

RBI sets up MSME Panel

The Reserve Bank of India (RBI) has set up an eight-member expert committee under **former SEBI chairman U.K. Sinha** to understand the structural bottlenecks and **factors affecting the performance of the** <u>Micro. Small and Medium Enterprises (MSME).</u>

- The panel will suggest long-term solutions for the economic and financial sustainability of the MSME sector.
- Recently, RBI has also allowed a one-time restructuring of existing debt up to ₹25 crore for the MSMEs.
- The government has also established an <u>Export Promotion Cell (EPC) for MSME</u> with an aim to create a sustainable ecosystem for entire MSME development.

The Terms of Reference (TOR) of the Committee

- The TOR of the Committee are:
 - To review the current institutional framework in place to support the MSME sector;

Vision

- To study the **impact of the recent economic reforms** on the sector and identify the structural problems affecting its growth;
- To examine the factors affecting the timely and adequate availability of finance to the sector:
- To study the global best practices with respect to MSMEs and recommend its adoption in India, wherever appropriate;
- To review the existing MSME focused policies and its impact on the sector;
- To propose measures for leveraging technology in accelerating the growth of the sector;
- To suggest long-term solutions for the economic and financial sustainability of the MSME sector;
- The Expert Committee will submit its report by the end of June 2019.

Problems faced by the MSME sector

- Lack of adequate capital: The MSME`S are presently facing the problems of credit from the banks. The banks are not providing the adequate amount of loan to the MSME`S.
- **Poor infrastructure:** MSME`S are developing rapidly but their infrastructure is very poor. With poor infrastructure, their production capacity is very low while production cost is very high.
- Access to modern technology: The owners of MSME's are either not aware of advanced technologies of production or they are very expensive. Thus, their methodology is outdated and the cost of production is high.
- Access to markets: Their advertisement and sales promotion are comparatively weaker than the
 multinational companies. The ineffective advertisement and poor marketing channels lead to very
 poor selling and they are not able to compete with big firms.
- Getting statutory clearances related to power, environment, labor etc: All the laws related to all aspects of manufacturing and service concern are very complex and compliance with these laws are practically difficult.

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