

Benefits of registering under MSME Udyog Aadhar

The MSM Enterprises are the backbone of the economy and its smooth functioning result in easy flow of funds. To give this sector a boost, MSME Act was introduced and all the micro, small Medium Enterprises were given recognition.

Keeping in mind the present situation and the difficulties that will arise in future the Government of India announced benefits for the MSME sector.

Following are the benefits announced: -

For Standard MSMEs

- Collateral free automatic loans to 3 lac crores till 31st October 2020 with no guarantee fees which will benefit 45 lac units to resume businesses from banks and NBFC's
- The above loan is for 4 years and no repayment for first year (moratorium for 12 months)
- 25 crores out standings loans or till 100 crores turnover
- Eligible must have turnover of Rs 100 crore

For Stressed MSMEs

- 20,000 crores to be given as subordinate debt
- Sub ordinate debt based scheme to be given
- 2 lacs MSMEs to benefit from this
- Those MSMEs that are stressed will be eligible

For Expanding MSMEs

- 50,000 crores equity fusion to be enabled
- Corpus of 10,000 crores to be funded
- In the third scheme for the MSME sector, the finance minister said that a fund of funds will be set up for the MSMEs that are viable. The fund of funds will have a corpus of Rs 10,000 crore. The scheme as the finance minister said will help the MSME increase its size.

Definition of MSMEs

- Definition of MSMEs is being changed since if they outgrow the definitions, their benefits used to change

- Need not worry when they are growing in size
- Investment limits is being revised upwards
- Larger invested company to fall in this definition so that they don't fall out
- New criteria of turnover based is introduced; earlier it was only investment limit based

Sr No	Enterprise type	Before announcement made by Govt of India	After announcement by Govt of India dated 13th May, 2020
1.	micro	Investments of up to Rs 25 lakh for manufacturing and up to Rs 10 lakh for services.	Investment: up to Rs 1 crore and turnover of up to Rs 5 crore
2.	Small	Investment of up to Rs 5 crore in manufacturing and up to Rs 2 crore in services.	Investment: up to Rs 10 crore and turnover of up to Rs 50 crore
3.	medium	Investment of up to Rs 10 crore in manufacturing and up to Rs 5 crore in services	Investment: up to Rs 20 crore and turnover of up to Rs 100 crore

Global Tenders

- Indian MSMEs and other companies have often faced unfair competition from foreign companies
- Therefore, Global tenders will be disallowed in government procurement tenders upto Rs 200 crore

Necessary amendments to be brought about in General Financial Rules

Other benefits announced on 13th May, 2020

Rs 45,000 crore partial credit guarantee scheme 2.0 was also unveiled for non-banking financial companies (NBFCs), housing finance companies (HFCs), and microfinance institutions (MFIs) with low credit rating to help them extend loans to individuals and MSMEs

1. Global tender to be disallowed upto Rs 200 crores
2. Rs 2500 crores EPF support for business and workers for 3 more months
3. EPF contributions reduced for business & workers for 3 months – rs 6750 crores

4. Rs 30000 crores liquidity facility for NBFC/HCs/MFIs
5. Rs 45000 crore partial credit guarantee scheme 2.0 for NBFC
6. Rs 90000 crore liquidity injections for DISCOMs
7. Extension of registration and competition date of Real Estate Project under RERA
8. Rs 50000 crore liquidity through TDS/TCS reductions
9. Other direct tax measures

FAQ's

1. What are credit guarantees?

Loans to MSMEs are mostly given against property (as collateral) because often there isn't a robust cash flow analysis available. But in times of crisis, like the one that is currently on, property prices fall and this inhibits the ability of MSMEs to seek loans. It also means that banks are less willing to extend loans. A credit guarantee scheme provides third-party credit risk mitigation to lenders through the absorption of a portion of the lender's losses on the loans made to SMEs in case of default, typically in return for a fee.

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