

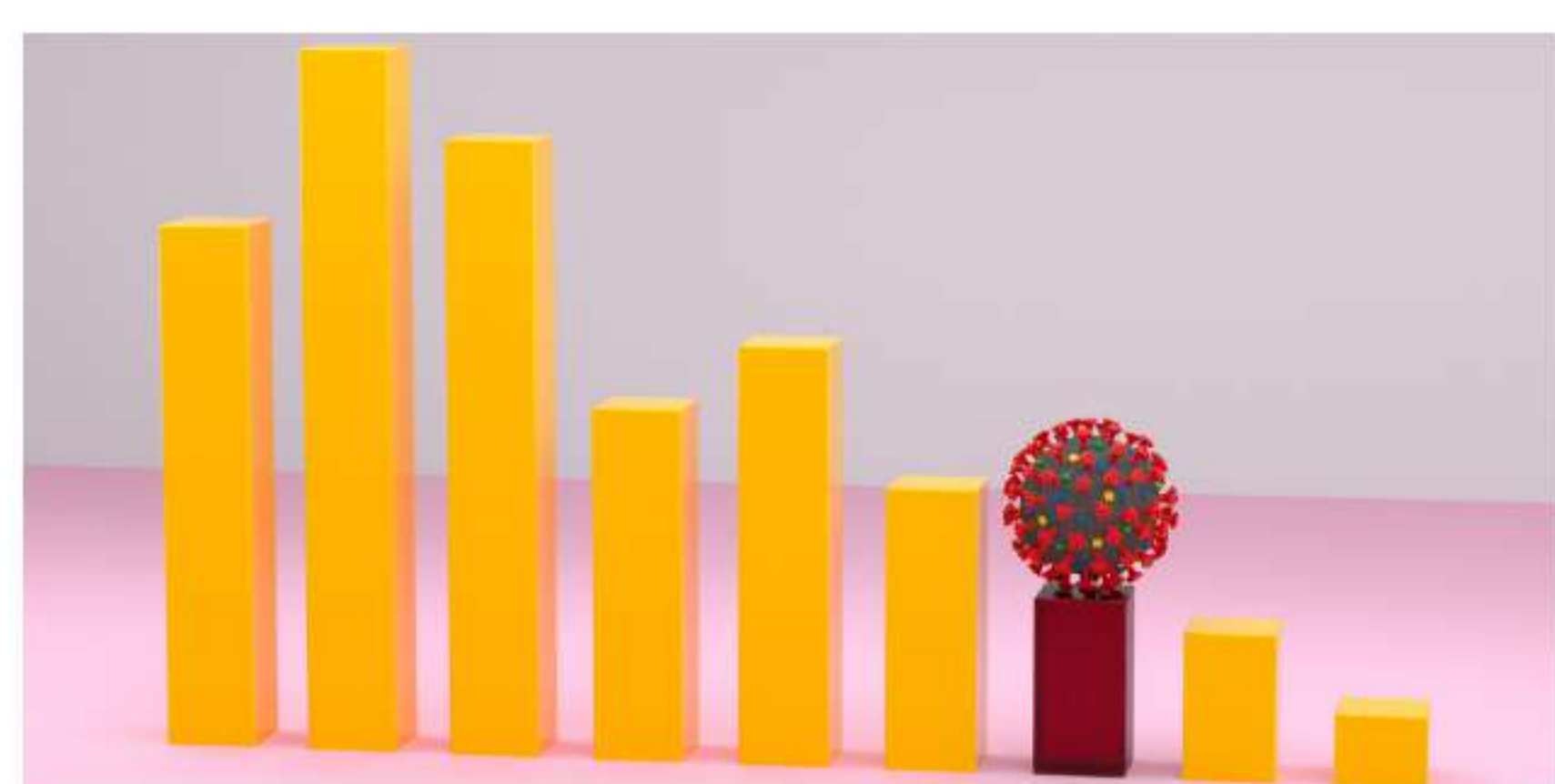
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# How COVID-19 is brutally affecting the MSMEs and what the government can do to save & support them?

These small businesses are now looking up to the government for coming up with a relief strategy and provide support in these trying times.

Ms. Bhawana Bhatnagar  
Founder of Casa Exotique



As COVID-19 continues to take its toll on the global economy, many people have lost their job; many are at the risk of losing their jobs; many are at the risk of losing their business that they had built with blood, sweat and tears. The situation is dire all over the world. From convenience stores to clothing shops to diners, this virus is killing the small-scale businesses. For many of the small-scale businesses that were struggling in a slowing economy in the past quarter, the Coronavirus may come as the final nail in the coffin.

These small businesses are now looking up to the government for coming up with a relief strategy and provide support in these trying times. The business sentiment has already been pretty bad from the third quarter of this fiscal year and given the current lockdown scenario that has led to a total shutdown of the industrial machinery, it may get even worse.

The major demand of the MSMEs from the government is that it should give relaxation to them in terms of payment of EMI instalments and interests to the banks. If the government can ask the banks to be patient and not declare such MSMEs as NPAs they may just be able to ride the wave. A waiver off on the interests and a little grace period for payment of loans can go a long way in preventing the MSMEs of the country from going under the bus.

The economy of any country is built on the backs of its MSMEs. Countries like UK, USA and China have already rolled out billions of dollars to support their MSMEs and India needs to follow suit as well if we want to prevent our economy from collapsing.

As per the raw estimates by financial experts, the market has seen more than 50% reduction in demand so far and with the lockdown in place, it is only going to get worse. With no buyers around and no business happening, it is uncertain if these small scale companies will be able meet the operational expenses during the months of April and March.

If the government can step up and share these operational expenses, it can help these vulnerable businesses keep their heads above water. A further contribution by lowering the water and electricity tariffs by 50% can also go a long way in securing the future of MSMEs in the country.

Another area where the government can lend a helping hand to the MSMEs is taxation – GST in particular. Thankfully, there has been some relief for the business owners in this direction. Finance Minister Nirmala Sitharaman has very recently announced that the final date for filing GST returns for the months of March, April and May has been extended to June 30. For delayed payments of advanced tax, regular tax, self-assessment tax, TDS, TCS, equalization levy, STT, CTT, made in the duration from 20th March to 30th June, a reduced interest rate of 9% will be charged instead of the regular 18%. Also, no late fee or other penalties would be charged for delayed payments.

With this intervention from the government, the MSMEs just might be able to hold their ground in this raging storm. More such policies would, however, be required in the near future if the economy is to be restored to its original state.

The article has been authored by Bhawana Bhatnagar, Founder of Casa Exotique)

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