THE ECONOMIC TIMES

Search for News, Stock Quotes & NAV's

Benchmarks ›	NSE Gainer-Large Cap ›	FEATURED FUNDS	5Y RETURN	Stock Analysis, IPO, Mutual Funds, Bonds & More
Nifty ● LIVE	**Larsen & Toubro Inf…**	**ICICI Prudential Bluechip Fund Direct-Growth**	**3.59 %**	
9,082.05 202.95	1,790.55 120.40	★★★★★	INVEST NOW	**Market Watch**

MSMEs still wary of fresh loans

BY NISHTHA SALUJA, ET BUREAU | UPDATED: MAY 20, 2020, 10.24 AM IST

Post a Comment

NEW DELHI: Many small businesses are wary of taking fresh loans even if they are backed by government guarantee, as they are not sure how much demand will be there for their products when they resume business activity.

Micro, small and medium enterprises (MSMEs) expected a direct relief from the government in terms of waiving of electricity bills, payment of salaries, among others that would have helped them stay afloat, some stakeholders ET spoke with said. "The government has guaranteed loans, but the question is, who will take fresh loans?" asked Mukesh Mohan Gupta, president of industry body Chamber of Indian MSMEs (CIMSME). "A direct benefit transfer (DBT) support would have helped MSMEs face the crisis better."

Making sales and realising payments amid the pandemic remains a concern for most small businesses. "It does not make sense for us to take fresh loans, since new contracts are not being awarded for the past two months," said Jitendra Kumar Yadav, managing director of Eldorado Technologies Ltd, an Uttar Pradesh-based medium-sized business that operates in the defence segment. "Moreover, the existing term loans like cash credit limits have been
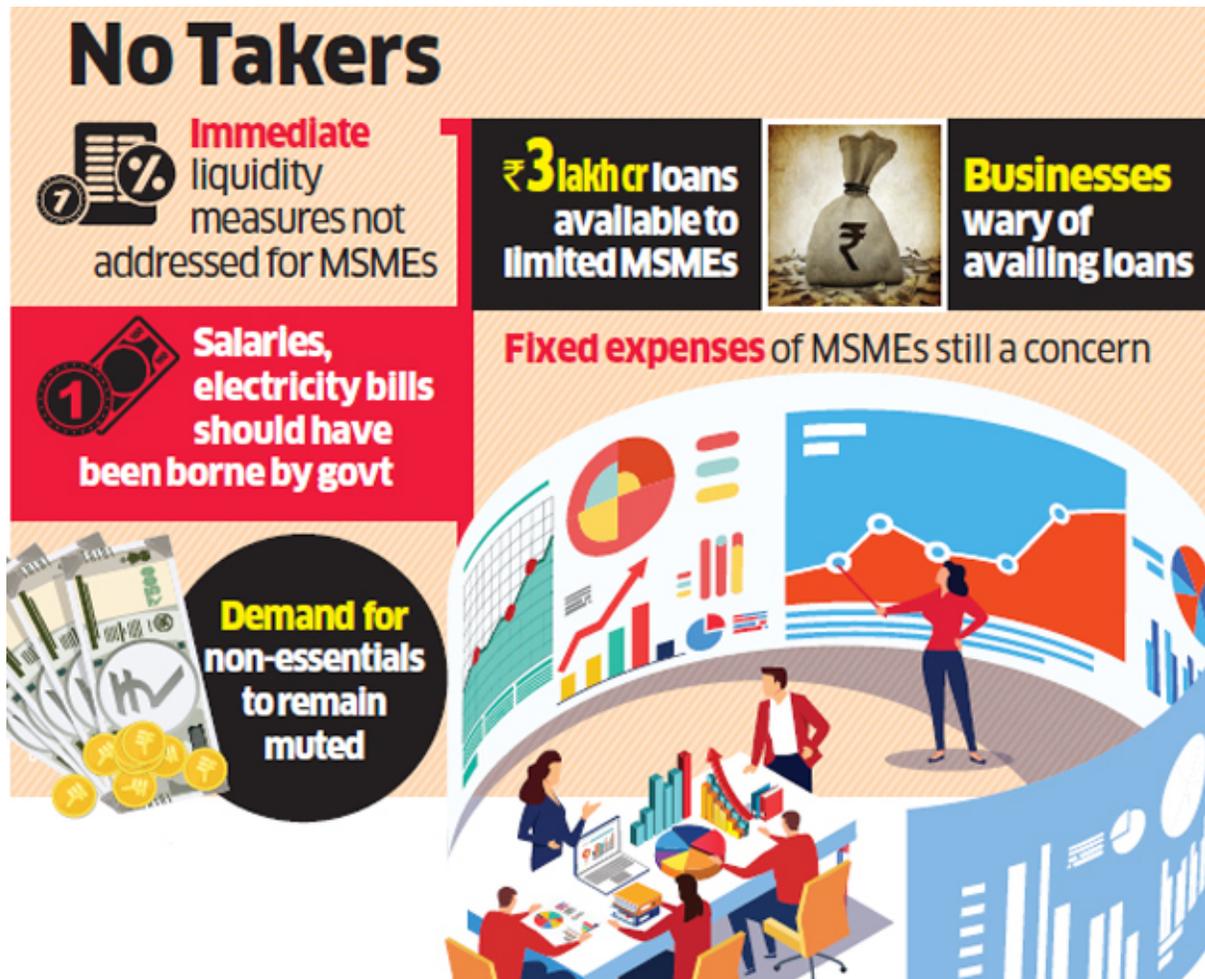
Big Change:
The end of Five-Year Plans: All you need to know

No Takers

Immediate liquidity measures not addressed for MSMEs

₹3 lakh cr loans available to limited MSMEs

Businesses wary of availing loans

Salaries, electricity bills should have been borne by govt

Fixed expenses of MSMEs still a concern

Demand for non-essentials to remain muted

Even weeks after the government began providing relaxation to reopen business activity, most MSMEs have not been able to restart because of supply issues and labour availability. A major part of the industry is staring at job losses as companies have been cash-strapped for two months now.

"It would have been a breather for small businesses had the government taken care of their fixed expenses," said Anil Bhardwaj, secretary general of Federation of Indian Micro and Small & Medium Enterprises (FISME).

He said the industry had three major demands from the government – meeting salaries and interest payments during the lockdown period, and easy access to loans, so they had cash to restart.

Last week, finance minister Nirmala Sitharaman unveiled a slew of measures for MSMEs as part of the economic package to counter Covid-19 outbreak, which included ₹3 lakh crore collateral-free automatic loans for small businesses and two separate funds to provide equity support.

As part of one of the long-pending reforms in the sector, the government also changed the definition of MSMEs, linking it to turnover limits so that such businesses can grow without losing benefits.

Gupta of CIMSME said, "There are some industries that have not taken any loan, but now they are under stress. So, how do their problems get addressed?"

The government should ensure that the additional loan under ₹3 lakh crore is not adjusted against the overdue of the MSMEs since most of the units are in default, he said.

KR Sekar, partner at Deloitte, said the exposure of MSME to banking credit is only 13% as per the UK Sinha committee report on MSMEs. "There should be a mandate to banks that certain minimum percentage of loans should be to MSMEs," he said. "Then only it would help MSMEs."

(This story has not been edited by economictimes.com and is auto–generated from a syndicated feed we subscribe to.)