

MSMEs get only ₹40cr out of ₹625cr interest subsidy

Tough Norms Make It Difficult For Small Cos To Gain From Scheme

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New Delhi:

Small businesses have received a mere Rs 30-40 crore earmarked as 2% subsidy, a year after the government announced the scheme for micro, small and medium enterprises (MSMEs) registered to pay goods and services tax (GST).

The Interest Subvention Scheme, announced last November, is meant to provide subsidy on incremental, fresh term and working capital loans taken from banks during a five-month period in 2018-19 and 2019-20. The government had allocated Rs 275 crore for the last financial year, while another Rs 350 crore is earmarked for the current financial year. Financial institution Sidbi, the agency responsible for implementing the scheme, did not comment when contacted on Thursday evening.

Coming months before general elections, the scheme was seen as a payback by the government for the impact of demonetisation on MSMEs, some of which were also bitter critics of GST. But stipulated conditions made it difficult to avail the interest subsidy and there are calls to review them so that the benefits flow to small businesses, many of which have been crippled by the economic slowdown and are also facing payment difficulties from buyers, including public sector companies.

Even the government push to public sector enterprises on clearing pending bills of MSMEs has only seen a limited impact. While the corporate sector had estimated dues to Rs 40,000 crore to the sector, at least Rs 15,000 crore in unpaid bills remains at a time when small businesses are complaining of difficulties in getting credit, especially from non-bank finance companies (NBFCs).

Despite the finance ministry's repeated assurance, the government has been unable to put significant pressure on the corporate sector to clear the dues. Even the decision to link GST Network, where data on revenue of companies is available, with Trade Electronic Receivables Discounting System (TReDS) has been discussed for over a year-and-a-half, the government has failed to put in place the desired architecture that will not only help in tracking payments better but will ease loan flow to MSMEs since accurate data will be available.

The law stipulates hefty penalty on late payment to MSMEs but the provision has been hardly invoked by the government. So far, ministry of corporate affairs (MCA) has only collected data on delayed payments and sought that companies clear the dues at the earliest.

HOW DOES THE POLICY WORK

> Available to MSMEs with GSTN number, Udyog Aadhaar Number

> Loans taken between November 2018 and March 2019 eligible

> Coverage limited to ₹1 crore



> MSME exporters getting interest subsidy under export finance ineligible

> Similarly, no subsidy for small businesses getting similar benefit under any central or state scheme