CITI hails PM's 20-Lakh-Crore Stimulus Package

The Hon'ble Prime Minister of India, Shri Narendra Modi, unveiled a 20-lakh-crore stimulus package to not only revive the Indian Economy badly wrecked by COVID-19 Pandemic but converting the crisis into an opportunity to make India Atmanirbhar in all respects. Shri T. Rajkumar, Chairman, CITI thanked the Hon'ble Prime Minister and said that the package is the result of the continuous dialogue of the Industry and Trade Associations with the Government of India for a strong revival package for the Indian economy. He also stated that the package announced by the Hon'ble PM is well-timed and would help the Government to set many things right across sectors like agriculture, labour, middle class, MSME and the industrial segment at large encompassing reforms in land, labour, liquidity and legal systems amid this extended lockdown situation.

Mr. Rajkumar stated that with an aim of making India self-reliant the package announced by the Hon'ble Prime Minister primarily focuses on cottage, home, small-scale and MSME Sector, which is a source of livelihood for millions of Indians. He further stated that the textile and apparel sector which is the 2nd largest employment generator after agriculture and forms major portion (80%) of MSMEs, will definitely get a morale boost through this package.

Chairman-CITI thanked the Government for announcing Rs 3 lakh crore collateral free automatic loan for businesses, including MSMEs which will benefit 45 lakh small businesses. The loan will have 4 year tenure and will have 12 month moratorium on Principal repayment. The Scheme can be availed till 31st Oct 2020.

Chairman also appreciated the decisions of the Government for providing Rs 20,000 crore subordinate debt for stressed MSMEs, which would benefit 2 lakh such businesses and fund of funds for MSME which will infuse Rs 50,000 crore equity in MSMEs with growth potentials. He further exclaimed by stating that MSME definition which was the long pending demand of the industry has finally seen the light of the day. The Government has finally changed the definition of MSME by allowing units with investment up to Rs 1 crore in place of Rs 25 lakh and units with turnover up to Rs 5 crore to be called micro units. The investment and turnover limits for small and medium businesses have likewise been raised to allow them to retain fiscal and other benefits. Now small weaving mills will come under new MSME norms and because of this many garment manufacturers will be benefited.

Other major decision of have been barring Global tenders for government procurement up to Rs 200 crore. This would help MSMEs to compete and supply in government tenders, extension of EPF payments for June, July and August and reduction in PF contribution from 12% to 10% for the next three months.

Mr. Rajkumar also appreciated the decision of the Government for launching a Rs 30,000 crore Special Liquidity Scheme. Under this scheme investment will be made in both primary and secondary market transactions in investment grade debt paper of NBFCs/HFCs/MFIs. It will supplement RBI/ Government measures to augment liquidity.

This will provide liquidity support for NBFCs/HFC/MFIs and mutual funds and create confidence in the market.

Mr Rajkumar felt that the Government would consider industry's urgent demand of extending the moratorium for repayment of loans and interest already extended for three months from 1st March 2020 for another 10 months, i.e., upto 31st March 2021. He has also hoped that the Government would also consider and extend 25% additional working capital without any collateral or margin money for all the categories of accounts other than MSMEs also in the next financial relief package to be announced shortly. He also felt that the Government would soon announce a special package for boosting exports for all the textiles & clothing products including cotton yarn and fabric to grab the emerging opportunities and also consuming the surplus cotton that might significantly affect the cotton farmers in the country.

Mr. Rajkumar appealed to the Government that though the above change in the definition of MSME would help certain sections of the industry, the modified MSME criteria of increasing investment or annual turnover would not much encourage technology upgradation in the MSMEs sector nor help the capital intensive sectors like spinning, independent weaving, processing, etc. They need greater support of the Government at this critical juncture.