



सत्यमेव जयते

RAJEEV CHANDRASEKHAR
MEMBER OF PARLIAMENT
RAJYA SABHA

May 02, 2020

Dear Nirmala Ji,

Recently I have received many messages and emails from MSMEs and Entrepreneurs with concerns and worries about what the future holds for them.

Based on these many requests, I had arranged a Video Conference Session on 24th April, where over 400 MSMEs joined in and engaged with me. I laid out the seriousness of the issues and challenges including its impact on the Economy in the short and medium term, whilst there was a case for a strong long term for Industry and Economy. (A copy of my presentation is attached with this letter). The objective on my part was to hear their views and concerns and suggestions.

Through this letter, I will attempt to list out the results of that engagement. I am reproducing this in almost exact language of those that were in this webinar without any attempt to parse or transliterate it in any way.

1. All of them recognized the serious challenge of the Pandemic and were appreciative and supportive of the PM's steps to decisively tackle it with a Lockdown.
2. They were appreciative of the RBI and MoF steps to support Industry, MSMEs and Labour and poor.
3. Concerns with regards to survival of micro industries- whether they will be able to sustain the shock and the need to announce a special package to micro industries and to hand hold micro industries in such challenging times.



4. One recurring theme as the lack of transmission of RBI announcements to the Banks that “banks are unable to do it due to paperwork, credit appraisals and entrepreneurs need to be able to get the finance going so that they can get industries started”.
5. Banks should be able to release working capital for a company to be able to kickstart the working of a company. This working capital should be utilised for the restart of the business to see movement.
6. There is lot of lacunae in the manner in which the Banks dispense working capital and capex loans to MSMEs which is driving the efficiency of lending down. And mismatching the funds with the wrong borrowers. There has to be a matrix that rewards well governed, managed and cash flow positive businesses. Employment adding vs those that need to improve on these parameters. There has to be a certain matrix which is transparently adopted as a standard by all the banks and GOI to direct and drive the funding in the right direction as we release massive liquidity into the system. The panel will also be a feedback mechanism for the GOI. Government should identify this backbone of MSME manufacturing units and a special focus to be given in all aspects to promote and grow this sector.
7. Micro and small-scale industries to be segregated from medium and large industries and this has to be implemented at the earliest. Reduction in paying interest for 365 days, only working for 300 days which will result in 3% interest reduction and also cost of money has to be reduced for micro and small-scale industries.



8. RBI has announced the Moratorium for the EMI i.e. upto 30.5.20; it is requested to extend this facility at least for another 2 months more; upto 31.7.20; it will also be great if no bank interest is charged in this span of 3-5 months. Also for GST payment, extend time till June end instead of May, 20.
9. To consider Micro & Small-Scale sector separately and differently while preparing the Exit Plan Strategy as well as SOP. SOP meant for larger companies will not be feasible/workable for smaller units. This Sector cannot afford Private Transport & Accommodation for Workers.
10. For the proposed scheme of working with 50% of the workforce, please consider a slab system in terms of total employee size. Most Micro & Small-Scale Units work with single person per expertise, so half strength will translate to no-strength at all. Due to ongoing recessionary atmosphere, several units are already working with reduced staff strength. Hence, enforcing social distancing even with current full strength will not be difficult. Please consider introducing 50% scheme for bigger units, say 50+ or 100+ employees onwards.
11. Holding capacity of suppliers should be stopped for the time being and PSU's who procure materials/ products from MSMEs or smaller business units should pay vendors at their earliest so that small business owners can pay their employees as without cash flow it is difficult for MSMEs to bear the running cost of business and also pay workers/ employees with no production and sale.



12. Support for the rural economy and the need to have finance available through FIs for businesses which are running / potential to start immediately and payments are being made to farmer community. RBI has released funds; however, banks are unable to do it due to paperwork, credit appraisals, and the need to be able to get the finance going so that agri-based industries can start.
13. The disconnect between Urban & Rural India is the key to disallow larger spread of COVID-19 and equally important is to maintain full functionality of the Agricultural Sector & Rural Economy & same is applicable in Karnataka. What steps can Central & State Govts take to boost this disconnect and at the same time retain the 'Farm to Factory Connect' too.
14. Proposal for a Compensatory Work Hour/Day program, in which Employees could put in extra hours or days of work, spread over the next several months, to compensate the loss of work hours/days; in businesses where work from home option is not possible. It will be possible to implement this, only if a notification to that extent is issued by the concerned Government Authorities.
15. The last theme that recurred was that ESI should reimburse in such challenging times and consider the Lockdown period as Healthcare leave. This and reduction of interest for a short period of time will help SMEs.
16. Most MSMEs also requested support from State Government on waiving and deferring state level costs and waiver of Discom fixed charges.



MSMEs and Entrepreneurs who have been engaging with me are all determined to work hard and bounce back. But they do require support at both State Government level and also Banking sector during these challenging times.

I request you to look into the suggestions and consider them and also announce further measures that can help entrepreneurs and micro and small businesses in these challenging times.

Yours Sincerely,

RAJEEV CHANDRASEKHAR

Smt. Nirmala Sitharaman

Hon'ble Minister of Finance
Government of India
New Delhi

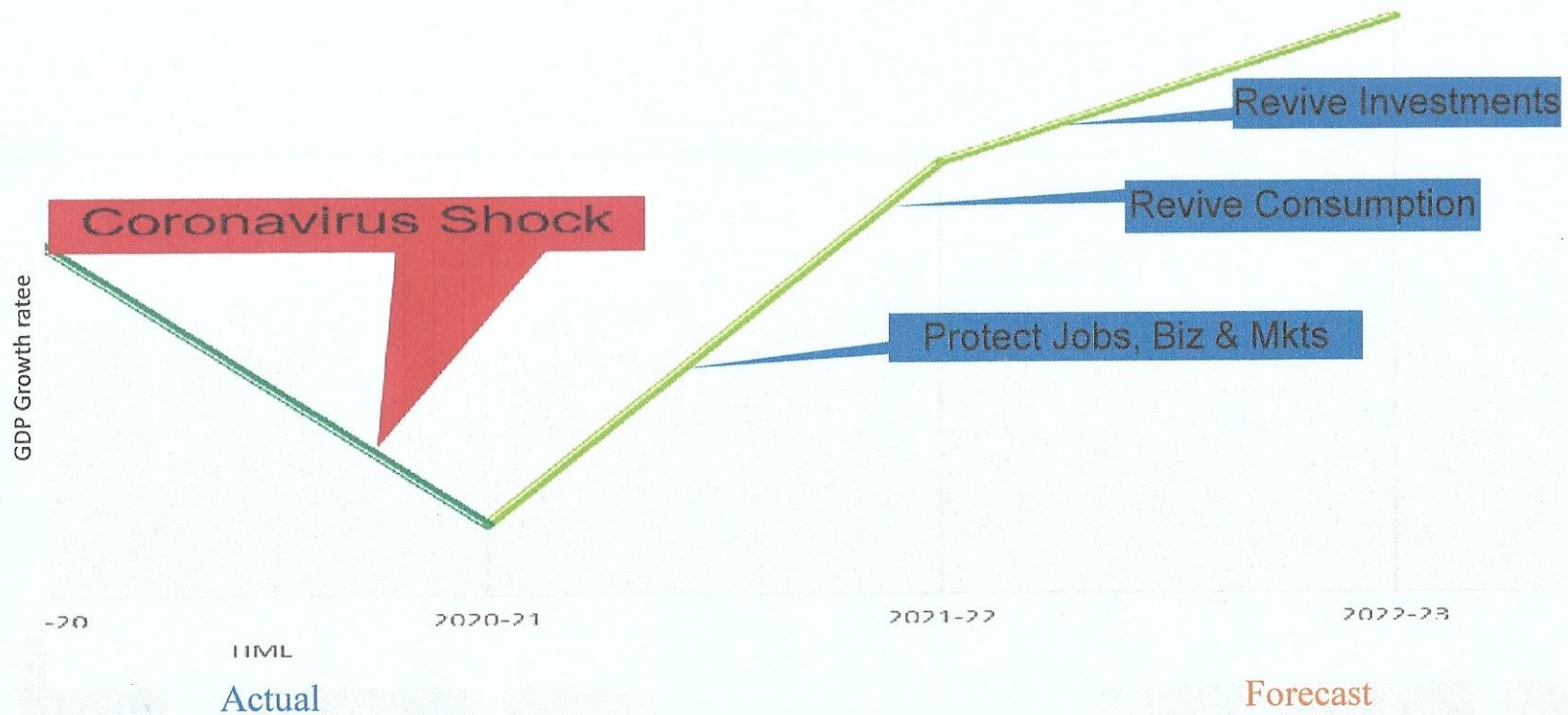
Copy to:

1. Shri Narendra Modi, Hon'ble Prime Minister of India
2. Shri Amit Shah, Hon'ble Home Minister, Government of India
3. Shri Nitin Gadkari, Hon'ble Minister of Micro, Small & Medium Enterprises, Government of India
4. Shri B.S. Yediyurappa, Hon'ble Chief Minister of Karnataka
5. Shri Jagadish Shettar, Hon'ble Minister of Large and Medium Scale Industries, Government of Karnataka

Reboot India

Interaction session with Entrepreneurs on impact on Indian
Economy during and after CoronaVirus shock

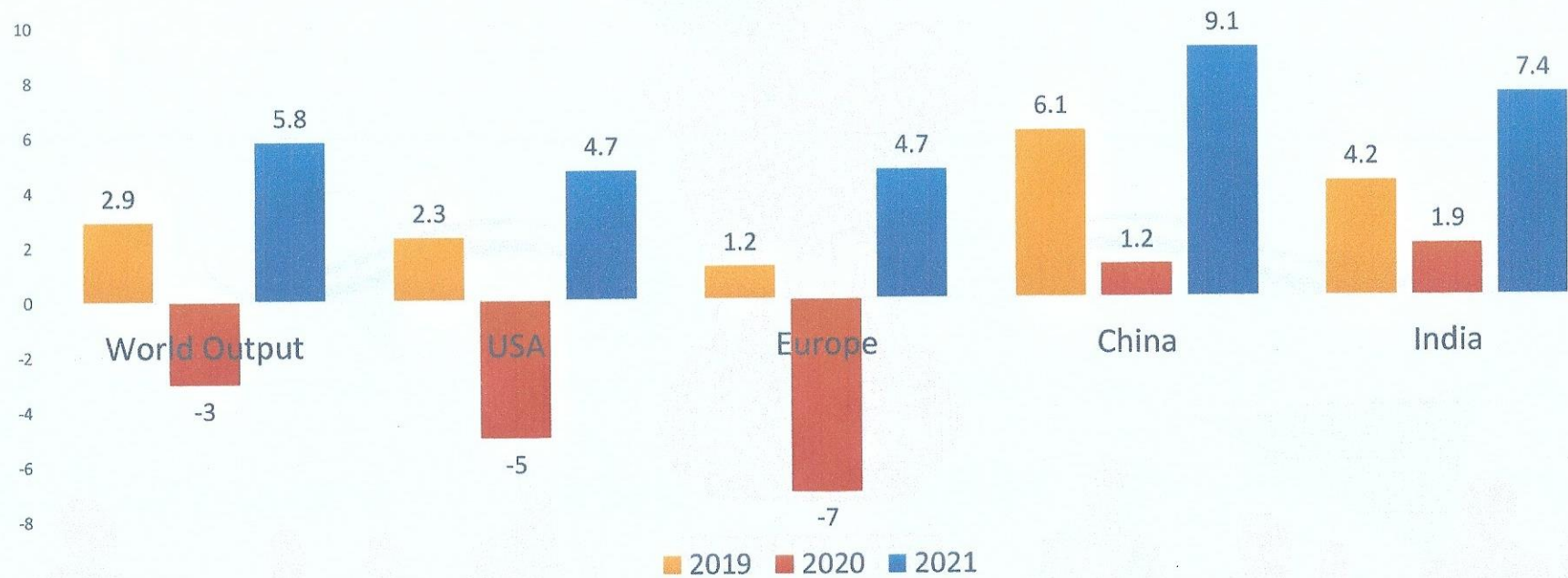
CoronaVirus Shock & Recovery



Post CoronaVirus Recovery- Strong Growth Rebound

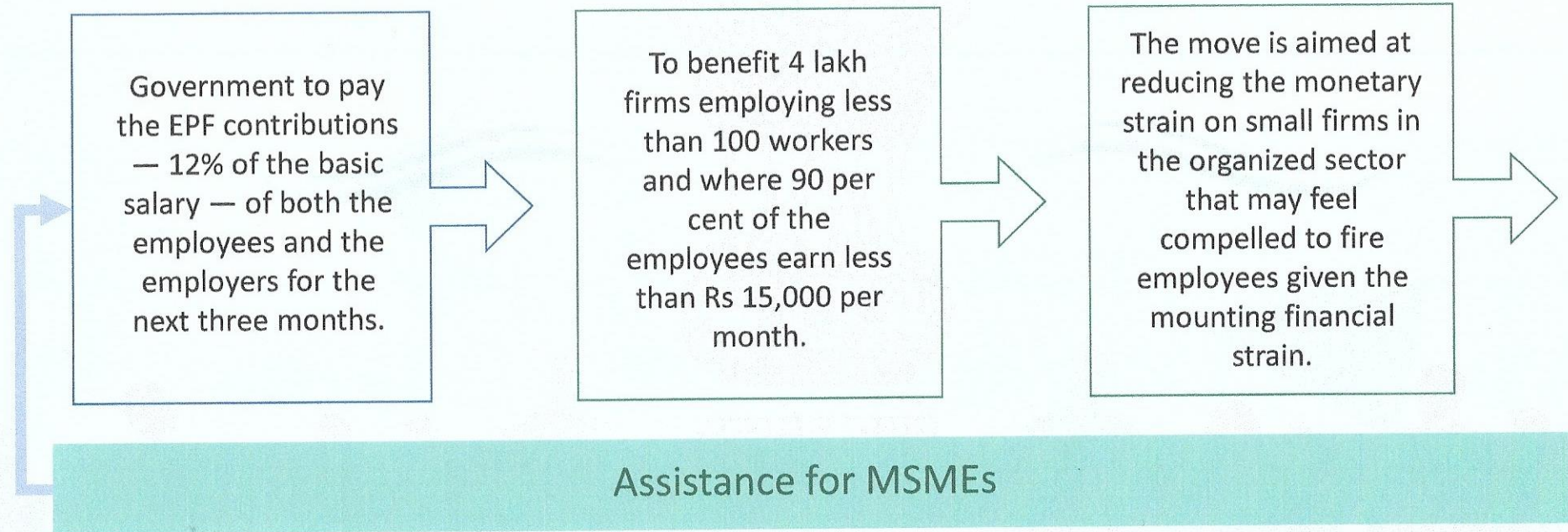
IMF Growth Projections

IMF Growth Projections



Govt Action for CoronaVirus Shock on the Economy

The Government has announced an **economic package of Rs 1.7 lakh crore**, which is 0.8 per cent of India's estimated gross domestic product.



RBI Action for CoronaVirus Shock on the Economy

Liquidity Infusion into the Financial system to Protect Businesses

RBI has announced Rate Cuts

- Repo rate Reduced by 100 basis points to 4.4%.
- Reverse repo rate reduced by 115 basis points to 3.75%.
- Cash reserve ratio (CRR) reduced by a full percentage point down to 3%.
- ₹1.37 trillion will be made available under the emergency lending window called the marginal standing facility (MSF).
- The RBI is incentivizing banks to borrow from it at low rates and lend it forward to businesses, and disincentivizing them from parking funds with the RBI.

Targeted Long-Term Repo Operations (LTRO)

- LTRO facility allow banks to borrow money from RBI at the repo rate, which is lower than the prevailing market rates.
- RBI announced LTRO 1.0 of a total of ₹1 trillion.
- RBI announced LTRO 2.0 of Rs 50000 Cr and mandated that 50% of this amount must go to small and mid size NBFCs and MFIs.

RBI Action for CoronaVirus Shock on the Economy

Support to Small & Medium Businesses

- To help small industries and housing finance companies, NABARD, SIDBI and NHB are provided with special refinance facilities for a total amount of Rs 50000 Cr.
- RBI has extended the WMA limit for states by 60%. This will provide more funds to state governments to help them mitigate the economic crisis.
- State's can now borrow from RBI and spend that money to support the people and small industries.

Regulatory forbearance to support MSMEs

- Moratorium of three months for all term loan repayments.
- This is a relief especially for MSMEs who have been forced to shut operations amid lockdowns and for employees whose incomes have stopped.
- The RBI has granted a moratorium on all NPAs- there will be an standstill on NPAs from March 1 to May 30.

PM Narendra Modi- Quotes

India, a youthful nation known for its innovative zeal can take the lead in providing a new work culture. I envision this new business and work culture being redefined on the following vowels- Adaptability, Efficiency, Inclusivity, Opportunity & Universalism”

Shop owners big and small should invest in digital tools that keep commerce connected, especially in times of crisis.

The need of the hour is to think of business and lifestyle models that are easily adaptable. Doing so would mean that even in a time of crisis, our offices, businesses and commerce could get moving faster, ensuring loss of life does not occur.

Every crisis brings with it an opportunity. COVID-19 is no different. Let us evaluate what might be the new opportunities/growth areas that would emerge now. Rather than playing catch up, India must be ahead of the curve in the post-COVID world

India, with the right blend of the physical and the virtual can emerge as the global nerve centre of complex modern multinational supply chains in the post COVID-19 world. Let us rise to that occasion and seize this opportunity. Let us develop business models that attach primacy to care for the poor, the most vulnerable as well as our planet.