

FM Sitharaman announces big-bang package for MSMEs to revive economy

Union Finance Minister Nirmala Sitharaman on Wednesday announced a set of stimulus measures of nearly Rs 5.94 trillion to provide relief to various constituents of the Indian economy. They are micro, small, and medium enterprises (MSMEs); taxpayers; non-banking financial companies (NBFCs); power distribution companies; the real estate sector; organised sector employees; and contractors working with the government. These measures are part of the Rs 20-trillion “Atmanirbhar Bharat” package, announced by Prime Minister Narendra Modi on Tuesday. The finance minister said she would make announcements pertaining to different sectors every day, starting Wednesday, as the government looks to kick-start economic activities even as the nationwide Covid-19 lockdown is expected to continue beyond May 17.

The immediate fiscal impact of Wednesday’s announcements could be less than Rs 20,000 crore, even though analysts differ on that. The key measures were aimed at MSMEs, with a Rs 3-trillion credit guarantee fund for collateral-free automatic loans, a Rs 20,000-crore subordinate fund for stressed MSMEs, and a Rs 50,000-crore equity infusion “fund of funds”. Additionally, the finance minister said the definition of MSMEs would be altered, a plan that has been in the works for a while, and that the government would disallow global participation in its procurement tenders for up to Rs 200 crore. “Beginning today (Wednesday), for the next few days, I shall be coming here with the entire team of the Ministry of Finance to detail the Prime Minister’s vision for Aatma Nirbhar Bharat,” she said.

“Today’s measures are focused on getting back to work, i.e. enabling employees and employers, and businesses, especially MSMEs, to get back to production and workers back to gainful employment,” she said. When asked how the government planned to fund the stimulus package, Sitharaman said that she would give these details, and explain how much the Centre’s own outlay in the overall package would be. “I can say that the increased borrowing will be part of that,” she said. Last week, the Centre increased its borrowing programme for FY21 to Rs 12 trillion from Rs 7.8 trillion. However, a senior government official who has been part of these deliberations told Business Standard for now the increased borrowing seemed to be adequate because most measures for industry were and would be on liquidity.

The Centre’s own burden will be in terms of increased handouts to the beneficiaries of various schemes through direct benefit transfer, which will be announced over the coming days. She said these measures would give taxpayers savings of Rs 50,000 crore of savings. Sitharaman also extended the dates of tax assessments, income-tax returns, and Vivaad se Vishwaas scheme, and said that pending refunds to charitable trusts and non-corporate businesses would be made immediately. For the organised sector, Sitharaman said the statutory provident fund contribution of employers and employees would be reduced to 10 per cent each from the existing 12 per cent for all establishments covered by the Employees’ Provident Fund Organisation

for the next three months. For the state-owned companies, this will be applicable for the employees, but the employers will continue to make 12 per cent contribution.

The relaxation will apply only to smaller establishments not covered by the earlier EPFO relaxations announced by the finance minister at the end of March. Under that, the Centre contributes 12 per cent of salary each on behalf of both employer and employee. That has been extended by three months to cover the salaries of June, July, and August.