

# Modi plans cheap loans to small biz

■ The move is to win over estranged business community for Lok Sabha elections, say sources

New Delhi, Jan. 21: Prime Minister Narendra Modi is considering offering cheap loans and free accidental insurance coverage to millions of small businesses, two government sources with direct knowledge of the matter said, as he tries to placate a key voter bloc ahead of a general election due by May.

Small business groups have been critical of the Modi government in the past year after many firms were squeezed by a shock move to ban high-value currency notes in 2016, followed by a hasty implementation of a nationwide Goods and Services Tax (GST) that raised their

compliance costs.

In a bid to win them back, and following election losses in five states last month, the government run by Modi's Bharatiya Janata Party (BJP) recently announced GST concessions and tweaked an ecommerce policy in favour of small traders.

More measures are now being planned, said the sources, who declined to be named as the information was not public.

A spokesman for the ministry of finance did not immediately respond to an email seeking comment.

The sources did not

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quantify the amount the series of measures would cost the government, as details are still being worked out.

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■ It is also considering pension for retired traders, and a free accidental insurance cover for business having less than ₹10 crore turnover.

with annual sales of less than ₹5 crore, the sources said, and would compensate banks for costs.

Small businesses with a top credit rating can get loans from banks at about 9-10 per cent, while lower-rated businesses can be

charged around 13-14 per cent.

But only about four per cent of the 70 million small enterprises in India have access to bank credit, said Praveen Khandelwal, secretary general of the Confederation of All India Traders.

He said 30 per cent of their loans come from the country's shadow banking sector, while more than half are provided by private money lenders at rates as high as 25 per cent a month.

One of the sources said the government may also ask banks to open a special window for increasing the credit flow to small busi-

nesses, which will ensure greater availability of loans.

The government is also planning to provide free accidental insurance coverage of up to ₹10 lakh to small businesses with annual sales of up to ₹10 crore, the sources said.

"Employees of small traders may also get discounts on opting for state-backed insurance schemes," one of the sources said.

The government has not yet decided if the moves would be announced before the interim budget on February 1, the sources said.

— Reuters