



INDIAN INDUSTRIES ASSOCIATION

AN APEX BODY OF MICRO, SMALL & MEDIUM ENTERPRISES



Meeting of the Working Group on MSME Growth for 12th, Five Year Plan- 22/12/11

Points for consideration of the Working Group

Submitted by : Mr. Anil Gupta
Immediate Past President IIA
&
Member of the Working Group

TIMELY CREDIT

Under this heading, the subgroup has recommended scaling up of factoring Services by all banks particularly for MSMEs and introduction of Factoring Law.

Such factoring companies should be covered under the provision of delayed payment under chapter 5 of MSMED Act.

In addition, we would suggest to add a provision in the MSMED Act under the head delayed payments to MSE's as under:

"MSEs may be paid the bills of supplies made by them to Government Departments/ purchasers as soon as the material is received by them in satisfactory condition. Govt. Department / purchaser will then deposit the payment to the concerned bank directly. In case, Government Department / purchaser fails to make payment within the stipulated time, the Bank may file a case in MSE facilitation Council constituted under the Act in every state and realize the delayed payments with penalty as per the Act."

The reason for suggesting this provision is because MSEs hesitate to go against the Government Departments /purchasers in MSE Facilitation Council due to the fear that they may lose the business with them in future.

WITHDRAWL OF RBI GUIDELINES FOR REHABILITATION OF SICK SME UNITS

RBI circular RPCD. NO. PLNFS.BC.57/06.04.01/2001-2002 dated January 16, 2002 prescribed the norms for grant of reliefs and concessions by banks to potentially viable sick SSI units for rehabilitation. The Relief and Concessions to viable/potentially viable sick units under rehabilitation prescribed in the Circular have been withdrawn vide Circular No. **RPCD.SME & NFS.BC.No.19/06.02.31/2011-12 dated 12th September 2011** stating that all Scheduled Commercial Banks have been advised to put in place their own



Restructuring/ Rehabilitation policy for revival of viable/potentially viable sick units/enterprises duly approved by the Board of Directors.

We all know and the Ministry of Finance as well as Ministry of MSME Govt. of India have realized it that Banks are generally reluctant to finance the MSMEs. We therefore fail to understand how and why Banks will venture into framing and implementing an effective rehabilitation policy of their own for MSME? It is also a known fact that Banks have been flouting the RBI guidelines also in the past. As such withdrawal of the RBI Guidelines for rehabilitation of sick MSME Units will render them totally helpless.

SKILL DEVELOPMENT

(A) Monitoring the quality of Skill Development Institutions

There is no check/monitoring of the quality of infrastructure, competencies of the Trainers, adherence to the curriculums and compatibility of the curriculums with industry requirements.

In order to have proper skilled manpower, it is essential that a rating system for all Skill Development institutions in Public and Private Sector in the country should be introduced. Government may identify credible rating agencies to do the rating. An incentive scheme may also be put in place.

Funds allocation during 12th Five year plan for supporting and promoting this scheme may be considered.

(B) Extension of “MANREGA” to MSME’s

The flagship programme MANREGA of Govt. of India if extended to cover employment in MSME will not only ensure employment beyond 100 days but will also help in imparting employable skills to unemployed people.

75 Lakh MSMEs in India on an average if employs 2 persons(1person for 6 months) each, will generate skilled manpower of 1.5 Crore per year.

TECHNOLOGY INNOVATION

Apart from the recommendations made under this head by the subgroup, we would suggest that at least Rs. 50 Crore per year (250 crores for 12th five year plan) may be earmarked for Technology Exposure visits of MSMEs within and outside the country. MSME Entrepreneurs may be encouraged through this fund to visit Technology Fairs internationally by providing them assistance similar to MDA/ICS Schemes. This scheme may be named as Technology Development Assistance(TDA).



INDIAN INDUSTRIES ASSOCIATION

AN APEX BODY OF MICRO, SMALL & MEDIUM ENTERPRISES



Depending upon the success of the scheme the allocation may be enhanced to cover 1% MSME every year over a period of time.

MSME ASSOCIATIONS CAPACITY BUILDING

Sub Groups of the Working group have recommended several measures for capacity building of MSME Associations. We would like to add following important measure in this effort:

*Service tax was levied on Industry Associations in 2005 by clubbing them under 'Club or Associations Services' (excluding trade unions, political parties, farmers associations). Industry associations representing the cause of Micro Small and Medium Enterprises (MSME) are like Farmers Association / Trade Unions and they work for the public cause and clubbing them with entertainment clubs is unjust and unfair. **Hence the liability of Service Tax on MSME Industry Association membership fee should be exempted.***

It is therefore recommended that the RBI may be directed by the Govt. to revoke their decision vide circular No. **RPCD.SME & NFS.BC.No.19/06.02.31/2011-12 dated 12th September 2011 and put in place more strict guidelines to all Scheduled Commercial Banks for rehabilitation of viable / potentially viable sick MSME units.**

Working Group may recommend that not only the RBI continue to supervise the Rehabilitation of potentially viable sick units but it should also ensure that the guidelines are monitored strictly.

=====