15,000/- while providing EPF support.
5. The benefit of PF should be given to all the employees instead of limiting to salary of Rs.15000/-.
6. Statutory PF contribution of both employer and employee reduced to 10% each should be extended up to March'2021.
7. For GeM portal, recently new fees are introduced once tender is selected which should not be applicable for at least next 6 months. This will encourage more MSMEs to get registered on GeM and increase their business.

We would be very grateful if your good self would take an early action in this regard and have a positive consideration of our suggestions.

Thanking you.

Sincerely,

Yogendrakumar Trivedi
Chief Operating Officer

Durgesh V. Buch
President

Natubhai Patel
Sr. Vice President

Bhargav Thakkar
Vice President

Sanjeev Chhajer
Secretary

Dilip M. Padhya
Secretary (R)

Pathik S. Patwari
Treasurer



Case study on Impact of Stimulus Packages announced by Hon. Union Finance Minister from 13th May to 17th May, 2020

MSMEs details are mentioned in the table below:

Questionnaire Compilation															
Sr.No	Industry Category			Industry Type			Industry Sector					Market Reach			No of Employee
	Micro	Small	Med	Mfg.	Ser.	Trd	Eng	Pls	Phrm	Chm	Other	Dom	Exp	Both	
1	1			1			1							1	50
2	1			1				1				1			9
p3	1			1			1							1	5
4	1					1	1					1			2
5		1		1					1					1	200
6		1		1			1					1			20
7		1		1							1			1	59
8		1		1			1					1			125
9		1		1							1			1	40
10			1	1						1			1		70
Total	4	5	1	9	0	1	5	1	1	1	2	4	1	5	

Ratings given on Impact of Stimulus Packages are as below:

Q.1 (a) Rs 3 lakh crore Emergency Working Capital Facility for Businesses, including MSMEs

To provide relief to the business, additional working capital finance of 20% 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% guaranteed by the Government of India providing a total liquidity of Rs. 3.0 lakh crores to more than 45 lakh MSMEs.

This stimulus package is rated 30 on the scale of 50 – i.e. 60%

(b) Did you try to avail off this benefit?

07 industries availed off the facility out of 10 – i.e. 70%

Q.2 New definition of MSME

Definition of MSME will be revised by raising the Investment limit. An additional criterion of turnover also being introduced. The distinction between manufacturing and service sector will also be eliminated and Whether industries are micro, small or medium enterprises, their export turnover will not be factored in.

This stimulus package is rated 31 on the scale of 50 – i.e. 62%

Q.3 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.

This stimulus package is rated 25 on the scale 50- i.e. 50%

Q.4 No Global tenders for Government tenders of up to Rs 200 crores.

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 crores.

This stimulus package is rated 27 on the scale of 50 – i.e. 54%

Q.5 Employees Provident Fund Support for business and organised workers

The scheme introduced as part of PMGKP under which Government of India contributes 12% of salary each on behalf of both employer and employee to EPF will be extended by another 3 months for salary months of June, July and August 2020.

This stimulus package is rated 21 on the scale of 50 – i.e.42%

Q.6 EPF Contribution to be reduced for Employers and Employees for 3 months

Statutory PF contribution of both employer and employee reduced to 10% each from existing 12% each for all establishments covered by EPFO for next 3 months. This will provide liquidity of about Rs.2250 Crore per month.

This stimulus package is rated 23 on the scale of 50 – i.e.46%

Q.7 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.

This stimulus package is rated 28 on the scale of 50 -i.e.56%

Q.8 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.

Rs 70,000 crore boost to housing sector and middle-income group through extension of Credit Linked Subsidy Scheme for MIG under PMAY(Urban)

The Credit Linked Subsidy Scheme for Middle Income Group (annual Income between Rs 6 and 18 lakhs) will be extended up to March 2021. This will benefit 2.5 lakhs middle income families during 2020-21 and will lead to investment of over Rs 70,000 crore in housing sector. This will create significant number of jobs by giving boost to Housing sector and will stimulate demand for steel, cement, transport and other construction materials.

This stimulus package is rated 22 on the scale of 50 – i.e. 44%

Ratings details are mentioned in the table below:

Ratings on 1 to 5 scale								
Question	Q.1(a)	Q.2	Q.3	Q.4	Q.5	Q.6	Q.7	Q.8
Ratings	2	2	1	3	2	3	3	3
	2	3	1	1	1	1	1	1
	3	2	4	5	3	2	4	4
	3	4	1	1	1	1	1	1
	3	3	3	3	3	3	4	4
	3	3	3	4	2	3	3	3
	5	5	1	0	2	0	0	0
	3	3	4	4	2	4	5	0
	3	3	4	3	2	3	4	3
	3	3	3	3	3	3	3	3
Total Ratings	30	31	25	27	21	23	28	22
Percentage	60	62	50	54	42	46	56	44

Following issues emerged out of the descriptive feedback:

(comments in bold & italic are from COO)

➤ Soft Loan -additional working capital finance of 20% of the outstanding credit as on 29 February 2020

1. Till now bank is not giving the confirmation regarding the rate of Interest, which are fix. Also not giving the amount which will be sanctioned. Also not showing fast response and delaying the matter and giving the excuses that the management has not decided the procedure and policy for giving the loan.
2. This scheme is very useful as the current immediate problems of all the industries are liquidity of funds. Due to 2 months lockdown payment inflow is very less and also 90/120 days bill discounting period is completed in lockdown so the withdrawing power in bank limit is reduced. In this situation this type of loan is very helpful and effective to major industries.
3. Fast implementation of this scheme is restricted by banks as they are not willing to take a risk for NPA of customers, so there should be any monitoring scheme or target should be there as all the data of Loan is already available with RBI, so government can force them to sanction limit as early as possible with all transparency.

“Govt.of Gujarat has constituted a state and district level committee to monitor National Credit Guarantee Trustee Company Ltd (NCGTC) vide letter no. MSME-D/NCGTC dated 17/06/2020 issued by MSME commissioner, Gandhinagar “

4. Most of the MSME have Accounts in Co-operative Bank, so Government & RBI should allow good Co-operative bank to allow to give loan to the MSME.

“We have already made representation to Smt.Nirmala Sitharaman, Hon’ble Union Minister of Finance & Corporate Affairs to include of all Co-op banks including Urban, Districts and Rural as member lending institution (MLI) under NCGTC vide letter no. GCCI/6251 dated 09/06/2020.”

➤ NEW MSME Definition

1. There should be distinction between manufacturing and service sector for investment & turnover limits, as service sector is less investment oriented. Both investment& turn over criteria makes it more complicated. It would be better if definition is driven by only one criteria.
2. By increasing the turnover limit & investment many large units will be under medium scale & they will avail the benefits of the scheme.
3. Due to turnover limit of 50 crore, small MSME will not get better benefit out of this.
4. Clarity on investment and turnover is lacking. How to apply for both criteria? will every year with changes in turnover status of unit get change?

“The revision of definition of MSME was requested at various levels & present definition is after along deliberation there on. The members may suggest whether should we really push it further? If so, what should be recommendation?”

➤ **E-Market**

1. Fund for creating e-market linkages and schemes for virtual exhibition needed.
2. e-market linkage for MSMEs can not be a replacement for trade fairs and exhibitions.

➤ **PF**

1. Condition of 90% employee with less than Rs.15,000/- should be change to 75% and basic salary less than Rs.15,000/-.
2. This benefit of PF should be given to all the employees instead of limiting to salary of Rs.15000/-
3. Statutory PF contribution of both employer and employee reduced to 10% each is always scheme for standard but instead of next 3 months it should be up to March'2021.

➤ **MSMEs payment will be release in 45 days.**

1. All govt. undertaking including central and state govt should release payments for MSMEs in 45 days.
2. A list of such outstanding which exceed 45 days should be handed over to the Chamber and the chamber should write to a single window at New Delhi and that single window at New Delhi reprimand those Govt. organization which are not paying to SME within 45 days. Once the chamber writes to the single window, the chamber should expect the reply within 10 working days. Only such controls can become effective.

➤ **No Global Tenders**

1. Higher valued tenders may be up to 1,000 crores should be preferable given to Indian corporate with terms like they should use at least 50% of order value using Indian MSMEs capabilities.

➤ **Other measures for MSME**

1. For GeM portal, recently new fees are introduced once tender is selected which should not be for at least 6 months. Hence, more MSMEs can get registered on GeM and can increase their business.

Points which may be represented to the Hon. Union Finance Minister, Gol:

1. In addition to the soft loan which is maximum up to 20% of the outstanding credit as on 29 February 2020, there is a need to extend the number of days a bill to be discounted from 90 to 150 days which will enable the working capital cycle to operate smoothly.
2. We have already made representation to Smt.Nirmala Sitharaman, Hon'ble Union Minister of Finance & Corporate Affairs to include of all Co-op banks including Urban, Districts and Rural as member lending institution (MLI) under NCGTC vide letter no. GCCI/6251 dated 09/06/2020, this may be followed -up further.
3. Fund for creating e-market linkages and schemes for virtual exhibition needed.
4. Condition of 90% employee with less than Rs.15,000/- should be changed to 75% and basic salary less than Rs.15,000/-.
5. This benefit of PF should be given to all the employees instead of limiting to salary of Rs.15000/-
6. Statutory PF contribution of both employer and employee reduced to 10% each is always scheme for standard but instead of next 3 months it should be extended up to March'2021.
7. For GeM portal, recently new fees are introduced once tender is selected which should not be for at least 6 months. This will encourage more MSMEs to get register on GeM and can increase their business.