Micro small & medium enterprises financing deficit can be narrowed with the help of policy & behavioral changes. Do you agree? Comment. 22 June

Micro small & Medium Enterprises (MSME) contribute 40% of India's manufacturing & 45% of its exports.

Yet they are faced by the dual problems of unavailability of credit at a reasonable cost & the absence of time bound payments - which renders them financially unviable.

Policy & Behavioral changes can go a long way in rectifying these problems.

Increasing the availability of credit:

1. As per the UK Sinha committee the loans offered under Shishu, Kishor & Tarun categories of MUDRA scheme should be doubled.
2. Data integration along Income Tax, GSTN, etc. along with video KYC needs to be facilitated to allow for quick approval of loans by banks.
3. 'psbloan in 59 minutes' scheme needs to be vigorously enforced.

Solving the problem of deferred payments –

1. The MSME samadhan portal that acts as a grievance redressal mechanism for untimely payments for MSMEs needs to be made more broad based.
2. The MSME Act, 2006 should be strengthened & information utility portals to ~~strengthen~~ monitor payment failures needs to be set up.
3. The Trade Receivable Discounting System that provides for financing of invoices should be integrated with GSTN portal to make it more effective.

Behavioral changes

Most importantly it is required that the corporates adopt a culture of timely payments to MSMEs as the principle of 'Matsya Nyay' (big fish eating small fish) doesn't bode well for the Indian economy