

UNION BUDGET 2021: KEY ANNOUNCEMENTS FOR MSME



Union Finance Minister Nirmala Sitharaman has allocated Rs 15,700 crore to the Ministry of Micro, Small and Medium Enterprises (MoMSME) in the Union Budget 2021-22, which is more than double of previous year.

While presenting the Budget in the Parliament, Sitharaman said, "We have taken a number of steps to support the MSME sector in this budget. I have provided Rs 15,700 crore more than double the previous year."

The Budget estimates for the sector for 2020-2021 was Rs 7,572 crore.



Majority of the allocation for 2021-2022 is for the Emergency Credit Line Guarantee Scheme.

She also proposed to reduce margin money requirements from 25 per cent to 15 per cent for start-ups, a move which is likely to boost the sector.

"Financial Inclusion: To further facilitate credit flow under the scheme of Stand-Up India for the Scheduled Caste and Scheduled Tribes and also women, I propose to reduce the margin money requirement from 25 per cent 15 per cent only and to also include loans for activities in allied activities in agriculture," the Finance Minister added.

Further, the government has proposed to allocate Rs 300 crore towards the establishment of new technology centres for the MSME units.

The lockdown due to COVID-19 pandemic had hit the MSME sector hard due to which the sector borne the maximum brunt of the pandemic.

As a result, the MSME sector has been facing a massive liquidity and supply crunch, shortage of labour and non-payment of dues.

The government had announced a Rs 3 lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) for MSMEs under the Aatmanirbhar Bharat Abhiyan package in order to mitigate the stress caused by the lockdown. The scheme was valid till the month of October. Finance Minister Sitharaman had later extended the ECLGS till November 2020 and had further extended it till March 21, 2021.



The other key announcements for the sector in the Budget includes reduction in the customs duty on semis, flat, and long products of non-alloy, alloy, and stainless steels to 7.5 per cent uniformly.

"To provide relief to metal recyclers, mostly MSMEs, I am exempting duty on steel scrap for a period up to March 31, 2022. Further, I am also revoking ADD and CVD on certain steel products," the minister said while presenting the budget.

For copper recyclers, the customs duty on copper scrap has been reduced to 2.5 per cent from 5 per cent.

For the textile industry and MSMEs in the textile industry nylon chain has been made in par to polyester and other artificial fabrics as part of rationalising duty on raw materials.

Duty on steel screws and plastic builder wares has been increased from 10 per cent to 15 per cent while on prawn feed it has increased to 15 per cent from 5 per cent.

To incentive exporters of garments, leather and handicraft items that are primarily made by MSMEs the budget has announced the withdrawal of exemptions on imports of some types of leathers as they are manufactured domestically in quality and quantity.

Custom duty on finished synthetic gemstones has also been increased to encourage its domestic processing.

The finance minister announced the creation of a special framework for MSMEs for debt resolution. To resolve cases faster, the NCLT framework will also be strengthened including the implementation of the e-Courts system, she said.

The Union Budget 2021-22 proposals rest on six pillars: Health and well-being, physical and financial capital and infrastructure, inclusive development for aspirational India reinvigorating human capital, innovation and R&D, minimum government and maximum governance.



While presenting the Budget, Sitharaman said, only three times has the Budget followed a contraction in the economy this time, unlike before, the situation is due to a global pandemic Budget-2021 provides every opportunity for the economy to capture the pace and grow sustainably.

"The preparation of this Budget was undertaken in circumstances like never before, in view of calamities that have affected a country or a region within a country. But what we have endured with COVID-19 to 2020 is Sui generis," she added.

