

INCREASED GOVT. SOURCING, 2% SUBVENTION FOR LOANS A BOOST FOR MSMEs

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

The micro, small and medium enterprises (MSMEs) sector, the cornerstone of Indian economy, has got a boost in the Interim Budget, with the government offering 2% subvention for loans up to Rs. 1 crore and extending the Government eMarketplace (GeM) platform to support domestic services and trade.

With the Budget largely focused on the rural segments of the country, this will benefit the MSME sector greatly as 51% of all 634 lakh MSMEs are based in rural areas, consequently being a vital source of rural employment.

‘Step in right direction’

Rajiv Talreja, an entrepreneur and a business coach, said, “Keeping the politico de facto aside, I believe this is a good budget for the MSMEs. A 2% interest subvention for loans up to Rs. 1 crore is certainly a step in the right direction. Most importantly, the government has opened a new market for the home-grown entrepreneurs by allowing sourcing from MSMEs through government up to 25%, including 3% from women-run organisations.”

The government has increased the share of its procurements from MSMEs through GeM to 25%.

So far, GeM has registered transactions of more than Rs. 17,500 crore, which has led to savings of 25%-28%. It is expected that GeM would be scaled up to add more and more participants while easing the flow of funds to MSMEs. Mr. Sunil Gupta, founder and director, ExportersIndia.com, said, “In government projects, the decision to source 25% material from SMEs and 3% from only women-owned SMEs, is a case of leading by example. Interest subvention for SME for loans up to Rs. 1 crore is yet another positive. The path set to tackling unemployment by becoming the manufacturing hub of the world is another promising note. These measures, along with digitisation and automation, will help the SMEs and online businesses become a bigger force to reckon with.”

Talking about Trade Receivables Discounting System (TreDS) that has enabled working capital finance to MSMEs, Kalyan Basu, MD & CEO, A.TReDS Ltd., said, “In the 2018 Budget, Arun Jaitley proposed to bring public sector banks and corporates to the platform and link it with the GSTN. This has helped bring in more credit and ease out the cash flow for MSMEs. In fact, TReDS is going to be a major source of fund flow for MSMEs in the future.”

Decision to source 25% material from SMEs is a case of leading by example
Sunil Gupta, founder, ExportersIndia.com

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