



Ref. No. 106/ 8991

27 January 2011

Shri S.K. Goyal
Director
Ministry of MSME,
Govt. of India
Coordination Section
Udyog Bhawan, New Delhi-110107

Subject:- Views/Suggestions on Strategic Action Plan of Ministry of MSME.

Sir,

The Strategic Action Plan of Ministry of MSME was circulated to all the Members of Indian Industries Association (IIA) and subsequently was discussed in Central Executive Committee of IIA on 22nd January 2011. Based on the feed back received from IIA Members and discussions held in our CEC, we submit the following views/suggestions on the Strategic Action Plan of Ministry of MSME.

We agree with the potential Strategies and priority areas stated in the draft action plan however few additional points / views are as under.

1. The regulatory mechanism applicable on MSME is required to be simplified so that MSME entrepreneurs are able to understand and implement the rules and regulations properly. Simplification of Labour Laws for MSME is being talked about for decades now, nothing concrete could come out till date. Inspector Raj is one of the biggest worry for MSME and maximum time & energy of MSME entrepreneur is spent on dealing with the inspectors. This not only hinders the growth of MSME but spreading corruption in our Society.

One of the Strategic action plan therefore should be “Less regulations and more facilitation for MSME”.

2. It has been experienced that the Children of MSME entrepreneurs are shying away to join the venture of their parents. It is happening due to hardships being faced by the MSME entrepreneurs in running and sustaining their business. First generation entrepreneurs are also required to be attracted to opt for setting up MSME Ventures.

As such a Strategic action plan has to be prepared “To attract Generation Next/First Generation entrepreneurs for setting up MSME ventures.”

3. Data shows that 92.77% MSME are self financed. Hence in case of Failure, the MSME entrepreneur, loses everything. As such a suitable Business Insurance scheme for MSME is required to be launched and Ministry of MSME may plan to design suitable solution. Dealing with MSME failure is required to be handled at three different stages i.e.:
 - (i) Measures to minimize failure/Sickness
 - (ii) Rehabilitate sick/failed units.
 - (iii) Provide exit route to un-viable sick units.

Actions at all these stages are related to time. Delay in the action at any stage defeats the purpose. **Hence one of the Strategic action plan proposed by IIA is “Effective and time bound assistance to MSME for insurance and treatment of failure”.**

4. More than 1/3rd Population i.e around 39 Crores people are directly dependent on MSME Sector [(2.6 Crore Units + 6 Crore employees)x average 4.5 Member family size = 38.7 Crore)]

As such MSME Sector deserves Concessions at par with agriculture Sector at least for interest rates for loans and warier of loans. **As such one of the strategic actor plan Could be “To get MSME Sector recognized at par with agriculture Sector”.**

5. 51.28% MSME unit in India are run by SC/ST/OBC entrepreneur. The percentage of SC/ST/OBC/ other weaker Section employees in MSME Sector is more than the percentages of entrepreneurs. In recent past there has been proposal for enforcing reservations in MSME Sector also. MSME Sector by virtue of its nature absorbs / will keep absorbing SC/ST/OBC employees more than the proposed stipulated targets. Hence enforcing reservations on MSME Sector will be a futile exercise at the same time will burden MSME with another unwanted regulation.

As such IIA propose that one of the strategic action plan should be “To oppose the movement of Ministry of Labour to enforce reservations in MSME”.

6. About 94% MSME in India are not registered. Through MSMED Act 2006, a new format for registration of MSME was prescribed. The earlier SSI registrations were declared un-valid. Though MSMED Act 2006 envisaged a simple and easy method of registrations yet the process loaded MSME with another burden because of the following reasons:-

1. DIC's are not proactive rather in, most of the cases getting Acknowledgement of E.M. Number require undue gratifications in DIC offices. Hence MSME get registered only when it is absolutely necessary for them.
2. The EM Number acknowledgement contains a note as under:-

“THE ISSUE OF THIS ACKNOWLEDGEMENT DOES NOT BESTOW ANY LEGAL RIGHT-----COURT ORDERS.”

This “NOTE” has created ambiguity and is a statement in itself of non-utility of the E.M. Number.

IIA therefore recommend that the Strategic action plan should be “To make DIC's responsible to get all MSME registered, update their details annually and make district wise, category wise, block/area wise contact & other details available on Website.”

This information should be linked to Minister of MSME Govt. of India Website also.

IIA also recommend to delete un-necessary “NOTE” as Stated at 2 above from the E.M. Number Acknowledgement form.

7. Large number of Industry Associations are operational all over the country. All of them are projecting themselves as protector and well wishers of MSME. The fact is that all of them are not working for MSME Sector. Large number of such Associations are one man show and do not have significant direct membership base. Few Industry Association have representation of big corporate but are pretending to be the well wishers of MSME without knowing the ground realities. IIA understands that Ministry of MSME might be finding it difficult to identify the effective and meaningful MSME association. One of the potential strategy stated in the paper is to strengthen and Register MSME Associations so that these Association's may collaborate well with Govt. efforts and be a partner in the process of development and promotion of MSME's. This will be possible only if MSME Associations identified are the real players.

IIA recommends that Ministry of MSME may define following criteria's for identifying MSME Associations to be partner with the programme/Scheme/Policy making/ data collection etc:-



1. MSME Association Should have direct membership of minimum 3000 MSME's and Members details should be available on respective websites.
2. MSME Association should have competent permanent Secretarial staff-Minimum 10 Numbers, out of which atleast 3 should be postgraduate/ Engineers.
3. MSME Association should have a permanent office space of at least 5000 sq.ft.
4. MSME Association should be a registered entity and its office bearers should be elected democratically .The President of the Association should also be democratically elected and should not continue on the post for more than 2 years.
5. MSME Association should have members in more than one State.
6. MSME Association should have membership of exclusively MSME Units.

IIA recommends that MSME Associations screened through such criteria's may only be involved at Ministry of MSME, Govt. of India level for discussions and implementation of programmes.

8. Last year MSME Task Force constituted by the Prime Minister and Chaired by Principal Secretary PMO, deliberated on various issues related to MSME including Credit, Rehabilitation & Exit policy, Taxation, Labour Laws, Infrastructures, Technology, Skill Development, Institutional Structure and Marketing. The Task force represented by President IIA also have made several recommendations. This process and recommendations have provided a hope in MSME that Govt. of India recognizes the importance of the sector. **In order to maintain this faith & hope the strategy should be "To get all the recommendations of PM Task Force implemented and display the implementation status on Ministry of MSME website".**
9. One of the priority area stated in the strategy paper is to strengthen DIC's. IIA fully agree with the priority area identified. However would like to submit that upgradation of hardware & infrastructure in DIC alone will not bring tangible results. **The more important task is to change the mindset of the employees in DIC,s to act as a facilitators and to make them accountable.**

We recommend that the Strategic Action Plan of Ministry of MSME should be finalised in the shortest possible time and those who have responded to it constructively should be invited for a workshop to finalise it.

Submitted Please.

D.S. Verma
Executive Director