

# EDITORIAL

Greetings!!!

**M**icro, small and medium Enterprises (MSMEs) are the growth accelerators of the Indian economy, contributing about 30% of the country's gross domestic product (GDP). In terms of exports, they are an integral part of the supply chain and contribute about 48% of the overall exports. MSMEs also play an important role in employment generation, as they employ about 110 million people across the country. Interestingly, MSMEs are intertwined with the rural economy as well, as more than half of the MSMEs operate in rural India. Number of MSMEs in the domestic defence production sector till Q2 FY20 had increased 21 per cent from the entire FY19; the increase in MSMEs share in India's defence manufacturing space is gaining significance amid the Government's focus on leveraging small businesses and start-ups in the defence sector.

To ensure that MSMEs continue to lead the country towards economic growth, the Government of India has from time to time announced various schemes to support the development of this sector. Recently, in view of the economic hardship caused by COVID-19, the government has announced few important schemes under 'Aatmanirbhar Bharat' i.e. Self-reliant India initiative. Accordingly, the criterion for classifying MSME has also been revised. Under the revised criterion, the combined factors of 'Investment in plant and machinery' and 'Turnover' are required to be considered to determine whether a business should be classified as a micro, small or a medium enterprise. After 14 years since the MSME Development Act came into existence in 2006, a revision in MSME definition was announced in the Aatmanirbhar Bharat package on 13<sup>th</sup> May, 2020 to bring more MSME

enterprises under the purview of being classified as MSMEs so that they can reap benefits associated with it and grow under the watchful eyes.

The collateral-free automatic credit line and the subordinate debt to MSMEs may be a game-changer as it will make it lucrative for risk-averse banks to resume lending operations as the government will act as 100 per cent guarantor on both the principal and the interest. The guarantee from the government will ease pressure on banks and other financial institutions as they will not have to make provisions in case the loan account turns into a non-performing one. The Government also announced the creation of 'Fund of Funds' with a corpus of Rs 10,000 crores where the government through the funds will pick up an equity stake in the MSMEs with growth potential and viability. Further, the long-term goal of such equity infusion is to encourage the MSMEs to list on stock exchanges.

Online marketplace for MSMEs is intended to help all market participants, including end-consumers. Affordable products and services and the narrative of 'Make-in-India' and national unity during marketing will be attractive to the cash-strapped consumer. Start-ups are not explicitly covered in the definition of MSME; however, start-ups operating in manufacturing and ancillary services sector especially medical devices, robotics etc. may consider registering themselves as MSME. The host of benefits such as priority lending to cluster financing, exemptions, tax soaps etc. will be available to such start-ups along with the new benefits under Aatma-Nirbhar Bharat Abhiyan (ANBA).

Very recently, the Government has announced that 'The Emergency Credit Line Guarantee Scheme (ECLGS)' for MSMEs will be extended till March 31, 2021. The scheme provides for



20% of outstanding loan amount collateral-free fully guaranteed loan by the government. Rs.2.05 lakh crore has already been sanctioned and Rs.1.4 lakh crore disbursed to 61 lakh borrowers under this scheme as of November 12, 2020. The new package also includes an announcement that Rs.3,000 crore will be given to EXIM Bank for promotion of project exports through Lines of Credit under IDEAS Scheme.

CMAs with their professional expertise can facilitate the MSMEs towards its journey to retain its position as the growth engine of the Indian economy and provide employment to millions of unskilled and semi-skilled people across the country. The role of CMA professionals in helping the MSMEs to plot a course through the obstacles of high fixed cost, low credit worthiness, risk of bankruptcy is immense. They can facilitate the MSMEs to frame a sustainable cost structure. The intricate methods of Target Costing, process costing, standard costing can be best applied by the CMAs to not only help the MSME but also avail government grants.

This issue presents a good number of articles on the cover story "*Indian MSMEs: Key to Economic Restart*" written by distinguished experts. We look forward to constructive feedback from our readers on the articles and overall development of the Journal. Please send your emails at [editor@icmai.in](mailto:editor@icmai.in). We thank all the contributors to this important issue and hope our readers would enjoy the articles.