MSME units demand urgent stimulus package to survive

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Faced with severe financial crunch due to lockdown, an estimated 25-30% of 6.5 lakh micro, small and medium enterprises (MSME) are unlikely to restart their manufacturing operations in Karnataka.

About 1.6 lakh MSME units, which employ about 20 lakh workers across the state, have been shut down for nearly two months due to nationwide lockdown to fight Covid-19 pandemic. With no income for this period, these MSME units are in dire need of a fiscal stimulus package from the government.

“Moratorium on loans for three months announced by RBI and relief given by state government on energy charges are not enough for the MSME units to restart. They are facing a severe shortage of working capital. They are also not in a position to pay salaries to their workers for the months of April and May,” R Raju, President, Karnataka Small Scale Industries Association (Kassia) told DH.

In addition, he said the labour department is issuing notices to small and micro units for non-payment of wages to their employees. “This is a demoralising act for the SME sector. The government should prevent the labour secretary from taking any such action against the MSME units. Otherwise, they will have to shut down permanently,” he said.

Due to the lockdown, there has been no business for nearly two months and it would be difficult for the MSME units to pay salaries, electricity charges, rent for industrial sheds, pending GST and still continue to restart the business, said H M Hussain, Treasurer, Kassia said.

“We suggest the Central government to make use of the huge corpus fund lying with ESI Corporation to the tune of Rs 85,000 crore and unclaimed amount of Rs 45,000 crore with EPFO and pay wages to MSME workers for at least two months,” he said.

Raju also demanded the Central government to come out with an urgent stimulus package for the MSME sector. “The package should contain a waiver of interest for the ODs for a period of three months, subsidy for payment of wages to employees for three months, waiver of interest on loans for three months and relaxation in NPA norms up to one year,” he said.