



Opinion

## MANY MSMEs SHUT IN FY23

### OPINION

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**S**ignificant numbers of MSMEs have shut down in FY23. The reasons for this are varied, but the primary one is the impact of the global economic downturn. The demand for goods and services has fallen, leading to a sharp decline in sales. This has forced many MSMEs to close their doors. Another major reason is the high cost of borrowing. The Reserve Bank of India has raised the repo rate to 6.5% to combat inflation. This has led to a significant increase in the cost of loans, making it difficult for MSMEs to service their debt. Additionally, the government's policies, such as the demonetization of 500 and 1000 rupee notes, have also had a negative impact on MSMEs. The lack of liquidity has forced many to shut down. To address these issues, the government should focus on providing financial support to MSMEs. This can be done through various measures, such as providing subsidies, reducing the cost of borrowing, and improving the credit infrastructure. The government should also focus on creating a more favorable business environment for MSMEs. This can be done by simplifying the regulatory framework, reducing the tax burden, and improving the ease of doing business. Only through these measures can the MSME sector be revived and contribute to the growth of the Indian economy.

The MSME sector is the backbone of the Indian economy. It provides employment to millions of people and contributes significantly to the GDP. However, it has been facing a severe crisis in recent years. The global economic downturn has led to a sharp decline in demand for MSME products. This has resulted in a significant loss of sales and revenue. Additionally, the high cost of borrowing has made it difficult for MSMEs to service their debt. The government's policies, such as the demonetization of 500 and 1000 rupee notes, have also had a negative impact on MSMEs. The lack of liquidity has forced many to shut down. To address these issues, the government should focus on providing financial support to MSMEs. This can be done through various measures, such as providing subsidies, reducing the cost of borrowing, and improving the credit infrastructure. The government should also focus on creating a more favorable business environment for MSMEs. This can be done by simplifying the regulatory framework, reducing the tax burden, and improving the ease of doing business. Only through these measures can the MSME sector be revived and contribute to the growth of the Indian economy.

Another major reason for the closure of MSMEs is the impact of the demonetization of 500 and 1000 rupee notes. This led to a significant loss of liquidity for many MSMEs. They were unable to access their cash reserves, which forced them to shut down. The government should have taken better measures to ensure the liquidity of MSMEs during the demonetization process. This could have been done by providing a special window for MSMEs to deposit their cash reserves. The government should also focus on improving the credit infrastructure for MSMEs. This can be done by setting up more MSME banks and providing them with better financial support.

### Support MSMEs

The government should focus on providing financial support to MSMEs. This can be done through various measures, such as providing subsidies, reducing the cost of borrowing, and improving the credit infrastructure. The government should also focus on creating a more favorable business environment for MSMEs. This can be done by simplifying the regulatory framework, reducing the tax burden, and improving the ease of doing business. Only through these measures can the MSME sector be revived and contribute to the growth of the Indian economy.

### Reduce the cost of borrowing

The Reserve Bank of India has raised the repo rate to 6.5% to combat inflation. This has led to a significant increase in the cost of loans, making it difficult for MSMEs to service their debt. The government should focus on reducing the cost of borrowing for MSMEs. This can be done through various measures, such as providing subsidies, reducing the repo rate, and improving the credit infrastructure. The government should also focus on creating a more favorable business environment for MSMEs. This can be done by simplifying the regulatory framework, reducing the tax burden, and improving the ease of doing business. Only through these measures can the MSME sector be revived and contribute to the growth of the Indian economy.

### Improve the credit infrastructure

The government should focus on improving the credit infrastructure for MSMEs. This can be done by setting up more MSME banks and providing them with better financial support. The government should also focus on creating a more favorable business environment for MSMEs. This can be done by simplifying the regulatory framework, reducing the tax burden, and improving the ease of doing business. Only through these measures can the MSME sector be revived and contribute to the growth of the Indian economy.

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### Provide financial support

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### Simplify the regulatory framework

The government should focus on simplifying the regulatory framework for MSMEs. This can be done by reducing the number of regulations, simplifying the procedures, and improving the ease of doing business. The government should also focus on creating a more favorable business environment for MSMEs. This can be done by reducing the tax burden, providing subsidies, and improving the credit infrastructure. Only through these measures can the MSME sector be revived and contribute to the growth of the Indian economy.

### Reduce the tax burden

The government should focus on reducing the tax burden for MSMEs. This can be done through various measures, such as providing subsidies, reducing the corporate tax rate, and improving the credit infrastructure. The government should also focus on creating a more favorable business environment for MSMEs. This can be done by simplifying the regulatory framework, reducing the tax burden, and improving the ease of doing business. Only through these measures can the MSME sector be revived and contribute to the growth of the Indian economy.

### Improve the ease of doing business

The government should focus on improving the ease of doing business for MSMEs. This can be done by simplifying the regulatory framework, reducing the tax burden, and improving the credit infrastructure. The government should also focus on creating a more favorable business environment for MSMEs. This can be done by reducing the tax burden, providing subsidies, and improving the credit infrastructure. Only through these measures can the MSME sector be revived and contribute to the growth of the Indian economy.

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### Provide subsidies