Economy Insight

CoVid-19 & MSME Sector

April, 2020

Micro, Small and Medium Enterprises (MSME) form the backbone of most economies worldwide, especially the emerging nations. According to data, formal and informal MSMEs represent 90% of all businesses and over 50% of total employment worldwide. Further, formal MSMEs contribute up to 40% of GDP in emerging countries. In fact, in emerging markets, 7 out of 10 formal jobs are created by SMEs.

These enterprises are critical as they are capable of creating significant employment opportunities at a comparatively lower capital cost compared to large industries. Moreover, the sector has the capacity to absorb workers from vulnerable groups such as women, youth, and unskilled workers from rural areas. Therefore, MSMEs as a group are the main income provider for those at the "bottom of the pyramid" and help in reducing regional imbalances while assuring more equitable distribution of income.

According to World Bank estimates, micro, small and medium sized businesses will have an important role for creating the 600 million new jobs needed by 2030 for gainfully employing world's growing working age population.

Unprecedented Impact Expected on MSMEs

The corona virus pandemic besides having massive health implications is also having unprecedented impact on the global economic activity. With lockdowns and stringent restraining measures becoming the norm world over, not only has the supply chain been disrupted but the demand side is being impacted adversely as well. In fact what we are witnessing is a triple shock to the economy – from the supply side, demand side and the financial sector side as well. While the large enterprises would have some resilience and bandwidth to deal with this grave situation, the MSMEs are in for a huge blow.

MSMEs often work with a limited number of suppliers and amid the current scenario; enterprises relying on suppliers from specific countries/regions that are severely affected by COVID-19 are facing significant challenges. Log jam in business networks, logistics and supply chains is manifesting into massive daily damages for several small entrepreneurs - especially for the ones who outsource their critical business services.

With the number of infected people increasing at an exponential pace, the threat of more people reporting unwell or nursing dependents are likely to go up which would have a bearing on the country's labor force. In addition, significant shortages in labor supply are anticipated even once the situation improves, as most of the migratory labor working in these enterprises has moved back to their hometowns given loss in business activity.

The suspected loss of income and heightened uncertainty is prodding consumers to reduce their spending and consumption. With both demand and supply channels being challenged the MSMEs are already being exposed to severe cash flow issues and liquidity shortages. The JPMorgan Chase Institute estimated that while average small business have 27 days of cash in reserve, Main Street businesses often have less than 20 days' worth.

Sectors, such as tourism, transportation, food, textiles and apparel, recreation, retail and personal services have been particularly affected, contributing to reduced business and consumer confidence. And this expected to be long haul. Many public health experts do not expect it to subside for at least eight weeks. The forecast, which is based on the assumption that social distancing and other mitigation efforts will slow the spread, implies that the most vulnerable businesses could witness closures in the absence of any external support.

Moreover, MSMEs are finding it harder to obtain possible business strategies to mitigate the shock and information on various government initiatives available to offer support.

Country wise impact on MSMEs and policy responses undertaken

China- A recent OECD survey of SMEs in China in February 2020 reported that only a third of SMEs had enough cash to cover fixed expenses for a month in China, with another third expected to run out within two months, putting millions of Chinese SMEs at risk. Even after 60% of Chinese SMEs resuming business in mid March, they now face fresh challenges of reduced demand from other markets.

The Enterprise Survey for Innovation and Entrepreneurship in China (ESIEC) launched a survey on the condition of micro, small and medium-sized enterprises (SMEs) reported that 20 percent of surveyed firms will be unable to last beyond a month on a cash flow basis, and 64 percent beyond three months, presenting a dire picture for SME bankruptcies under an extended epidemic scenario. Also, barriers to business operations vary along the supply chain, with upstream firms mainly affected by labor shortages, while downstream firms face more serious challenges related to supply chains and consumer demand.

***Policy response**: Since late January, the Chinese Government has adopted several financial support measures aimed at reducing the burden on companies. While some measures provide generalized economic support (liquidity injections by the central bank and reductions to port and logistics fees), strong emphasis was placed on more targeted policies to channel funding directly to the companies that need it most, including SMEs. These included a special lending facility, a new channel for bond issuance, loan forbearance, and temporary reductions to corporate taxes and fees.*

A wide range of policy measures have been announced for SMEs at the regional level too including deferred tax payments for SMEs, reduced rent, waiving of administrative fees, subsidized R&D costs for SMEs, social insurance subsidies, subsidies for training and purchasing teleworking services, and lower lending rates. Furthermore, banks are being granted extra funding to spur SME loans.

Epidemic-hit SMEs and micro firms, including small business owners and individual household businesses, can make applications with banks to defer repayment of principal and interest expenses payable from January 25 to June 30, 2020. Overdue loan repayments in the period will not be subject to penalties.

Over RMB 20 billion special fund will be offered to SMEs in Wuhan to cope with difficulties caused by the COVID-19. SMEs can get one-year interest-free loans.

China is encouraging large enterprises to cooperate with SMEs, by increasing their support in supply chains, in terms of loan recovery, raw material supply, and project outsourcing

To accelerate the adoption of digital technologies, China is supporting SMEs cloud computing and purchase of cloud technology and for online working such as remote office, home office, video conferencing, online training, collaborative R&D and e-commerce.

China is encouraging SMEs to engage in the innovation of technologies and products related to pandemic prevention and control.

China is using instruments for subsidizing training for SMEs, and offers free access to online training platforms. Technical knowhow and management lessons will be offered to SMEs free of charge during the pandemic via mobile platforms.

Reduction of the reserve requirement ratio for banks lending to SMEs, agriculture and entrepreneurs as well as for selected joint-stock banks.

Germany- A survey by DIHK (Association of German Chambers of Industry and Commerce) of over 10,000 German companies (85% of which had less than 200 employees), released on March 9, 2020, indicated that almost half of respondents expected a negative impact on their business in 2020, with almost one third expecting a decline in turnover of more than 10%.

Policy response: *The government has referred SMEs to instruments already available to help companies cover short-term liquidity requirements, including working capital loans and guarantees.*

EUR 50 billion to dispense bridging loans to small businesses and the self-employed

Provided EUR 10 billion in direct subsidies to one-person businesses and micro-enterprises.

Access to short-term work arrangements was expanded in order to avert a sharp rise in unemployment. Firms can apply for the funds when just 10% of their workers are affected by a work stoppage, compared to one-third previously.

Extension of short-time work allowance to prevent employee layoffs due to slump in orders, relaxation of Sunday work ban to prevent supply bottlenecks. Announcement of measures which would increase federal investments by EUR 3.1 billion between 2021 and 2024 including extensive measures to improve liquidity for companies, including SMEs.

Offering conflict mediation between SMEs and clients/suppliers, and credit mediation to help SMEs wishing to renegotiate credit terms. A suspension of penalties for payment delays in government contracts, and a mobilization of credit mediation to help SMEs wishing to renegotiate credit terms.

A comprehensive package to guarantee liquidity of affected firms was announced without limits to credits in succession. Apart from being able to expedite decision on guarantees more quickly, banks will also have double the volume of guarantees (EUR 2.5 billion) which would be provided by guarantee banks. The government is determined to deal with the current situation proactively and will evaluate any budgetary consequences later.

Italy - In March 2020, a survey of MSMEs showed that 72% of the 6,000 responding firms in Italy were directly affected by the situation because of either a drop in demand or due problems with supply chain and/or transport and logistics. One third of respondents estimated a decrease in revenues greater than 15%, and an additional 18% of firms estimated that decrease to be between 5-15%. The most affected firms are those in transport (98.9%) due to the demand downfall, then tourism (89.9%), fashion (79.9%), and agro-food (77.7%).

Policy response: *Liquidity injection to the tune of EUR 10 billion was announced in mid March which significantly increased the scale of the support announced in early March, to help sectors such as tourism and the logistics and transport industry. Tax cuts as well as tax credits for companies that reported a 25% drop in revenues also included.*

Furthermore, backed by the Government, the Italian Banking Association announced an agreement with various business associations to set in place a large-scale moratorium on debt repayments, including mortgages and repayments of small loans and revolving credit lines. It will concern loans subscribed by companies until 31 January 2020.

EUR 220 billion moratorium on all loans and mortgages payable in installments until 30 September of all micro, small, and medium sized firms (SMEs)

EUR 100 billion new loans Central Guarantee Fund for SMEs access to credit

In addition, to address liquidity shortages and ease access to finance by SMEs, Cassa Depositi e Prestiti (CDP), National Promotional Institute and Development Finance Institution increased the limit of funding from EUR 1 billion to EUR 3 billion to the banking system. The funds are intended to grant subsidized loans to SMEs and mid-caps to sustain cash flow and investments.

Moreover, to support export activity, the Italian export credit agency (SACE) announced a EUR 4 billion package to help SMEs address cash flow needs and diversify export markets. The costs already incurred by companies for participation in fairs and events have been cancelled while alternative visibility solutions are now being proposed.

Furthermore, initiatives such as digital solidarity where in SMEs can access digital services (including tele-working, video conferencing, cloud computing etc.) from large private sector companies free of charge will enable the sector to cope with restrictions of movement and work.

Japan- On March 9, 2020, Tokyo Shoko Research published a survey on the effects of the outbreak on firms (174 companies, mostly SMEs). Thirty-nine percent of respondents reported supply chain disruptions and 26% a decrease in orders and sales.

Further, a survey conducted mid-February by the Japan Chamber of Commerce and Industry reported over 60% of small and medium-sized companies being affected by corona virus. In fact, reports indicate that some small companies (especially those that were already in a difficult situation) are filing for bankruptcies due to the pandemic.

Policy response: *Japan expanded amount of special loans to SMEs to Yen 1.6 trillion*

Low interest loans to SMEs in tourism

SMEs facing more than a 15% decrease in sales can claim compensation of interests and can borrow without collateral

The Ministry of Economy, Trade and Industry (METI) decided to exercis "No.4 Safety Nets for Financing Guarantee" as a measure to support financing of SMEs negatively affected by the novel coronavirus. This measure permits SMEs affected by the novel coronavirus to make use of a financing guarantee separate from a general financing guarantee.

The government announced subsidies to support teleworking in SMEs (including encouraging firms to adopt IT solutions and develop e-commerce sales channels).

On 26 March, the government announced to extend employment adjustment subsidies:

- The subsidy rate for leave allowances will be raised to 80% for SMEs, which can be extended up to 90%, if no employees are fired, and

- In addition to raising the subsidy rate, the requirements will be relaxed

South Korea - A survey conducted among 407 SMEs (conducted between 17 and 20 March, 2020) by Korean Federation of SMEs shows that 61.1% of SMEs have been impacted by the outbreak. 42.1% participants said that they cannot continue business for more than 3 months; 70.1% for no longer than 6 months. The entrepreneurs indicated that their situation is much more serious than during the 1997 Asian and 2008 Global financial crisis. Reports indicate that lakhs of SMEs have submitted applications to the ministry for emergency relief package as they have been hit by the change in consumption behavior.

Policy response: *Help small merchants and SMEs with their business operation: Considerably expand the Special Financial Support for Small Merchant and SMEs*

A 50-trillion won ($39 billion) package to aid SMEs approved by Parliament on March 19 2020

- Emergency Financing for SMEs

- Government to issue loan guarantees for struggling small businesses with less than KRW 100 million ($78,000) in annual revenue to ensure they can easily and cheaply get access to credit

On 23 March,2020, the government announced a further support package of USD 80 billion. The package includes KRW 29.1 trillion in loans to small-and medium-sized companies, while another KRW 20 trillion will be used to buy corporate bonds and commercial paper of companies facing a credit crunch.

Domestic commercial banks and savings banks to allow loans to be rolled over for small businesses if they cannot afford payment when due

Financial support measures included direct monetary support (e.g. in the form of subsidies to micro-businesses, aimed at encouraging these firms to keep their employees), government guarantees, and insurance on accounts receivable.

Business recovery measures included sanitary support for the reopening of SMEs that closed due to exposure to infected patients, encouraging brick-and-mortar shops to open their business online. Procurement processes simplified by limiting on-site inspections

On 25 March,2020 the Ministry of Employment and Labor announced a plan to temporarily increase employee retention support for SMEs to cover up to 90% (from 75%) of their employees' "suspension period allowance" incurred during their temporary business closure between April and June. The budget increased from KRW 100.4 billion (EUR 74 million) to KRW 500.4 billion (EUR 371 million).

United Kingdom- An early March survey in the UK from the Institute of Directors, whose membership is 70% SME indicated that one in five firms ranked the threat to their organization from the coronavirus as “high” or ‘“severe”. A further 43% said there was a “moderate” threat. Another survey by the platform Market Finance, released on March, 2020, showed that 69% of SMEs have significant cash flow problems with more than one-third fearing that without support they would not last until Easter.

SME manufacturers in England are being hit hard by the pandemic, according to a survey conducted by South West Manufacturing Advisory Service (SWMAS) and the Manufacturing Growth Programme (MGP). The survey report suggests 87% of companies identifying a significant decrease in production volumes and almost 9 out of 10 of respondents expect sales to drop over the next six months. More than half predict the need to cut staff – despite the Government’s furloughing scheme being introduced to boost employee retention and preserve businesses. There also appears to be continued confusion over the business support available. Nearly three quarters of firms questioned either don’t think the assistance being offered is sufficient or are unsure of the help they can access.

Policy response: *The Bank of England (BoE) announced specific measures for small business. This includes a new Term Funding scheme supporting cheap business loans of GBP 100 billion for SMEs, funded by the central bank. This scheme will offer funding of at least 5% of participants’ stock of real economy lending at or close to Bank Rate, for a period of four years over the next 12 months.*

The UK Government also announced a GBP 30 billion emergency stimulus package which included government refunds of any sick pay MSMEs provided to their employees in the first two weeks

Small businesses would also see their business rates scrapped entirely for 2020. Moreover, the government is setting up a GBP 1.2 million "interruption loan" for small and medium sized businesses affected by corona virus. In addition, small businesses in England that already pay little or no business rates will be eligible for a one-off corona virus grant of up to GBP 3 000.

Statutory sick pay relief for SMEs with fewer than 250 employees

Small Business Grant Fund: Under the Small Business Grant Fund (SBGF) all businesses in receipt of the pre-COVID-19 Small Business Rates Relief and the pre-COVID-19 Rural Rates Relief in the business rates system on 11 March 2020 will be eligible for a one-off payment of £10,000 per property (provided they are a business which occupies at least one property). Those businesses whose properties have a rateable value between £12,000 and £15,000 and receive tapered business rates relief also qualify.

Properties with a rateable value of over £51,000 are excluded as are properties used for personal use or car parks and parking spaces. The issuance of the grants is also subject to any applicable EU state aid limits but, given the size of most SMEs, this is would apply to a small minority of grants.

Private financiers in the UK announced that they would ease rules (including 12-month capital repayment holidays for SMEs with existing loans above GBP 25 000, refunds on credit card cash advance fees, temporary increases to credit card limits, and a suspension of borrowing fees) for firms affected by the outbreak.

Small companies which cannot afford to pay tax bills can ask for a time to pay agreement. The usual 3.5% annual interest on deferred tax payments is waived

The government can underwrite loans to business adversely affected through the British Business Bank

Small companies will be able to reclaim the costs of 14 days of sick pay (under GBP 200) per employee

The smallest companies will be able to seek grants worth of GBP 10 000, and

Loans to support business with an initial GBP 330 billion of guarantees.

INDIA

MSME sector is a vital component of India's economy accounting for 45% of the total manufacturing output and 40% of the exports from India. The sector contributed about 29% to India's overall GDP (at current prices).

The recent outbreak of the corona virus pandemic has hit the country's MSME sector as well. India, too, has announced a lockdown for a period of 21 days to contain the rapid spread of the disease amongst. While social distancing is the only way to avoid the infection from the virus reaching to catastrophic levels, MSME sector in particular, is facing the brunt of the situation. A large number of MSMEs are incurring business losses and facing severe cash flow disruption. Most of the MSMEs operate on cash and are in need of immediate liquidity to cope in the current circumstance as a majority of these enterprises are micro/small household-run businesses. Furthermore, non-availability of workers, restrictions in the availability of raw materials and transport infrastructure is making matters worse.

Policy response: The threshold of default under section 4 of the IBC 2016 has been raised to Rs 1 crore (from the existing threshold of Rs 1 lakh). This will by and large prevent triggering of insolvency proceedings against MSMEs.

The government has extended timelines for various compliance and procedures. Additionally, it was decided that no additional fees shall be charged for late filing during a moratorium period from 01st April to 30th September 2020, in respect of any document, return, statement etc., required to be filed in the MCA-21 Registry.

The last date to file GST return due in March, April and May 2020 has been extended to last week of June, 2020 without interest, late fee, and penalty for those businesses having aggregate annual turnover less than Rs. 5 Crore.

Furthermore, India has eased it monetary policy with The Reserve Bank of India announcing an LTRO and a reduction in interest rates. Banks have opened a special credit facility for SMEs, which aims to address liquidity concerns of SMEs who have seen business disruptions due to the crisis.

The limit of SAFE (SIDBI Assistance to Facilitate Emergency response against coronavirus) loans has been enhanced from Rs. 50 lakh to Rs. 2 crore for executing government orders by those MSMEs which are eligible under the respective State Government's special policy package for interest subsidy / subvention or capital subsidy. The list of products eligible for financing under SAFE and SAFE PLUS has been expanded from 21 products earlier to all medical products being procured by the respective State Government under the fight against COVID-19.

A new product SAFE Plus has been introduced to provide emergency working capital against confirmed government orders, under which revolving working capital term loans shall be provided up to Rs. 100 lakh. The loans will be without collateral properties and will be delivered within 48 hours.

The government has decided to issue all pending GST and Custom refunds, which would provide benefit to around 1 lakh business entities, including MSME. The total refund granted will be approximately Rs. 18,000 crore.

Government to pay EPF contribution both of the employer and the employee (12% each) for the next three months. This is to be applicable for establishments with up to 100 employees, where 90% of employees are drawing less than Rs 15,000 salary and will benefit SMEs.

Recommendations from FICCI to support the sector

Banking & Financial

1. Interest free and collateral free loans should be given to MSME companies which are within the GST network and having a turnover of less than Rs 500 crores for a period of up to 12 months depending on the sector to enable them to cover fixed costs, salaries and other operational expenses; for non-GST paying companies, an alternate mechanism may be worked out which would be based on IT filing. This loan can be given with pre-conditions that businesses will continue to run & there would be no layoffs of workers and after one year it will be converted into a grant if all conditions are met. Threshold tax collection could be one metric.

2. With regard to the period of moratorium, we feel that this should be for a minimum of six months on both principal and interest payment. It should be back ended and added to the tenure of the loan and

no additional interest should be computed during the period of deferment. This moratorium may also be made applicable to other financial instruments like Letter of Credit, Bills of Exchange etc.

3. Extend credit lines for GCP (General Corporate Purpose) to a maximum of 15% of existing credit limits as an addendum to current credit limit on 31 Dec 2019 (without additional security or personal promoter guarantees)

4. Given complete breakdown of businesses, there is a need to assess the situation and if required, the timeline for loan moratorium should be extended.

5. Government should provide greater regulatory forbearance including change in NPA definition and loan restructuring etc. NPA recognition period should be extended from 90 days to a minimum of 360 days.

6. Subsidy under Credit Linked Capital Subsidy Scheme for Technology Upgradation should be increased to 25 percent for MSEs

7. Bank Guarantees should not be encashed for all those industries which are under Force Majeure; an extension of minimum 6 Months may be given. This should also be extended to stressed asset funds.

8. Bank Guarantees & Letter of Credit (both inland and international) should be issued with a fixed margin of 5% irrespective of what has been stated in the sanction letter. The 5% margin should be calculated over the overall exposure of the bank with the borrower under the Non-Fund based facility and extra margin deposited with the Bank against the BGs already issued be credited to the cash credit account.

9. Various PSU Banks have been announcing special COVID credit lines for businesses and extending 10% extension of existing working capital. Considering the recurring expenses, there should be an increase in Working Capital to the extent of 25% of the existing limits across the board irrespective of eligibility or enough Drawing Power. Besides, automatic renewal of Working Capital limits if they are due for such renewals. Clear guidelines from RBI should be issued in this regard. Alternatively, Banks could be asked to reduce margin on working capital loan from 25% to 10%. It will help MSMEs to have liquidity.

10.The current lockdown has impacted businesses as well as individuals significantly. The impact will last beyond 3 months and may run into a year or more. With the impact on businesses, it may be considered necessary at this juncture to take certain measures for creating an enabling environment for the businesses to get out of its existing problems. It is therefore proposed that stressed, but "viable" businesses be permitted a one-time restructuring without a downgrade in the asset classification. Suitable safeguards may be introduced, like an incremental provisioning of 5% that can be reversed after satisfactory performance of the account after 12 months. There is precedence of this approach being used to revive the MSMEs post demonetization and GST.

11.Where the banks, in the last 18 months, have done One-time Settlement (OTS) and/or either transferred the debt to ARCs, working capital finance should be made available through scheduled banks to all the deserving industrial units who have honoured all the commitments with the ARCs since the time banks have exited lifting the blanket ban of not providing working capital.

12.During such critical juncture due to unprecedented pandemic, advisory should also go out to ARCs to consider rescheduling repayments.

13.Directions should be sent to state governments and central departments for releasing all payments and dues to MSMEs including held-up incentives/ subsidies which have been sanctioned and are due or will become due, at the earliest.

14.SEBI should issue Advisory to the Rating Agencies not to downgrade SME sector from March onwards, till present scenario improves. Those downgraded by one notch, should be restored to original ratings, which should be reassessed after one year. In UK, authorities have agreed to consider the rating just before the COVID impact.

15.Under SAFE scheme, SIDBI's recent announcement, the bank is restricting the purview of scheme only to those units who have orders from the Government. We suggest that orders from Private sector should also be included in the purview of scheme as many MSMEs have orders from private organizations, but they have constraints due to lack of working capital

16.Lenders should provide extension in pre & post shipment credit by a minimum of 180 days.

17.Government should suspend Sec 7, 9 and 10 of Insolvency & Bankruptcy Code (IBC) with immediate effect instead of 30th April. Between April 14-30, IBC may get triggered, because of lack of liquidity with industry.

Compliances

18.As per the ESIC provisions any Insured Person under ESIC is liable to receive salary for the medical leave or absentee on the basis of Medical certificate issued by authorized medical practitioner registered with ESIC. It is suggested considering the absentee of the employees due to COVID 19 lockdown period to be "medical absentee" & the medical leave salaries to be paid to all the employees who are Insured Persons under ESIC until the production is started.

19.We welcome & appreciate the step by the HON FM to make the payment of contribution of employees & employees with limit of RS 15000 salary pm. however the condition of 90% employees below Rs 15000 pm salary will be major hurdle in reaching the benefit to the targeted MSI & its employees. We request to withdraw this condition immediately.

20.It is a welcome step that ESI has announced 30-day deferment without any fine or interest or penalty. However, it would be difficult for MSMEs to pay ESI in such critical time. It is suggested that

Govt. should introduce a Scheme similar to EPFO where Govt has offered to pay the share of Employer and Employee for a period of three months.

21.Few State Govts. have taken steps to waive off the fixed cost of electricity bills. This is a welcome step and Central Govt. should advise rest of the State Govts. to waive off the fixed cost of all utility bills for at least 3 months. Besides. State Govts. should also be advised to reduce the tariff for units and also to defer the due dates for the period of three months. Non-compliance penalty (if any) should be charged at 50% for three months.

22.MSMEs are finding it hard to keep up with contractual commitments. MSMEs supplying under Government contracts need to be reprieved from penal clauses because of non-delivery due to lockdown. Automatic extension of all contractual obligation for supply of goods and services by two months should be announced.

23.All types of inspections and visits to MSMEs by Govt officials/Inspectors except in CrPC cases (if any) should be avoided/cancelled to avoid any harassment from Inspectors till things become better.

24.All expired licences during the lock-down should be deemed auto renewed.

Direct Tax

25.Local Property Tax for FY 2020-21 should be deferred.

26.For MSMEs in construction, 100% deduction of Rent Income during lockdown period.

27.Period to set off carry forward of losses incurred during FY 2019-20 and 2020-21 should be increased by 2 more years.

28.Accelerated Depreciation of 50% on all new Assets Procured/Installed/ Commissioned for next 2 years.

29.It is a welcome step by the Government to include expenses made towards COVID-19 under CSR. However, it is suggested that 100% of amount spent under CSR activities undertaken by SMEs for COVID-19, should be deducted while computing taxable income.

30.Those MSMEs who do not come under the purview of CSR, should be allowed full deduction of expenditure incurred for COVID 19 while computing taxable income for the year, whether it is made in cash or in kind or whether the expense is of capital or revenue in nature.

Exports & Imports

31.As many export-orders have been cancelled particularly for garment industry, special concessions should be given in such cases, as such units have availed Packing Credit Limit (PCL) etc which is meant for advance against export orders at concessional rate and is being adjusted against export proceeds. Since exports are not taking place, there can be default.

32.Many MSME Exporters use bank services and send export documents like invoice, Bill of Lading through their Bank to secure their payment. Since there is a lockdown in the country it has resulted into non-availability of courier service. Hence, Indian Banks have not been able to send these documents to concerned buyers banks in other countries and these documents are pending at banks' end. As a result, though the shipment has reached the destination country or are about to reach, the importer is not able to get the documents from the Bank with the result that the importer is not or will not be able get the goods released from the ports. It is suggested that to complete the supply chain of exports and for businesses to function, Courier services should be included under essential services and resumed on immediate basis. It will help units who have been allowed to function and Indian Exporters to get their payment from other countries. Similar issues are being faced where the imports of necessary spares or material through courier are being done and the material is lying at the various airports or with courier companies and the same is not being delivered to the industry because the courier services are not allowed.

33.Custom clearance of materials is taking up too much time due to lack of presence of enough customs officials. In addition, low availability of drivers, crane services etc. are adding to the woes. Some mechanism should be developed to address this issue. Besides, movement of containers to and from ports for export or import is still a concerning issue.

34.There is an issue of non-availability of empty containers causing delay in exports. Additionally, there is lack of man-power available at ICD, ports and Airports for loading and unloading of shipment & goods. It is suggested that measures may be adopted for easing availability of empty containers and essential manpower at ICD, ports and Airports cargo terminal.

35.Import norms should be eased and subsidized for Raw-Materials which are not available in the country for End-Users as the abundance of Raw Materials will significantly increase the domestic production. Import duty on raw materials which are not sufficiently produced in India should NOT be increased at least for the period of COVID-19.

36.Clearances of all Exports benefits to exporters immediately including IGST/GST, Duty Drawback, ROSL, RoSCTL etc.

Good & Service Tax (GST)

37.All tax payments including GST payments by MSMEs should be deferred by six months without inviting any penalty.

38.Government should allow payment of GST under Reverse Charge Mechanism (RCM) by the service recipient being Corporates body for the services received from MSMEs and other small service providers which will improve the respective service provider's working capital.

39.Input Tax Credit on all type of Civil Construction activities should be allowed.

Operational

40.CBIC may issue direction to all Customs Stations, Port & Airports in the country to clear the consignments based on soft copies without insisting for originals, as there is considerable delay to get the original documents through couriers because of Covid-19. If required, the originals can be submitted later.

41.Compulsory handout of Wages and salaries to workers irrespective of their attendance is creating problems as it is dis-incentivising people to come to work, even those who are working towards providing essential services. Units should be allowed to deduct salary of those workers who are not turning up for production of essential goods. A few state governments [Gujarat and Goa] have come out with a notification to address this issue.

42.Though the customs and exports through ports are exempted from the lock down, MSMEs find it difficult to move the goods from warehouses to ports due to harassment at the hands of local police. Hence, MSMEs have not been able to export their goods. Though there is a provision of movement pass which could be collected by appearing physically at local authorities and also e-Passes through local authority, it is suggested that for the free movement of vehicles carrying export goods during the lock down a better mechanism be worked out.

Transport/Logistics

43.Reduction in railway freight by 25% should be announced for MSMEs for the period of six months.

44.Truck drivers are not willing to go to other states due to absence of repairing, puncture, spare shops, eateries in highways and resistance faced (undue demands made by local Police, harassment) at the state borders and check points within. These basic needs of truck drivers should be made available on highways.

45.Hazardous waste kept in the plants should be allowed to dispose. Waste processors should be allowed to function.

46.Effluent Treatment Plants within the factory should be allowed to function to avoid the further degradation of the waste material.

Marketing

47.To keep MSMEs sustainable in the market, MSMEs should get more Government orders for a period of six months. Items related to nCovid-19 and other essential products and services should largely be procured from MSMEs without compromising the quality.

48.Orders under execution should not be cancelled only because the financial year has ended and the budget for the FY 2019-20 has been exhausted. Funds allocated against the orders placed to be kept secured and should not allowed to be reallocated or lapsed.

49.RFPs and Tenders that are in the finalisation stage with all DPSUs, PSUs, Govt. Undertakings etc. be placed on priority. This will start the business activity and bring the units to normalcy faster.

Post COVID Measures

50.Alternative source of Raw material to be made available for industries dependent on imports. Encouragement should be given to set up industries in India which can help in import substitution by providing following specific incentives to the industries.

a. Allotment of Land at Concessional rate
b. Simplified funding from bank at Concessional rate of interest
c. Subsidy @20% of new Investment for manufacturing activities up to Rs.20 Cr.

51.Government should ensure that prices of raw materials and transportation do not surge upwards as the lockdown is withdrawn.

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