

# UNION CABINET APPROVES MSME, FARMER AND STREET VENDOR STIMULUS PACKAGES

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

NEW DELHI: The Union Cabinet on Monday approved the modalities and road map for implementing the micro, small and medium enterprises (MSMEs), farmer and street vendor package that was last month announced as part of the 20 trillion stimulus to restart a teetering economy.

The cabinet committee on economic affairs (CCEA) chaired by Prime Minister Narendra Modi also approved the increase in the Minimum Support Prices (MSPs) for 14 crops that are 50%-83% higher than the cost of cultivation in an effort to put more money in the hands of farmers.

The other decision included a loan of Rs10,000 which is likely to benefit nearly 50 lakh street vendors called Svanidhi or Street Vendors Aatmanirbhar Nidhi (self reliant fund).

This comes in the backdrop of the government reaching out to financially weaker sections, migrant workers and farmers, amid growing criticism that the lockdown, while necessary, was unplanned, resulting in a mass migration, the biggest since partition.

"Historic decisions were taken in the meeting which will have a transformative impact on the lives of hardworking farmers of the country, MSMEs and street vendors. MSMEs form the backbone of Indian economy. More than 6 crore MSMEs work silently and contribute immensely for India to become self-reliant," union minister of information and broadcasting Prakash Javadekar told reporters in a press conference on Monday said adding that roadmap for being self-reliant is being drawn up.

Amid escalating border tensions with China, Prime Minister Modi has pitched for a New Deal for Aatmanirbhar Bharat, as India aspires to make a play for larger role in global supply chains.

The cabinet by approving the Rs20,000 crore package for distressed MSMEs and a Rs50,000 crore equity infusion through Fund of Funds has fully paved the way for energising MSME Sector through Atma Nirbhar Bharat or self-reliant India package, said union MSME, road transport and highways minister Nitin Gadkari while briefing reporters.

The government will set up 10,000 crore fund, which, with leverage, will be able to finance equity infusion of about 50,000 crores in small businesses. The move is expected to expand size as well as capacity of MSMEs and will encourage them to get listed on main board of domestic bourses, Gadkari said.

The imposition of stringent lockdown measures brought economic activity to a standstill, hitting small businesses—major job creators and the backbone of the Indian economy—the worst.

The cabinet also approved the new definition of MSMEs that will include higher investment limit and an additional norm based on turnover. It will replace the current one based on self-declared investment on plant and machinery, Gadkari said.

For instance, in case of micro manufacturing and service enterprises, the investment limit will be increased to up to one crore and turnover limit to up to five crore. Till now, for micro

manufacturing enterprises, the investment limit was 25 lakh and 10 lakh for the service sector. The turnover limit for medium industries will be increased to 250 crore, with investment limit of 20 crore.

These announcements were a part of the first batch of measures announced last month that intend to give relief to the poor including migrant workers, farmers, street vendors and members of tribal community and amount to Rs3.10 trillion. Last month, the government announced a slew of measures, which included collateral-free, automatic loans backed by government guarantee, and updated definition of MSMEs, besides expediting payment of pending dues.

The new definition will not distinguish between manufacturing and service sector, Gadkari said, adding that an ordinance regarding the same has been approved and a notification will be released tomorrow.

This comes in the backdrop of restrictions been considerably eased off in the fifth phase of the lockdown since 25 March. The long-awaited stimulus package of Rs20 trillion for businesses and workers to soften the devastating blow from the coronavirus lockdown that has pushed many companies to the brink of bankruptcy with revenues and cash flows disappearing overnight. With around one out of every four workers in India without work, the Indian economy is staring at an economic precipice as businesses down shutter and job losses become a norm.

Briefing reporters at the end of the CCEA meeting in New Delhi, agriculture and farmers welfare Minister Narendra Singh Tomar said the MSP of paddy had been increased by 50% over the cost of cultivation to 1868, that of jowar by 50% over the cost of cultivation to 2,620 and bajra by 83% over the cost of cultivation to 2,150.

Tomar, also the minister of rural development and Panchayati Raj said that the CCEA has extended an interest subvention scheme for farmers by another three months to 31 August.

Farmers are given loans at 9% rate of interest by banks. The government gives them a subsidy of 2% on this. If farmers return the loan on time, they get a further 3% reduction on the interest, Tomar said adding that this meant those who repay loans on time have to pay only 4% interests on their loans.

Given that the country was grappling with the covid-19 pandemic, the government had previously extended the date of repayment to 31 May. This deadline has now been further extended to 31 August, the minister said.

"This will be a big relief for farmers," Tomar said.

Shreya Nandi, Elizabeth Roche, Sayantan Bera, Gyan Varma & Anuja in New Delhi contributed to the story

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