FICCI CMSME

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# NEWSLETTER


## FICCI - CONFEDERATION OF THE MICRO, SMALL AND MEDIUM ENTERPRISES (FICCI-CMSME)

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# MSME NEWS UPDATE

## 1. MSME loans drive credit growth in December

India's overall bank credit expanded in about double digits after an 86 percent growth in loans to medium sized firms in December, the latest central bank data showed, underscoring the importance of state incentives in driving growth loan. On a year-on-year (y-o-y) basis, non-food bank credit registered a growth of 9.3% in December 2021 as compared with 6.6% a year ago, the latest data indicates. All major sectors continued to post higher growth over the previous year's levels, loans to medium-sizes firms rose the fastest. Credit to medium industries rose 86% in December 2021 as compared to 17.15 last year. Credit growth to micro and small industries too rose 20.5 per cent in December 2021 from 1.3 per cent a year ago.

"(This reflects) effectiveness of various measures taken by the Government and the Reserve Bank of India to boost credit flow to the micro, small and medium enterprises (MSME) sector," said the latest Economic Survey. Credit to large industries recorded a growth of 1.3% in December 2021 against a contraction of 0.5 per cent a year ago. Overall credit growth to industry improved noticeably to 7.6 per cent in December 2021 from 0.4 per cent in December 2020.

Credit to agriculture and allied activities rose 14.5% in December 2021 as compared to 7.7% in December 2020. Retail loans grew by 14.3% in December 2021 vis-à-vis 8.8% a year ago. Housing remained the prime driver of overall growth in the retail segment, RBI said.

The Economic Times, January 31, 2022

## 2. FY23 growth at 8-8.5%, supply –side reforms key

The strong revival in its revenues in the current fiscal, helped primarily by buoyant tax receipts, means the Centre "has fiscal space to provide additional support (to the economy) if necessary", according to the Economic Survey 2021-22 tabled in Parliament by finance minister Nirmala Sitharaman, ahead of the Budget for 2022-23.

The survey projected India's real GDP would grow by 8-8.5% in 2022-23 against 9% seen by the IMF in its latest forecast. That is a reasonably sanguine rate, given that it is built on a 9.2% expansion estimated by the National Statistical Office for the current financial year, upon last year's sharply contracted base (-6.6%). It would mean the economy next year would be around 10% bigger than it was in the pre-pandemic level (FY20).

A pointer on Budget from the survey is that the finance minister may make her tax revenue projections assuming a nominal GDP expansion rate of 14-14.5%, with buoyancy at 1.2 or thereabouts.

Financial Express, February 01, 2022

## 3. Govt extends ECLGS scheme for MSMEs till Mar 2023; thrust on hospitality

The Emergency Credit Line Guarantee Scheme (ECLGS) that provided much needed additional credit to over 1.3 crore MSMEs will be extended till March 2023 with its guarantee cover expanded by Rs 50,000 crore to Rs 5 lakh crore, Finance Minister Nirmala Sitharaman said. The additional amount will be exclusively earmarked for the hospitality and related segments to help them recover to pre-pandemic levels.

Presenting the Budget 2022-23 in Parliament, the Finance Minister said the Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme will be revamped with required infusion of funds. "This will facilitate additional credit of Rs 2 lakh crore for micro and small enterprises and expand employment opportunities," she said. To help the micro, small and medium enterprises (MSME) sector become more resilient, competitive and efficient, Sitharaman said a Raising and Accelerating MSME Performance (RAMP) programme will be rolled out with a Rs 6,000 crore outlay spread over 5 years.

"Hospitality and related services, especially those by micro and small enterprises, are yet to regain their pre-pandemic level of business. Considering these aspects, the ECLGS will be extended up to March 2023 and its guarantee cover will be expanded by Rs 50,000 crore to a total cover of Rs 5 lakh crore with the additional amount being earmarked exclusively for hospitality and related sectors," the Finance Minister said.

Business Standard, February 01, 2022

4. **Jump in capex to help boost small businesses, says Modi**

Prime Minister Narendra Modi highlighted the big increase in capital expenditure in the Budget, saying that besides creating modern infrastructure it will also create opportunities for growth for small businesses. “The Budget provides for 7 lakh 50 thousand crore rupees for government expenditure. The magnitude of this step and how big will its effect be can be estimated from the fact that in the year 2013-14, public investment was only 1 lakh 87 thousand crore rupees. This year’s proposed spending is almost four times more than what it used to be when UPA was in power," the PM said.

Addressing a symposium on the importance of Budget for the goal of a self-reliant India, Modi also said that his government has got the execution capability and could utilise the allocation. "In 2014, there was 90 thousand km of national highways in the country, which were built in the last 70 years. Whereas, we have built 50 thousand km of National Highways in the last 7 years only and many new highways will be built in the country under PM Gatishakti Master Plan,” he said.

Touching upon the theme of the symposium, he said the Budget will serve the objective of self- reliance which has become crucial because of the devastation wrought by the pandemic. "Just as the Second World War which upended the world, the pandemic is likely to lead to fundamental changes. We are at a turning point. The world is not going to be like it was in the pre-Covid times and we have to prepare ourselves for the challenges, to set new objectives and realise them and lay the foundation for a self-reliant India," the PM said.

"When the public expenditure increases, it will draw in private investments as well leading to the creation of modern infrastructure. Small traders will also benefit and there will be a positive impact on the economy, leading to improvement in living standards of the common man,” Modi said. He said the decisions taken and policies followed by his government in two terms have led to expansion of the economy. “Seven-eight years ago, the GDP of India was 1 lakh 10 thousand crore rupees. Today India's economy is around 2 lakh 30 thousand crores,” he added.

The PM said the focus of this Budget is also on providing basic facilities to the poor, middle class and youth and connecting them with permanent solutions of income. Modi said apprehensions were raised about the MSP but the government has made record purchases on MSP in the past years. “Talking about paddy alone, farmers are expected to get more than Rs 1.5 lakh crore as MSP this season,” the PM said.

The Times of India, February 03, 2022

### 5. India on track to achieve $400 bn exports, negotiating FTAs with countries: Goyal

India is on track to achieve the USD 400-billion export target in the current fiscal and is negotiating trade agreements with countries like the UAE, the EU and Canada, Commerce and Industry Minister Piyush Goyal said. In a reply during Question Hour in the Lok Sabha, he said the prices of most of the commodities, including petroleum products, are prevailing high and because of this there is a stress on all sectors. However, international prices of finished products have commensurately increased and hence the exports of these products have not faced detriments.

"For 10th month in a row, April 2021 to January 2022, India has posted over USD 30 billion of exports. It is a record, we have already crossed USD 334 billion of exports which is more than the highest ever that India has done in full 12 months period. We are well on track to achieve USD 400 billion of exports," Goyal said. The minister said that the government is working to negotiate free trade agreements (FTA) or comprehensive economic partnership so that Indian exporters to get similar price advantage benefits.

"We have launched FTA negotiations with the UAE, Australia, the United Kingdom, the EU, Canada. We are also in dialogue with GCC countries — the bloc of six countries in the Middle East– who have shown keen interest in FTA with India and we hope to launch the negotiation in the near future," Goyal said.

With regard to support to small and medium industries, the minister said Rs. 4.50 lakh crore government-guaranteed loans were given to 1.30 crore MSMEs during the Covid pandemic.

Financial Express, February 02, 2022

### 6. 'Covid impact: 67% MSMEs temporarily shut in FY21, over half lost 25% revenue'

Two-thirds of Micro, Small and Medium Enterprises (67 per cent) in India were temporarily shut for three months or more in FY21 and over half of all MSMEs saw a decline of over 25 per cent in revenues, according to a survey of 1,029 enterprises by Small Industries Development Bank of India (SIDBI). The survey report was tabled in Parliament by MSME Minister Narayan Rane. The MSME Ministry had assigned the survey to SIDBI in September as part of efforts to assess the economic impact of the pandemic on MSMEs and the effect of the change in classifications. The Centre had, in June 2020, as part of its Covid relief package, revised thresholds for the classification of MSMEs upwards. Under the new classification, manufacturing and services units with investment of up to Rs 1 crore and turnover of up to Rs 5 crore are classified as micro businesses, businesses with investment of up to Rs 10 crore and turnover of up to Rs 50 crore are classified as small enterprises while units with investment of up to Rs 50 crore and turnover of up to Rs 250 crore are classified as medium enterprises.

About 66 percent of respondents in the survey reported a decline in profitability on account of stable fixed costs and decline in revenue during FY2021 fiscal according to the answer tabled in parliament by Rane. About 65 percent of the MSMEs surveyed, availed credit under the government's Emergency Credit Line Guarantee Scheme (ECLGS) which provided banks and financial institutions a 100 percent guarantee against any losses suffered by them due to non-repayment of the ECLGS loans by borrowers. At the end of 2021 the government had issued guarantees on loans of Rs 2.88 lakh crore under the ECLGS.

The study also found that about 36 per cent of MSMEs surveyed had also availed loans under the Credit Guarantee Fund trust for Micro and Small Enterprises scheme during FY2021. An online study by the

National Small Industries Corporation had found that liquidity issues, fresh orders, availability of labour, logistics issues and availability of raw materials were the problems most cited by MSMEs during the pandemic.
The Indian Express, February 8, 2022

7. **NABARD projects priority sector credit target of Rs. 2.47 lakh cr for Bengal**

NABARD said it has estimated a credit target of Rs 2.47 lakh crore for priority sector lending in West Bengal during 2022-23, around 11.80 per cent higher than Rs 2.21 lakh crore in the current fiscal. In the credit potential, the share of the agriculture sector, including agri-infrastructure and ancillary activities in the credit assessment, was estimated at 39.32 per cent, and that of the MSMEs was at 44.56 per cent, a statement from NABARD said. The remaining credit potential was projected for various sectors such as self-help and joint liability groups, housing, education, social infrastructure, export and renewable energy, it said. National Bank for Agriculture and Rural Development (NABARD) prepares a potential linked credit plan annually for each district. West Bengal Chief Secretary Hari Krishna Dwivedi released the "State Focus Paper: 2022-23", highlighting the credit potential in presence of senior officials of the government, banks and other stakeholders.
Millennium Post, February 8, 2022

8. **India is in discussion with ASEAN to start FTA review: Patel**

India is in discussion with the 10-nation bloc ASEAN for initiating the review of the free-trade agreement in goods between the two regions to seek more market access for domestic products, Parliament was informed. Minister of State for Commerce and Industry Anupriya Patel said the market access issues and trade barriers being faced in ASEAN (Association of Southeast Asian Nations) countries and China are being regularly taken up with individual countries through bilateral engagements. "The Government of India is in discussion with ASEAN countries for initiating the review of ASEAN-India trade in goods agreement to seek more market access for Indian products," she said in a written reply to the Lok Sabha.

In a separate reply, she said that to increase exports including apparel exports, India is actively negotiating regional trade agreements (RTAs)/ FTAs with a number of countries including the UAE, Australia, Canada, Israel and the UK. "Ongoing FTA negotiations will also provide more favourable market access to products exported from India," she said. The Minister said that textile and apparel export growth has been facing adverse impact of the COVID-19 pandemic and higher import tariffs in key markets such as the European Union and the United Kingdom as compared to zero duty access in these countries to competing countries like Bangladesh and Cambodia.

Replying to a question on export dues, she said the government has released Rs 56,027 crore in order to clear pending export incentive dues to exporters. This is for various schemes — Merchandise Exports from India Scheme (Rs 33,010 crore, Service Exports from India Scheme ( Rs 10,002 crore), Rebate of State and Central Taxes and Levies ( Rs 5,286 crore), Rebate of State Levies (Rs 330 crore), and Remission of Duties and Taxes on Exported Products (Rs 2,568 crore) and other legacy schemes like Target Plus Scheme, Focus Product Scheme.

"It is estimated that such benefits would be disbursed to more than 45,000 exporters, out of which the majority would be in the micro, small and medium enterprises (MSME) category," Patel said. Clearance

of dues under these schemes is dependent on meeting the eligibility criteria by the applicant exporter, whose applications are scrutinised for any deficiency.
The Pioneer, February 10, 2022

**9. MSME invoice discounting: RBI increases NACH mandate limit for TReDS settlements**

The Reserve Bank of India (RBI) in its monetary policy review enhanced the National Automated Clearing House (NACH) mandate limit from Rs 1 crore to Rs 3 crore for settlements related to the invoice discounting mechanism for MSMEs — Trade Receivables Discounting System (TReDS). In his statement, RBI Governor Shaktikanta Das said, "Keeping in view the requests received from stakeholders and to further enhance the ease of financing the growing liquidity requirements of MSMEs, it is proposed to increase the NACH mandate limit from Rs 1 crore at present to Rs 3 crore for TReDS related settlements."
"The MSME invoices are no more in the region of Rs 1 crore as the goods value and transactions value among MSMEs have increased over the past few years. In fact, we get requests to handle invoices up to Rs 8-10 crore value as well. Hence, the increase in the NACH limit to Rs 3 crore is also a welcome move even as we had requested RBI to increase it to at least Rs 5 crore. The MSME ecosystem has been expanded with revised MSME definition," Managing Director and CEO at TReDS platform told.
RXIL currently does around Rs 1,400-1,500 crore worth of transactions every month, handling average 3,000 invoices per day and almost 60,000 invoices per month, of which 15 per cent invoices are worth more than Rs 1 crore. To encourage innovation and competition through increased participation, on-tap authorisation of TReDS operators was introduced by the RBI back in October 2019. Importantly, on July 1, 2020, the government had revised the MSME definition linked to their annual turnover that had expanded the scope of the MSME sector to include enterprises up to Rs 250 crore turnover as well.
"This is a significant move as the value of invoices have increased. Till now, it was a hassle for MSMEs to create multiple invoices so that the value of each invoice is restricted to Rs 1 crore. However, the enhanced limit would now positively impact MSME financing as this would bring efficiency in submitting lesser invoices of higher amounts as well. At M1xchange, we do around Rs 1,300 crore worth of bill discounting every month, of which at least 20-25 per cent invoices have to be in a manner that their value remains under Rs 1 crore. The volume of friction will now come down for MSMEs. This will also hopefully encourage banks to enhance their limits on invoicing," another TReDS platform said.
TReDS as a concept was introduced in 2014 by the central bank to ease the working capital crisis for MSMEs impacted due to delayed payment issues. In 2017, three platforms including M1xchange promoted by Mynd Solutions, Invoicemart (joint venture of Axis Bank and mjunction services), and RXIL (joint venture between SIDBI and NSE) were issued licenses to operate on TReDS mechanism.
Financial Express, February 10, 2022

**10. Banks sanction loans worth Rs 3.1 L crore to MSMEs under ECLGS: FM**

Finance Minister Nirmala Sitharaman on Thursday said banks have sanctioned loans worth Rs 3.1 lakh crore under the Emergency Credit Line Guarantee Scheme (ECLGS) for the MSME sector that was impacted by disruptions due to the coronavirus pandemic. The scheme has been extended till March 2023. "Those MSMEs who still wants to benefit out of it are welcome to use it... the amount of loan sanctioned under the ECLGS is Rs 3.1 lakh crore and guarantee space is still Rs 1.4 lakh crore," she

said in her 100-minute reply to the discussion on Union Budget 2022-23 in Lok Sabha. As much as Rs 2.36 lakh crore have been disbursed to MSMEs, she said. She also said that PM Mudra Yojana has created 1.2 crore additional employment since its launch in 2015. With regard to employment, she said, urban unemployment has declined to pre-pandemic levels due to various efforts of the government.
Millennium Post, February 11, 2022

**11. 'Budget aim is to bring stable recovery in eco'**

India has managed to bounce back economically from the adverse impact of the corona pandemic and the aim of the Budget for the next fiscal is to ensure stability and growth, Finance Minister Nirmala Sitharaman said. Replying to a general discussion on the Budget in the Rajya Sabha, she said the Indian economy suffered a massive contraction due to the Covid-19 pandemic, but the Government has been able to contain retail inflation at 6.2 per cent. She said the Budget stands for continuity and brings stability to the economy along with predictability of taxation. The Minister also said the objective of the Budget is a stable and sustainable recovery in the economy.

Compared to the performance of the UPA Government during the global financial crisis in 2008-09, Sitharaman pointed out that the situation is far better. She said retail inflation was 9.1 per cent during the financial crisis of 2008-09, while it peaked at 6.2 per cent during the COVID-19 pandemic that has had a bigger impact on the economy. The Minister said the Indian economy suffered Rs 9.57 lakh crore loss due to the pandemic, compared to a loss of Rs 2.12 lakh crore during the global meltdown in 2008-09. She also said capital spending gives much more multiplier than revenue route and therefore the Government has increased public capital spending to boost the economy.

Underlining the magnitude of public spending, Sitharaman said Rs 7.5 lakh crore spending will create jobs, and employment creation is not limited to 60 lakh jobs from the productivity- linked incentive plan for 14 sectors. The Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) was earlier infested with ghost accounts and people not born were receiving money, she pointed out. The MNREGA is a demand-driven programme meant to provide jobs to rural unemployed in the lean season, and whenever demand comes, it is funded, the Minister noted. She said Rs 73,000 crore is provided for rural employment guarantee scheme MNREGA and will give more if demand comes.

Rejecting the Opposition charge on reducing fertiliser subsidy, the Minister said the subsidy rose from the budgeted Rs 79,530 crore for the current financial year to Rs 1.4 lakh crore in the revised estimates and shows the government is receptive to the needs. Sitharaman said the Government is also encouraging start-ups and that resulted in the creation of many unicorns during the pandemic. On the charge small businesses were closed down, the Minister said 67 per cent of MSMEs were temporarily shut due to the lockdown. India has witnessed breaching the six percent tolerance limit for inflation on six occasions since 2014 (when the NDA Government came into power at the Centre) as inflation management is robust, she said. The economy was Rs 1.1 lakh crore seven years ago, and now it is Rs 2.32 lakh crore, she stated on the charge of the economy running on a treadmill. Sitharaman said there is no question of slowdown or recession, citing estimated 9.2 per cent GDP growth in the current fiscal.
The Pioneer, February 12, 2022

12. **Centre may approve textile parks soon**

The state government has identified 1,000-acre land for a mega textile parks in Kalaburagi and Vijayapura, and also submitted a proposal to the Union government, said textiles minister Shankar Patil Munenakoppa.

Munenakoppa said the Centre is expected to approve the proposal at the earliest. “We will soon launch a mega silk cluster in Mysuru and give preference to enhance skill among garment employees. Women would get a minimum montly salary of Rs 9,000 and a maximum of Rs 50,000. We aim at creating 12 lakh more jobs in the coming years” he added. There are requests for textile parks in Dharwad and Kolar districts too, and the process of identifying land for them is on, he said. When asked about Mahadayi and Kalasa-Banduri nala projects, the minister said the state will get good news soon. “But one has to wait till Goa elections are over,” he added.

The Times of India, February 13, 2022

13. **Banks up loan growth target**

Large public sector banks (PSBs) have revised upwards their credit growth target for the current financial year. This is following revival of demand from the corporate sector and small and medium enterprises (SMEs), even as a nascent economic recovery is taking shape. Credit growth of scheduled commercial banks had accelerated to 9.2 per cent year-on-year (YoY) by the end of December 2021 after breaching the 7 per cent-mark in November, for the first time since April 2020.

However, loan growth contracted during the first fortnight of January 2022. This resulted in the growth figure falling to 8 per cent. State Bank of India — the country’s largest lender — which reported 8.5 per cent loan growth at the end of December, said it was due to strong growth in retail advances and “resurgence in SME & corporate advances.”

Encouraged by the revival in corporate credit, SBI now expects to end the year with 9 per cent credit growth as compared to 8.5 per cent projected earlier. Dinesh Khara, chairman, State Bank of India, said that on the corporate side, there is improvement in utilisation of limits. The unutilised portion in limits has come down from 51 per cent in September 2021 to 43 per cent in December 2021. “We expect that this trend will be further extended. "The utilisation (of sanctioned limits) by the corporates will further improve the loan growth, which eventually leads to better numbers. "It appears to us this is a sustainable trend,” Khara had said.

“Our retail segment has done well and will continue to do well. "Now, we expect to see good growth from corporates and SMEs also. We had said 8.5 per cent (loan growth projection for FY22), but we will be inching towards 9 per cent,” Khara said. In January 2022, SBI extended credit worth Rs 15,000 crore. It has a pipeline of over Rs 4 trillion. Atanu Das, managing director and chief executive, Bank of India (BoI), said with good traction in segments like retail and agriculture, the bank expects to grow advances by 7-8 per cent in FY22. This is higher than the estimate of 5-6 per cent growth (YoY) made at the beginning of the financial year. BoI’s total advances increased 5.40 per cent YoY to Rs 4.37 trillion till the end of December 2021. Bank credit growth fell to 5.6 per cent in the previous financial year, as strict lockdowns during the first part of the year impacted economic activity.

The economy was slowing even before the pandemic, as loan growth in the financial year 2019-20 was only 6.1 per cent. Banks had also turned risk averse in the last few years after bad loans started to surge since the beginning of the last decade. The tide could be turning. After contracting 7.3 per cent in 2020-21, the economy is expected to grow by 9.2 per cent in the financial year. The government expects GDP growth between 8 and 8.5 per cent in the next financial year.

Another large public sector lender — Bank of Baroda (BoB) — said it is hopeful that the growth projection of 7-10 per cent in the current financial year would be met. “We have been guiding that we expect our book to grow between 7 and 10 per cent in FY22. "I believe we should be able to deliver in that range,” said Sanjiv Chadha, MD & CEO, Bank of Baroda. “We believe that next year, we should be looking at double-digit credit growth, and as of now, our prognosis is that the market should grow by 10-12 per cent. “Our stance is we want to grow at the market rate or better than it, without compromising on margins,” Chadha said.

The recent spike in bond yields — after the Union Budget announced a massive government borrowing programme for FY23 — will also mean some of the corporates — that were tapping the markets for funds — will turn to banks as interest rates are much lower for loans. “As bond yields go up, it would make sense not to lock in for the long term with relatively higher rates and see whether floating rates work better. "I believe it is something that will manifest itself in the next few quarters,” Chadha said.

After finance minister Nirmala Sitharaman — in her Budget — announced Rs 11.6 trillion net borrowing for the next financial year, yields on the 10-year government bond moved up 20 bps. Yield of the 10-year AAA-rated corporate paper increased 15 bps and the AA+ one went up by 18 bps.

Rediff.com, February 14, 2022

**14. Credit guarantee scheme to cover more co-operative banks**

The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) has included non-scheduled urban co-operative banks (NSUCBs), state co-operative banks, and district central co-operative banks as member lending institutions (MLIs) under a scheme that provides guarantee for the collateral-free loans given to micro and small enterprises (MSEs).

This is especially beneficial for NSUCBs, which face a higher priority sector lending (PSL) target. The Reserve Bank of India (RBI) had revised the PSL target for all urban co-operative banks, requiring them to increase this portfolio — comprising loans to agriculture, MSME (micro, small and medium enterprises), export credit, education and housing, among others — in a phased manner from 40 per cent as at March-end 2020 to 75 per cent as at March-end 2024.

The credit guarantee scheme (CGS) assures a lender that if an MSE unit that has availed itself of collateral-free credit facilities (fund-based and/or non-fund based) fails to discharge its liabilities, then the trust would make good the loss, to the tune of 50-85 per cent of the credit facility.

The trust covers credit facilities extended by MLIs to a single eligible borrower in the MSE sector (i) not exceeding ₹50 lakh (regional rural banks or select financial Institutions); and (ii) not exceeding ₹2 crore (scheduled commercial banks, select financial Institutions, small finance banks and scheduled urban co-operative banks) by way of term loan and/or working capital facilities.

MLIs can apply for a guarantee cover anytime during the tenure of a loan, provided the credit facility was not restructured and/or remained in SMA-2 (special mention account) status — where principal or interest payment or any other amount wholly or partially overdue for 61-90 days — in the last one year from the date of submitting the application. The National Federation of Urban Co-operative Banks and

Credit Societies (NAFCUB) and Sahakar Bharati (an umbrella organisation of co-operative institutions) had petitioned the finance minister for the inclusion of NSUCBs as MLIs under the CGTMSE scheme.
Jyotindra Mehta, President, NAFCUB, said: “With many MSEs shutting down on account of Covid-19, vulnerable sections of population find themselves unemployed. “An urban cooperative bank is typically a common man’s bank. It has immense potential to scale up loans to MSEs. CGTMSE is a very good institutional mechanism to support the lending institutions that are financing MSEs in a big way.”
Business Line, February 16, 2022

**15. Banks to see 10% credit growth in FY23: Ind - Ra**

After witnessing single-digit growth in recent years, the banking sector is likely to witness a 10% credit growth in FY23 on the back of a pick-up in economic activity, higher government spending in infrastructure sector and revival in retail demand, India Ratings and Research said in its banking sector outlook for the next fiscal. The rating agency, however, revised downwards its banking sector credit growth estimate for the current fiscal to 8.4% from 8.9%.
Companies will likely start leveraging in the next fiscal because of revival in capital expenditure, increased working capital demand due to higher output, higher exports and commodity inflation, the agency said. It expects Rs 2 lakh-crore primary investments in sectors linked to the Performance-Linked Incentive (PLI) scheme. “Most of this investment would be up-fronted in FY22-FY23 so as to maximise the period for which benefits could be availed by corporates. This could further boost secondary investments. Overall, the bank credit growth to the corporate segment could be around 8% YoY in FY23,” said an expert on Ratings.
Lenders are likely to see improvement in the asset quality in FY23. As per a rating agency, gross NPAs of banks will likely improve to 6.1% by the end of the next fiscal, lower than estimated GNPAs of 6.3% as on March end. The stressed asset ratio in the retail asset segment is expected to almost double to 5.7% at March-end from 2.9% last year, while for the MSME segment, it could increase to 15.8% from 11.7%. “Corporate segment’s stressed assets would slightly drop in FY22 to 10.4% from 10.8% in FY21 on account of recoveries from a couple of large accounts and ongoing recoveries and upgrades in other smaller accounts. For FY23, the agency expects stressed assets in retail to decline to 4.9% on account of recoveries, to increase to 16.7% for MSMEs on account of continuing stress in the segment and to decline to 10.3% for corporates on account of a continuing trend of recoveries. The analysis here does not factor in write-offs from GNPAs,” the report said.
Financial Express, February 18, 2022

**16. Need self-reliant jewellery sector**

India’s gems and jewellery (G&J) exports will achieve the $40 billion target this year, commerce minister Piyush Goyal said, while adding that the sector is expected to register a 6.5% growth over the pre-Covid levels. “Our gold and diamond trade contributes about 7% to our GDP (gross domestic product) and employs over 50 lakh (5 million) people. The exports already stand at $32 billion this year until January,” an official statement quoting him said.
Under the leadership of Prime Minister Narendra Modi, India wants to make its gems and jewellery (G&J) sector ‘Aatma Nirbhar’ (self-reliant) and the government has declared it as a focus area for export promotion, he said while addressing the inaugural ceremony of an International Jewellery Show.

Goyal said the Budget 2022 has paved the road for the sector to grow and expand India's footprint in global G&J trade by reducing import duty on cut and polished diamonds from 7% to 5%, and extending of Emergency Credit Line Guarantee Scheme (ECLGS) for micro, small and medium enterprises (MSMEs) up to March 2023 as over 90% of units in G&J sector are MSMEs. He said the simplified regulatory framework for e-commerce in the next few months will facilitate G&J exports through e-commerce, which will ensure that small retailers are able to ship their products overseas.
Hindustan Times, February 19, 2022

**17. SMEs and start-ups to benefit from India- UAE CEPA: FICCI**

The Comprehensive Economic Partnership Agreement (CEPA) signed between India and the United Arab Emirates will lead to opening doors to new opportunities for trade and investments between the two countries and benefit small and medium enterprises (SMEs) and startups, industry body FICCI said. "We in FICCI applaud the leadership of our two countries in making CEPA a reality in record time, even amid a pandemic. There are many areas that will benefit from this agreement. However, one area of great mutual interest in innovation and startups, led by technology-driven processes," said Sanjiv Mehta, President, Federation of Indian Chambers of Commerce and Industry (FICCI).
"We can visualise partnerships in health-tech, edu-tech, fin-tech, Industrial Revolution 4.0 and many more areas. Indian Industry feels such engagements will also help in tapping global opportunities together, particularly in the GCC and African markets," Mehta said in a statement. India and UAE signed the Comprehensive Economic Partnership Agreement (CEPA) and set a target to boost merchandise trade between the two countries to $100 billion over the next five years. The deal was signed during the virtual summit meeting between Prime Minister Narendra Modi and Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi.
Business Standard, February 19, 2022

**18. Spending on key MSME schemes paltry**

The Union government's expenditure on several schemes focused on small businesses has been meagre so far in FY22, according to the annual report of the micro, small, and medium enterprises (MSMEs) ministry. This is despite MSMEs being a focus area for the government in the past couple of years given the severe impact of the pandemic. The government had to this effect also rolled out the Emergency Credit Line Guarantee Scheme in 2020 to support pandemic-hit businesses with the primary focus on MSMEs, with initial corpus of ₹3 trillion that has been increased to ₹5 trillion. The Centre had in 2020, during the first wave of the covid-19 pandemic, rolled out a slew of initiatives and also launched the UDYAM portal for registration of MSMEs.
One of these is the MSME Champions Initiative, which is a combination of three schemes aimed at boosting competitiveness and innovation and providing Zero Defect Zero Effect, or ZED, certification. However, there has been significant shortfall in expenditure in this. The government has spent only ₹1.62 crore out of the nearly ₹20 crore allocated for the MSME Competitive Scheme aimed at enhancing competitiveness of these businesses, according to the ministry's annual report for the financial year 2022.
Another key scheme under the Champions Initiative is the MSME Sustainable (ZED) Certification aimed at creating awareness among MSMEs about "Zero Defect Zero Effect" practices and motivating and

incentivizing them for ZED certification. As much as ₹16 crore was allocated for this scheme for FY22, but nothing was spent as of December-end owing to "redesigning of the scheme", said the report.

The expenditure on the MSME Competitive (Lean) Scheme, meant to enhance competitiveness of manufacturing MSMEs through implementation of lean tools and techniques, has been just 8% of the ₹19.43 crore allocated for the fiscal year, according to the report. The scheme has so far been implemented in 182 clusters of MSMEs leading to waste reduction of 5-10%, the report said. The MSME Innovative Scheme constitutes three sub-schemes dedicated to incubation, design, and intellectual property rights (IPR). Under the MSME Innovative (Incubation) Initiative, ₹1.52 crore was spent as of 31 December 2021, out of the allocation of ₹23.16 crore. The expenditure on design support was ₹2.36 crore out of the earmarked funds of ₹15.21 crore. Only ₹14 lakh was spent on IPR till the end of December out of the allocation of ₹25.57 crore.

The situation with regard to the Entrepreneurship and Skill Development Programme (ESDP) is similar. The government has completed 315 programmes and reached out to 15,599 beneficiaries as of 31 December 2021 but has spent only ₹1.83 crore, out of the allocated ₹10 crore for the current fiscal.

Live Mint, February 21, 2022

**19. More defence item to enter Make in India list**

Moving forward with plans to indigenise manufacturing of defence systems and equipment, the Ministry of Defence is in the process of adding more items which will be manufactured in India. Sanjay Jaju, Additional Secretary, Department of Defence Production, said while 351 more items have been listed and it is now an opportunity for Indian industries to manufacture them.

"By month end, we will come up with a bigger list and it will include not just components, but also Line Replacement Units (LRUs) which are critical for defence requirements. We will offer these LRUs to industries with procurement assurance to design and develop the products within the county," he told the virtual 'MSME Conclave on Indigenisation of Critical Defence Components – Forging Partnerships between FOEM-IOP-MSME', organized by FICCI and Department of Defence Production.

The government has already identified a list of over 2,500 items which are not going to be imported. Also, the ministry of defence has released a list of 209 items including arms which the country will stop importing in a phased manner. In December 2020, the ministry notified a fresh list and imposed a ban on imports of 351 sub-systems and components for the armed forces under a staggered timeline, commencing from December 2022.

The listed items will be indigenised in the next three years and the initiative will save foreign exchange approximately equivalent to Rs 3,000 crore every year. Jaju said in the post-Covid world, there are global strategic alignments taking place, supply chains moving from one country to another, and it is important to diversify the supply chain. "India has a huge defence aerospace market. We are going to march ahead, and this sector is going to grow at the best rates in the world with huge demand. We have to look at India as the design and manufacturing hub in defence components for global needs."

Indian Defence News, February 22, 2022

**20. Govt launches scheme to give infra boost to MSMEs**

The Haryana Government today launched the Programme to Accelerate Development for MSME Advancement (PADMA) programme. "Based on the principles of 'local yet global', the PADMA aims to create self-sustainable and thriving industrial infrastructure at the cluster level for each block of Haryana," said Manohar Lal Khattar while launching the scheme at a function held.

He said the PADMA programme was a multi-department programme, which would not only promote local products but also give employment opportunities to the youth, especially the targeted Antyodaya Anna Yojana beneficiaries. "The MSME sector plays a significant role in economic landscape of Haryana, contributing over 22 per cent to the Gross State Value Added (GSVA)," said Khattar. The Chief Minister also said under the PADMA scheme, one product in each block of 22 districts, covering all 140 blocks in the state had been identified based on the locally available resources, existing micro enterprise ecosystem, demographic profile, key opportunities, sunrise sectors and growth potential.

The Tribune, February 23, 2022

**21. STPI to play facilitator's role for data centre entrepreneurs: Rajeev Chandrasekhar**

The Software Technology Park of India (STPI), which has an extensive network around the country, will play the role of facilitator for data centre entrepreneurs and investors, and facilitate their engagement with the States for approvals, said Rajeev Chandrasekhar, Union Minister of State for Electronics & Information Technology (MeitY). He was in the city to interact with industry members – start-ups, MSME/SMEs and other companies – on the Draft National Data Centre and Cloud Policy.

There were many 'high quality' suggestions around Cloud, its security, the entry and exit on to the Cloud, portability and interface between multiple clouds, he added. The National Data Centre & Cloud Policy intends to facilitate setting up of energy efficient, sustainable and green data centres. However, to do this, the State governments have to do some work including service level agreements (SLAs) from the discoms, and between the discom and the company.

The governments of Tamil Nadu and Karnataka are keen to pursue this investment. This is like the Y2K movement for the entire digital space. "In the next 1-2 years, the States, start-ups and investors who make a move and pursue these opportunities will only succeed," he added.

The policy's objectives include accelerating the growth of the data centres and Cloud services and encouraging the usage of indigenous platforms/solutions in the data centre, said a release. The size of the digital economy in India is estimated to grow exponentially from around $200 billion to $1 trillion by 2025-26. At present, India has 499 MW installed power capacity for data centres and is projected to grow to 1,007 MW by 2023. Under the hyperscale data centre scheme, the government is targeting investment of ₹3 lakh crore in the next five years, said Amitesh Kumar Sinha, Joint Secretary, MeitY. The proposed draft policy intends to accelerate the growth in the project in the projected data centre capacity with a capacity addition of 2,000 MW by 2027, he said.

On the semiconductor industry, the Minister said that this government has committed around $30 billion in to expanding the electronics and semiconductor ecosystem. This is an unprecedented investment by the Centre in to manufacturing, hi-tech and digital space. Every leading name in electronic manufacturing is in India. This includes Samsung, Foxconn, Pegaton and Vistron.

"We expect the same to be in the semiconductor space. Some State governments pursuing these opportunities, investment and jobs include Tamil Nadu, Karnataka, Uttar Pradesh, Andhra Pradesh and Telengana for electronic manufacturing," he said.

Business Line, February 25, 2022

## 22. Sanctions against Russia may hit footwear industry

As western countries respond to Russia's attack on Ukraine with unprecedented punitive sanctions against the country, the footwear industry in Tamil Nadu is worried over the effect of sanctions on the $53 million worth of exports to the country, 80 per cent of which is in the footwear sector. Price of sunflower oil, too, which has gone up by Rs 13 per litre in the last one week may hit new highs over the next few weeks, say traders.

As details about the sanctions imposed by Europe and the United States emerged, footwear companies had a temporary relief as financial sanctions were primarily targeted at Russian oligarchs. According to a company, the impact of sanctions on the footwear industry may be minimal as they are mostly mild and targeted sanctions. "We don't expect major disruption except in container movements to Ukraine which seems to have taken a hit," he said.

But most exporters are still keeping their fingers crossed, as Russia is a significant trading partner of India. While the direct impact of sanctions may be minimal, many companies may be indirectly hit as Russia consumed lot of international products that are manufactured in India and exported from other countries. The sanctions can also seriously impact sunflower oil industry, and consumers may soon have to shell out more for buying the popular cooking oil. "Get ready for higher prices," said an oilseeds importer. India consumes 1.7 million metric tonnes of sunflower oil every year and 90 per cent of it is imported as oil while 2,500 metric tonnes to 3,500 metric tonnes is imported as seeds. "Of the imported oil, 80 per cent comes from Ukraine alone," he added. Tamil Nadu consumes 2.53 lakh metric tonnes of sunflower oil every year, he said.

Cultivation of sunflower is low across India and hence availability of seeds for oil extraction is also low, he said. He also cautioned the international prices of wheat, cotton and other agriculture products would rise in the international market as Ukraine is one a major producer of these crops.

The New Indian Express, February 26, 2022

## 23. Bhagalpur silk trade feels the heat of the war

The Russia-Ukraine war is taking its toll on the famous Bhagalpur silk industry of Bihar. Nearly 25% of orders for export of silk-made clothes to European countries have been cancelled in couple of days. By a rough estimate, orders worth Rs 20 crore have been cancelled in this short period and more is expected in the days to come. Silk-made clothes are in great demand in Ukraine and other European countries, including Russia.

A regional association said those involved in the silk manufacturing trade are apprehensive of more financial losses, if the war continues. "It's a double whammy for the silk traders of Bhagalpur. The business had already suffered huge losses due to the pandemic and now the Russian invasion of Ukraine." Silk-made scarves or stoles are a favourite of the women of Europe. Bhagalpuri chadar, lungi, silk clothes, silk yarn and scarves are in great demand abroad. Besides, clothes made of cotton and linen are also exported from Bhagalpur.

Silk traders revealed that products worth over Rs 30-35 crore are exported to Ukraine per annum. "The trade was about to get back on track after the pandemic. But it seems that times are not good for the silk industry of Bhagalpur," said a trader. Nearly 25% of orders placed for the supply of silk products from European countries have been cancelled. “We are worried over the losses incurred in the last few days due to the Russia-Ukraine war,” he added.

Another expert said silk products worth Rs 100 crore are exported to Russia and Ukraine per annum. A functionary of another association said an estimated 12,500 families rely on hand looms for a livelihood. For power looms, this figure is nearly 13,000. He said if the situation in Europe worsens due to the ongoing war, weavers of Bhagalpur would be pushed to the brink of starvation.

The New Indian Express, February 26, 2022

**24. Life export restriction on bamboo charcoal export: KVIC to centre**

In a move aimed at making the bamboo sector in India profitable, Khadi and Village Industries Commission (KVIC) urged the Centre to lift the “export prohibition” on bamboo charcoal for optimum utilization of raw bamboo and higher profitability for the bamboo industry in the country. “One of the biggest challenges that the Indian bamboo industry faces today is the extremely high input cost owing to inadequate utilization of bamboo. However, export of bamboo charcoal would ensure complete utilization of the bamboo waste and thus make the bamboo business more profitable,” a ministry of micro, small and medium enterprises note here stated.

Earlier, KVIC Chairman Vinai Kumar Saxena had written to Union Minister of Commerce and Industries Piyush Goyal seeking lifting of export restriction on bamboo charcoal for the larger benefit of the bamboo industry. In India, bamboo is mostly used in the manufacturing of Agarbatti wherein, a maximum of 16 percent, the upper layers of the bamboo, is used for manufacturing bamboo sticks while the remaining 84 percent of bamboo is a complete waste.

The Bamboo waste generated in Agarbatti and bamboo craft industries is not being utilized commercially, as a result, the bamboo input cost for round bamboo sticks is in the range of Rs 25,000 to Rs 40,000 per MT as against the average Bamboo cost of Rs 4,000 to Rs 5,000 per MT. Compared to this, the bamboo price in China is Rs 8,000 to Rs 10,000 per MT but their input cost is Rs 12,000 to Rs 15,000 per MT owing to 100 percent waste utilization, it was explained to the government.

KVIC Chairman Saxena said the bamboo waste can be best utilized by making “Bamboo Charcoal” which, though has very limited use within the domestic market but it is hugely in demand in the international market. However, the Indian bamboo industry is not able to tap the opportunity due to its “export prohibition”. Considering the repeated requests of the industry, KVIC has requested the government to consider lifting the export restriction on bamboo charcoal. Saxena said this would not only enable the industry to exploit huge global demand but also enhance the profitability of existing KVIC units by proper utilisation of bamboo waste and thus contribute to the PM’s vision of “Waste to Wealth. It may be noted, the world import demand for bamboo charcoal has been hovering in the range of $ 1.5 to 2 billion and has been growing at the rate of 6 percent in recent years. Bamboo charcoal for barbeque sells for about Rs 21,000 to Rs 25,000 per ton in the international market. Besides, it is also used for soil nutrition and as a raw material for manufacturing activated charcoal. Rising import demand is witnessed in countries like the USA, Japan, Korea, Belgium, Germany, Italy, France, and UK at negligible import duty, the Ministry note stated.

It is pertinent to mention that an amendment in export policy for Bamboo products under the HS code 141100 was made in 2017, wherein exports of all the Bamboo products were kept in the OGL category and were “Free” to exports. However, exports of Bamboo Charcoal, Bamboo Pulp and unprocessed shoots were still kept under the prohibited category. Earlier, in order to create more employment in bamboo-based industries, particularly in the Agarbatti industry, KVIC, in 2019, had requested the government for policy changes in import of raw agarbatti and import duty on round bamboo sticks that were heavily imported from Vietnam and China. In September 2019, the Ministry of Commerce “restricted” the import of raw agarbatti and in June 2020, the Ministry of Finance increased the import duty on round bamboo sticks.

As an implication of the policy changes, Agarbatti and bamboo-craft industries in India have witnessed the revival of hundreds of closed units. After the policy changes, KVIC has set up 1658 new agarbatti manufacturing units under its flagship Prime Minister’s Employment Generation Program (PMEGP).

Similarly, 1121 new bamboo crafts-related units, too, have been set up across the country. This has not only optimized the use of bamboo but also created sustainable employment in rural areas, the Ministry note further stated.

The Statesman, February 27, 2022

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