

# **A Study on Government Measures for MSMEs under Aatmanirbhar Bharat Abhiyan (ABA)**

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**Abstract:** The Central Government of India has announced that the MSME sector is to be brought within the purview of the Atmanirbhar Bharat Abhiyan (ABA). Atmanirbhar Bharat Abhiyan (ABA) intends to address the needs of the MSME sector and paves a path for long-term sustainability and profitability of MSMEs. MSMEs serve as the foundation of Indian economy. There are around 63.5 million MSME units in India. These MSME units contribute around 6.11 per cent of the manufacturing GDP, 24.69 per cent of the GDP from service activities, and 34 per cent of India's manufacturing output. They provide employment to around 120 million people and contribute around 45 per cent of the overall exports from India. The sector has steadily maintained a growth rate of over 10 per cent. However, COVID19 has severely affected this sector, threatening their very survival. The lockdown, which still continues partly, to the nation to combat the Covid-19 has adversely affected millions of small businesses. It has halted or reduced production, distribution, and consumption. As a result, MSMEs are facing a severe liquidity crisis; combined with their inability to retain migrant workers, the situation has created a domino effect across the sector. However, with a gradual relaxation of lockdown restrictions, MSMEs can take a sigh of relief. Still, there are many challenges in the path of recovery of MSMEs. These challenges can be faced with the combined effort from the Government, Technology Companies, and the SMBs themselves. The Government of India has taken various initiatives for revival of MSMEs. This paper tries to present the role of MSMEs in Indian Economy and to study the special measures undertaken for revival of MSMEs amid Covid-19 under Aatmanirbhar Bharat Abhiyan (ABA).

**Keywords:** Atmanirbhar Bharat Abhiyan (ABA), Covid19, Government Measures, MSMEs.

## **I. INTRODUCTION**

There is no doubt that the Indian economy is already struggling. The Indian economy is growing at such a pace which is the lowest in the last six years. And now, a further new series of economic challenges revealed by this Corona virus. This devastating virus is declared by the World Health Organisation (WHO) as a pandemic. Almost all the countries of the world were fallen under this deadly virus grip. It is leaving many sectors of the economy collapsed. Indian MSME sector is one of them. Of all the sectors, MSME sector is the worst affected sector in India due to Covid-19. Besides, this sector is one of the pillars of nation's economy. This is one of the most crucial segments that helps to grow the economy by leaps and bounds. With low investment, this sector is giving the maximum employment in the country by providing wide range of products and services. As per the study made by All India Manufacturers Organisation (AIMO). Currently there are over 75 million MSMEs in India. According to reports, if the lockdown imposed due to COVID-19 continues beyond four weeks, around 25 per cent of these MSMEs will be closed. It also reported that if this lockdown continues beyond eight weeks, 43 per cent of the MSMEs will face closure. These MSMEs encourage sustainable and inclusive development, and also generate large-scale employment in rural areas.

### **Aatmanirbhar Bharat Abhiyan (ABA)**

The Central Government has announced, on 13th May, 2020 a package of Rs 20 lakh crore under Aatmanirbhar Bharat Abhiyan (ABA). The package was apportioned for implementing different reforms among various sectors of Indian

economy including Micro, Small & Medium Enterprises (MSMEs), besides others. This allocation was equal to around 10 per cent of India's Gross Domestic Product (GDP), and it was declared in five tranches. The first tranche of the ABA covers the grant of Rs 3.7 lakh crore and several reforms for the MSMEs. Atmanirbhar Bharat Abhiyan (ABA) intends to address the needs of the MSME sector and paves a path for long-term sustainability and profitability of MSMEs.

### **Micro, Small & Medium Enterprises (MSMEs)**

MSMEs are the backbone of Indian economy. There are around 63.5 million MSME units in India. These MSME units contribute around 6.11 per cent of the manufacturing GDP, 24.69 per cent of the GDP from service activities, and 34 per cent of India's manufacturing output. They provide employment to around 120 million people and contribute around 45 per cent of the overall exports from India. The sector has steadily maintained a growth rate of over 10 per cent. Only the rural area consists of about 50 per cent of the nation's MSMEs and contributes to 45 per cent of total employment. This proves the role played by MSMEs in rural economy. They boost ecological and inclusive development, and also create large-scale employment in rural areas. However, COVID19 has severely affected this sector, threatening their very survival. The lockdown, which still continues partly, to the nation to combat the Covid-19 has adversely affected millions of small businesses. It has halted or reduced production, distribution, and consumption. As a result, MSMEs are facing a severe liquidity crisis; combined with their inability to retain migrant workers, the situation has created a domino effect across the sector. As per the annual report by the Government of India (2018-19), there are around 6,08,41,245 MSMEs in India.

The new division of MSME's category came with effect from July 1, 2020. The Government has introduced this new classification to encourage businesses and to reduce the growing fear among MSMEs of losing benefits granted under the MSME Act on account of outgrowing the former thresholds of classification.

#### New Definition of Micro Units (Both for Manufacturing and Service Enterprises)

An MSMEs will now be called a micro-unit if up to one crore, it can be proprietor own money or through MSME business loan, has been invested in Plant and Machinery or Equipment, into it and it has a turnover of less than Rs 5 crore.

#### New Definition of Small units (Both for Manufacturing and Service Enterprises)

As for the small units, the investment limit in Plant and Machinery or Equipment has been doubled from the earlier rupees 5 crore to rupees 10 crore, now besides that it must have a turnover of less than Rs. 50 crore.

#### New Definition of Medium units (Both for Manufacturing and Service Enterprises)

An enterprise that has an investment in Plant and Machinery or Equipment, up to Rs 50 crore along with a turnover of less than Rs 250 crore will now be called a medium unit.

### **Objectives of the study**

1. To study the role played by MSMEs in Indian Economy.
2. To study the special measures undertaken for revival of MSMEs under Aatmanirbhar Bharat Abhiyan (ABA).

### **Research Methodology**

The present study is based mainly on the secondary sources of data which is collected from various websites relating to Covid-19, Aatmanirbhar Bharat Abhiyan and MSMEs in India.

### **Rationale of the study**

The MSMEs are the backbone of Indian Economy. But these MSMEs are facing challenges one after another. The first challenge is demonetisation, the second is poorly implemented GST and then economic slowdown of real estate and auto sector to which most of the MSMEs were main sources of suppliers. The other challenge to them is financial and banking crisis. Finally, Covid-19 seems to be the ultimate blow to the MSMEs. Signs of decline of MSMEs are already visible. MSMEs have already overburdened with heavy financial load of unpaid salaries. This will ultimately led to the

loss of employment of many workers of MSMEs. They are also facing the problem of unpaid EMIs to the financial institutions that will impact adversely the balance sheets of those financial institutions

### **Role played by MSMEs in Indian Economy**

The role of MSMEs in Indian Economy is immense. They have been contributing extensively to the increase of entrepreneurial endeavours with the assistance of business innovations. The MSMEs are opening their sphere across sectors of the economy, producing different variety of products and services. These enterprises help to meet demands of domestic as well as global markets. According to the reports from Central Statistics Office, Ministry of Statistics & PI, the share of the MSME manufacturing in All India manufacturing gross value output during the year 2018-19 and 2019-20 were 36.9 per cent and 36.9 per cent respectively. Besides, as per the reports from Directorate General of Commercial Intelligence and Statistics, the share of MSME related products to all India exports during 2019-20 and 2020-21 stood at 49.8 per cent and 49.5 per cent respectively.

### **Special Measures for MSMEs under Atmanirbhar Bharat Abhiyaan**

As per the announcement made under 'Atmanirbhar Bharat' scheme on 13th May, 2020 –

- Definition of MSMEs will be revised.
- Investment limit will be revised upwards
- Additional criteria of turnover also being introduced.
- Elimination of difference between manufacturing and service sector.
- Necessary amendments to law will be brought about

During the post COVID-19 pandemic period, our Hon'ble Prime Minister recognized the role of MSMEs in developing the nation. Consequently, in the announcements made for the Atmanirbhar Bharat Abhiyaan, a significant place has been given to MSMEs. As per this package, the MSME sector has been allocated a substantial portion for revival of Indian economy. In order to give instant relief to MSME sector, various announcements have been made under this Package.

#### **1. Revision of MSME Classification**

Under the Atmanirbhar Bharat Abhiyaan, the Government of India has made revision to the MSME classification. A composite criterion consisting of both investment and annual turnover has been introduced in this classification. As per the new definition of MSMEs, the criteria of difference between manufacturing and services sectors has also been removed. This exercise will produce equality between both manufacturing and services sectors. This revision of MSME classification provides scope for further development of business of MSMEs and also leads to increase in a healthy competition among them.

#### **2. Emergency Credit Line to MSMEs**

COVID-19 has affected almost all the MSMEs adversely. These MSMEs require additional funds to pay off their operational liabilities, to make payments for raw materials, and recommence their operations. The businesses and the MSMEs has been provided with an emergency credit line of Rs 3 lakh crore. This has been made available with these features below:

- This scheme offers a collateral-free automatic loan. There will be no guarantee fee and no fresh collateral.
- The credit line limit is 20 per cent of the entire outstanding credit as on 29.2.2020.
- Businesses whose outstanding borrowings were up to Rs.25 crore and turnover of maximum Rs.100 crore can avail this scheme.
- The tenure of the loan is four years and can avail with a moratorium of 12 months on principal repayment, and interest is yet to be capped.
- The government will extend 100 per cent credit guarantee to banks and NBFCs on principal and interest.
- The time up to which this scheme can be availed is 31st October 2020.

This emergency credit line can benefit around 45 lakh MSME units by helping in resuming their business operations. Jobs of millions of people can be safeguarded by this measure.

### **3. Debt facility for Stressed MSMEs**

An allocation of Rs. 4,000 crore has been made by the Central Government to finance Credit Guarantee Funds Trust for Micro and Small Enterprises (CGTMSE). This CGTMSE will give partial credit guarantee assistance to banks. Ultimately, these banks will provide debt to the promoter of MSMEs to infuse in form of equity into the MSME unit. The introduction of fresh capital into the MSMEs will lessen burden on them and assists them to revive their business very quickly. Around two lakh MSMEs will be benefitted by this scheme.

### **4. Equity Infusion for MSMEs**

MSMEs, generally, face a severe deficiency of equity. To solve this issue, the Government of India is going to create a Fund of Funds (FoF) with an amount of Rs. 10,000 crore. The MSMEs having growth potential and sustainability, will be acknowledged and they will be provided with equity funds. This equity funding can help MSMEs to expand their size and capacity. This measure will also boost MSMEs to enlist them on the main board of Stock Exchanges.

### **5. Limiting Global Tenders**

MSMEs face severe and unfair competition from foreign companies in respect of Global Tenders for government procurement. They were not in a position to withstand against this competition. Consequently, this led to the discouragement of MSMEs. In order to remove this unfair competition and to assist MSMEs, the Central Government has decided to prohibit global tenders in government procurement tenders up to Rs.200 crore. This step leads to Self-Reliant India (Aatmanirbhar Bharat) and provides support to the Make in India initiative. Especially, MSMEs will be benefitted by this step. This will give vast scope for the development of MSMEs of the country.

### **6. Other Measures – These include:**

- An e-market linkage is to be created in case of trade fairs and exhibitions. This e-marketing system will assist the MSMEs in solving related marketing problems.
- Fintechs will be installed to speed up transaction-based lending, utilizing the data generated by the e-marketplace.
- It has been announced that the MSME receivables from the Governments and Central Public Sector Enterprises will be settled in 45 days. This will assure the liquidity in the hands of MSMEs and leads to the functioning of their business smoothly.

## **II. CONCLUSION**

If the prescribed steps under Atmanirbhar Bharat Abhiyaan are taken in true spirits, the MSMEs would be tremendously benefited and would turn quite progressive in contributing to the economy more brightly. But much will depend on the seriousness of implementation and monitoring by all the respective agencies, including coordination from state machinery. All the steps, no doubts, will speed up the growth of MSMEs in India during covid-19 pandemic. Still, there are many challenges in the path of recovery of MSMEs. These challenges can be faced with the combined effort from the Government, Technology Companies, and the SMBs themselves. Recently, the World Bank has allotted about '5,600 crore (\$750 million) emergency response funding to the MSME sector. This offers much-needed liquidity to the MSMEs. This help of World Bank also supports the government's plan of using NBFCs and small banks to distribute funds to the MSMEs. The World Bank is also working with the Government of India on different fintech platforms, Trade Receivable System (TReDS) and other initiatives to provide credit to as many MSMEs as possible. The Government is showing its focus continuously on MSMEs. Taking this advantage, by offering employment opportunities to millions of un-skilled and semi-skilled people throughout the country, the MSME sector is expected to continue with its role as the growth engine of the Indian economy. Given their significance in the economy, it is crucial

that the government continues to assist MSMEs through various policy measures such as easier access to credit and greater protection from bankruptcy. This will facilitate them to continue playing a crucial and dynamic role in driving India's economy forward.

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