

Economy

Covid-19 impact: CII sets up a fund for MSMEs

In the wake of the coronavirus (Covid-19) outbreak, the Confederation of Indian Industry (CII) is setting up a fund to assist rehabilitation of small enterprises and Micro, Small & Medium Enterprises (MSMEs).

The Confederation will request all its members (mainly corporates) to contribute an amount from their CSR allocation for the fund, CII COVID Rehabilitation and Relief Fund (CRR), the body said in a statement.

The MSME sector is one of the most severely affected as steps to curtail the outbreak such as travel bans, closure of malls, theatres and educational institutions have led to widespread disruptions in economic activity. This, in turn, has hampered MSMEs' businesses.

"Multiple actions need to be taken on extension of bank loans, a special fund, steps regarding filing of GST and improving welfare of workers. CII stands ready to support MSME sector in this hour of need through the CII CRR," Shreekant Somany, Chairman, CII National Council on MSME, said.

Seeking relief measure

With MSMEs facing cash crunch, CII has requested for additional ad-hoc sanction of working capital to the tune of 25 per cent of sanctioned limit as relief measure. The industry body also suggested deferment of Equated Monthly Installments (EMIs) and interest rate on working capital as well. Setting up of a special MSME Factoring Fund to enable MSMEs to discount their bills to approved retailers in 15 days and permit retailers to pay in 120 days would help in faster realisation, it added.

According to CII, creating a corpus by the government to help MSMEs tide over the crisis would help them pay wages. Extension of non-performing asset norms cases to 150 days from the present 90 days and if required by industry, ad-hoc limits to an extent of 25 per cent of sanctioned limits may be allowed by banks on SOS basis to overcome temporary liquidity crunch, would also provide temporary relief, it said.

Measures for improving welfare of the MSME workers during the temporary shutdown period are also required. Some of these could include supporting laid-off workers during the crisis period, handling the statutory compliance of compensating workers in case of a shutdown and exploring insurance cover options through the Employee State Insurance Corporation, 90-day extension for payment of employer's contribution of Provident Fund and ESIS, insurance cover or part financing wages for those laid off due to Covid-19 through ESIC or new Government schemes, allowing of CSR funds to support payment of wages to laidoff workers among others, it added.

The Confederation has proposed that the government should draw up contingency plans for three periods – till March 31; for next two months till May 31 and then for next 2 months till July 31.