

## After landing punches, Modi govt rushes with balm for MSME sector ahead of elections

**RBI permits banks to restructure loan accounts of MSMEs that are under stress. But MSMEs still not happy.**

**New Delhi:** It's raining sops for micro, small and medium enterprises (MSMEs) as the Narendra Modi government looks to woo this crucial but disgruntled electoral base ahead of the general elections later this year.

The government finally prevailed over the Reserve Bank of India (RBI) Tuesday to provide relief to MSMEs that are finding it difficult to repay their bank loans.

In a late night notification, the RBI permitted banks to restructure loan accounts of under-stress MSMEs. It was allowed for all borrowers with a bank exposure of up to Rs 25 crore. All stressed but standard accounts as of 1 January are eligible for this one-time restructuring.

This was a long-standing demand of the Finance Ministry which was resisted by the central bank under its former governor Urjit Patel.

The MSME segment was one of the worst hit in the aftermath of demonetisation and the implementation of the goods and services tax (GST), forcing the government to consider steps to appease them.

There are an estimated 6.5 crore MSMEs that provide employment to an estimated 12 crore people.

More sops

The Modi government is also planning further relief for MSMEs under the GST.

The central government will push for raising the registration threshold under GST to Rs 75 lakh from Rs 20 lakh at present at the upcoming meeting of the GST Council this month, Prime Minister Narendra Modi said in an interview to ANI Tuesday.

This will greatly reduce the compliance burden for MSMEs but may be availed by only those who are not supplying to bigger businesses and can risk being left out of the supply chain.

To be sure, many states are likely to resist this move as it may further slowdown GST revenues at a time when the difference between actual targets and collections is consistently widening.

These sops are in addition to a series of steps announced by the government in November last year to ensure easy funding access to MSMEs as well as cutting the red tape.

The government had announced a scheme by which loans up to Rs 1 crore will be approved in 59 minutes by banks. Firms with a turnover of up to Rs 5 crore were also allowed to file quarterly GST tax returns.

However, MSMEs still find these sops inadequate.

**“I think the government has realised that they have made a big mistake in GST, especially with the high rates of tax levied on the MSME sector. GST and demonetisation has nearly halved the sector’s contribution to GDP,” said Chandrakant Salunkhe, founder of SME Chamber of India.**

“The threshold for (GST) registration should be raised to Rs 2 crore as Rs 75 lakh is inadequate. The RBI restructuring scheme should also be applicable to firms who have a loan exposure of up to Rs 100 crore as Rs 25 crore is too less,” he said.