

100-DAY, 100-DISTRICT PLAN

Credit a trickle, MSMEs set to get stimulus booster today

Govt works on steps to improve liquidity, ease market access

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 1

AMID TEPID credit growth for the Micro Small & Medium Enterprises (MSMEs), and this being one of the key points in the standoff between the Government and the Reserve Bank of India, Prime Minister Narendra Modi is expected to announce a slew of measures on Friday to boost credit availability for MSMEs and an "out-reach" programme for units in the sector.

Sources said the government is working on steps to improve liquidity in the financial markets to provide relief to the Non Banking Financial Companies (NBFCs), which have a high exposure to the MSME sector along with measures to boost their access to the market as well as some hand-holding and facilitation support.

After banks, NBFCs are major lenders to the MSMEs.

Modi will launch the MSME support and outreach programme, which will run for 100 days covering 100 districts throughout the country. Various Central ministers are likely to visit these districts to inform entrepreneurs about various facilities being extended to the MSME sector.

Top bankers and government officials are expected to attend

GST RECEIPTS, PMI BOTH UP

■ After 6 months, GST collections crossed the Rs 1-lakh crore mark in October (for September) primarily driven by festive demand, anti-evasion measures and finalisation of audit statements last month.

■ Nikkei India Manufacturing Purchasing Managers' Index was up from 52.2 in September to 53.1 in October as new orders and production increased at the quickest rate in four months.

this event.

This programme, officials said, will help boost the MSME sector as this is one of the major generators of employment opportunities. Currently, businesses with revenue of Rs 5 crore are termed as micro enterprises, those with sales between Rs 5 crore and Rs 75 crore are termed as small enterprises. Businesses with revenue between Rs 75 crore and Rs 250 crore are classified as medium-sized enterprises.

CONTINUED ON PAGE 2

Credit a trickle

Incidentally, PMO officials will also meet heads of leading commercial banks to assess the liquidity scenario in the market and to work out a feasible solution.

Sources said the government is considering to advance recapitalisation of banks and may take a decision on Friday. While the Government is expected to source funds from RBI to recapitalise the banks, the RBI is not warmed up to the idea of giving up a portion of its reserves for the same.

However, if the government manages to get the same, market sources say that it will infuse enough liquidity within banks to be passed on to NBFCs and HFCs, which is an area of concern.

This package of measures is planned to improve credit flow to MSMEs where growth has been much lower than overall non-food credit growth. According to RBI data on deployment of gross bank credit until August-end this year, credit to industry has grown by just 1.9% year-on-year, and, within this broad category, credit to micro and small enterprises has increased 2.6%, to medium enterprises by 6.5%.

In contrast, credit to the services sector has posted a phenomenal 26.7% growth while overall non-food credit has grown at 12.4 per cent. The MSME segment accounts for just about 6% of the gross bank credit.

Credit availability to MSMEs has been choked further by the lending squeeze be-

ing faced by NBFCs. Recent defaults on debt obligations by Infrastructure Leasing & Financial Services (IL&FS) has slowed down credit expansion plans of NBFCs, which are now battling to service their short-term debt obligations.

The Central government is working on measures to address the recent liquidity crunch in the non-banking financial companies and the deteriorating asset quality in the financial institutions, Department of Financial Services Secretary Rajeev Kumar had said last Friday.

"We are conscious about both the issues together — liquidity concerns and asset quality concerns, both are being worked out," Kumar said, adding that the government will announce them very soon.