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# EVENTS

## Creating an enabling environment for SMEs in the digital economy



**Kiran Karnik in conversation with Jeff Bezos**  
FICCI jointly with Amazon.in organized a special session with Mr. Jeff Bezos, CEO & Founder, Amazon.com where he engaged in an interactive dialogue with Mr. Kiran Karnik, former President of NASSCOM, on 'Creating an enabling environment for SMEs in the digital economy' on October 1, 2014 at FICCI, Federation House, Tansen Marg, New Delhi.

"After our first year in business, the response from customers and SMEs in India has far surpassed our

expectation. We see huge potential in the Indian economy and for the growth of e-commerce in India. With his additional investment of US\$2 billion, Amazon team can continue to think big, innovate and raise the bar for customers in India. At current scale and growth rates, India is on track to be our fastest country ever to a billion dollars in gross sales," Mr. Jeff Bezos said.

"What is stunning about India is the speed at which it is growing and that is one of the tailwinds for the growth of e-commerce," said Mr. Bezos and added that "India is unbelievably energising; the people are focused on learning and extremely inventive." He said, "Usually companies are worrying and obsessing about competition, when they should be worrying and obsessing about their customers."

For SMEs in India, the FBA offering is working better than expected. "Amazon India teams go out and train SMEs, give them tips and teach them the tricks on how to use the internet tools, he said and added that SMEs can reach out to global customers in America, Europe and Japan with the right logistics and systems."

Amazon is working extensively with the Indian SMEs said Mr. Bezos. At present, Amazon is promoting SMEs with several indigenous e-tailing initiatives. An outreach programme is currently being run in India to train SMEs on how to use the tools, techniques and processes that are available through internet for promoting and expanding their businesses. Mr. Bezos added that Indian SMEs can reach out to the global audience and consumers across the globe with the application of right technology and right logistics planning.

Referring to the innovative offerings by Amazon, Mr. Bezos said that Easy Ship is an assisted shipping service that makes it easy for sellers to ship products across India. With Amazon Easy Ship, after order confirmation, sellers pick and pack the shipment, confirm to Amazon that they are ready to ship and Amazon collects the shipment and ensures that the product is delivered to the customer. Sellers benefit from low shipping rates, COD and pre-paid orders, scheduled pickups, faster delivery and automated shipment tracking. Customers get track-able shipments, COD and pre-paid orders and faster and predictable delivery time. On an average, sellers have reported a sales uplift of 50 per cent after using Easy Ship.

'Fulfillment by Amazon (FBA)', Mr. Bezos said is a world-class offering where sellers store their products in Amazon's warehouses, and then Amazon picks, packs and delivers the orders to customers, provide customer service and handle returns. With the help of FBA, sellers enjoy a low cost of doing businesses - they can list an unlimited number of products with no listing fees and don't need to make any investments in the fulfillment process. They take advantage of Amazon's investment in technology and innovation and offer customers a secure payment infrastructure, globally renowned world-class fulfillment infrastructure and customer services including 100% purchase protection supported by Amazon's A-Z Guarantee. Seventy-five per cent of units shipped at Amazon.in are through FBA.

As a part of its ongoing commitment to continually enhance services to customers and sellers, ASSPL has seven Fulfillment Centres (FCs) operational in Delhi, Chennai, Jaipur, Ahmedabad and Tauru (outskirts of Gurgaon) besides the ones in Mumbai and Bangalore. Amazon now offers over half a million sq. feet of storage capacity for sellers of all sizes.

Mr. Bezos believes that for any organization customer should be the focal point and Amazon's policies are customer-centric. He also said that passion for invention is one of the most important aspects for any business. There will be failures but with each failure one moves closer to a successful innovation. Long term thinking and planning is also essential, said Mr. Bezos. Willingness to be patient is critical to reap long term benefits. Speaking about Amazon's India operations, Mr. Bezos said that in India, Amazon will set up performance centres, upgrade logistics services, and develop mobile platform and new tools and techniques to help small and medium businesses grow. He added that India is an amazing country, which is full of opportunities and boasts of people who are hard-working, vibrant and have a zest to succeed.

Dr. (Ms.) Jyotsna Suri, Senior Vice President, FICCI, emphasized the need for SMEs to adopt and adapt the digital platform extensively for strengthening and furthering their business and opening the doors of the global market for themselves.

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# MSME News Update

## **So far so good, Amazon looks at SMEs for next spurt: Jeff Bezos**

Just within a year of its India launch, Amazon has found success amid fierce competition. The e-commerce giant's CEO, Jeff Bezos, on Wednesday said at a Ficci event that the India venture has been highly successful and "we are looking to make more out of it".

"One of the things that is so unusual about India is the number of SMEs throughout the country," he said. "If you had asked me the same question a year ago, I would say I am optimistic but now I have data to show that the success has been startling. We have very high expectations," Bezos said.

The e-tailer, which runs on the marketplace model, has helped several Indian SMEs do business during its one-year sojourn. Further explaining the success, Bezos said Amazon India has a vision to strengthen more Indian SMEs and create an enabling environment for them in the digital economy. "We have a couple of programmes that look to help the SMEs in their ventures and make their work easy — Amazon Fulfilment programme and the Easy Ship programme," Bezos said.

The Amazon Fulfilment programme allows SME to store their inventory with us and, whenever there is a purchase, Amazon packs and then delivers it. This way the SME can cut costs of storage, he said. Explaining the Easy Ship programme Bezos said, "The SME can choose not to store their inventory with us but at their own facility and whenever there is a purchase, Amazon picks up the package, packs and delivers it."

But this isn't where the e-tailer has stopped — it also has a team of individuals who train SMEs on taking pictures of the inventory and categorising them, among other things. The team also teaches the SMEs to look at important metrics to increase their business.

When asked about the next big plan for India, Bezos said, "We are looking to give Indian SMEs a global centre stage. We want Indian SMEs to be able to sell goods in the US, UK, France and other places where we operate." Clearing the air on customs duty and obstacles that stand in Amazon's path, Bezos said, "With the use of right logistics and right systems we can curb the obstacles that stand in our way of the global fulfilment programme." The CEO also factored in the mobile revolution while speaking about Amazon's success in India. "Almost all of our business is done through mobile apps" he said.

On competition, Bezos said Amazon has more experience than most e-tailers in India, and it also offers a software database that Amazon India can use to boost its business and also help SMEs at the same time. "We don't look at short-term profitability and are more consumer-oriented rather than being competition-oriented," Bezos said.

"And the second thing that drives us is a passion for innovation. We infuse profits from successful ventures into the new ones," he added. Clarifying his company policy of being supportive of new ideas, Bezos said executives who are working on new projects are not fired in case of a failure but moved to better or bigger projects. "One needs a free mind to succeed in innovation," he said.

Talking about the drone delivery project, Bezos said Amazon is working on delivering autonomous drones. "If anyone has to control the drone then there is no point using it as it drives up cost. The drones need to land by themselves and take off. This all can be done easily but the problem is regulation which I think can also be tackled," Bezos said.

(Financial Express, October 2nd, 2014)

## **SEBI plans to roll out more measures to help SMEs**

The Securities and Exchange Board of India will be introducing more measures to help the small and medium enterprises (SME) sector in raising finances, Chairman U. K. Sinha said here on Wednesday.

Earlier initiatives for SMEs in 2003 and 2009 were not successful, but a new set of measures taken in early 2012 had borne fruit. In a span of two years, 71 companies got listed on the SME platform and raised finances of about Rs.600 crore, said Mr. Sinha while inaugurating CAPAM 2014, organised here by the Federation of Indian Chambers of Commerce and Industry (FICCI).

By a thumb rule, the market capital of these companies was Rs.2,500–Rs.3,000 crore.

"To my mind, while the promoters are willing to put in money, their full potential is not being realized whether it is sales or profit growth because they have a serious problem in raising finances when they need it. Keeping this in mind, SEBI came

out with a set of regulations about an SME platform,” he explained. Mr. Sinha also noted that there was a hugely optimistic mood in the country as compared to the sentiment during last year’s conference. The lowest figure of growth projection is now 5.5 per cent with World Bank and IMF figures of 5.6 per cent. This is despite forecasts of a mediocre global growth rate. “Look at our markets. In one year, the returns are about 30 per cent. FII flows during the current year have been around \$34 billion; and in the financial year clearly it has been about \$25 billion. Going by the trend, I wouldn’t be surprised if we end the current year by an all time record number. This is a remarkable thing for our country to have achieved in less than one year,” he added.

H. R. Khan, Deputy Governor, RBI, said India’s development plans needed to be financed with long-term capital.

According to him, currently the investment regime is complex and multifaceted. There are push and pull factors in the market. India’s market size, the openness of its economy and its growth prospects are huge pull factors. The push factors include global liquidity.

While addressing a session on ‘Real Estate and Infrastructure Financing’, R. Gandhi, Deputy Governor, RBI, said “we do recognise that real estate has lot of linkages for the growth of the economy, but it has its own potential to create asset bubbles, and because of that we need to be extra careful in supporting this segment.” He further stated that real estate is therefore treated as a sensitive sector and is closely monitored by the RBI.

(Hindu, October 9th, 2014)

### **MP's Global Investors Summit: Labour law exemptions for MSMEs**

CM Shivraj Singh Chouhan announces Rs 100-cr venture capital fund for sector

The Madhya Pradesh government announced exemption from some labour laws for the micro, small and medium enterprises (MSME) sector.

Chief Minister Shivraj Singh Chouhan also said the government would establish a Rs 100-crore venture capital (VC) fund and a separate department for the sector. He said so while inaugurating a three-day Global Investors Summit, fourth in a series, here. Prime Minister Narendra Modi is expected here on Thursday.

The CM said MSMEs in the state will now have to file only one return on complying with labour laws, instead of the 40-plus at present. Exemptions are proposed on the Factories Act and Indian Contract Act.

The proposed VC fund is to participate in the equity of these units. “We will create a separate department that will focus on MSME issues,” he said.

The Confederation of Indian Industry, Pithampur Audyogik Sangathan and Madhya Pradesh Laghu Udyog Sangh welcomed the announcement but they and others also noted some of this wasn’t new.

“It was announced during the 2007 Laghu Udyog Panchayat that a separate directorate will be created but MSMEs later started pitching for a separate ministry,” a senior government official told *Business Standard*.

The government has two prominent agencies, district industry centers (DICs) and Audyogik Kendra Vikas Nigams (AKVNs), to take care of MSMEs. These agencies primarily allot land to the sector.

The Cabinet had proposed in 2012 to bring AKVNs and DICs under the MP State Trade and Facilitation Corporation (Trifac), to make it stronger. However, this hasn’t happened, due to second thoughts. “If DICs and AKVNs are brought under Trifac, the facilitation agency, which agency will take care of creating industrial infrastructure at the district level? Gujarat, Karnataka and Rajasthan have separate agencies for creation of infrastructure. If Trifac is engaged with SMEs, which agency will facilitate large scale industries,” a government source asked.

Chouhan also announced a separate MSME Development Board under his chairmanship, to meet at least thrice a year.

The CM said 27 new industrial clusters were being planned and at least a fifth of the land would be kept for MSMEs. “We want to focus on industrialisation of the state and MSMEs are a vital cog in it,” said Chouhan.

(Business Standard, October 9th, 2014)

### **New licenses for small and payment banks: RBI**

The RBI will shortly invite fresh applications to grant new licenses in three categories such as small banks, payment and universal banks to fulfil the objective of the government for achieving financial closure.

The Ministry of Finance also is finalizing a cabinet note for financial restructuring of its banking and financial sector as also to broad base the debt market enabling corporates access to money on long term basis exceeding 25 years, Financial Services Secretary G S Sandhu said on Wednesday.

Sandhu informed that preparations were afoot to invite fresh applications for opening up of banks in the identified categories, wherein the priority of the government would be for smaller banks as these be able to tap the populace in the countryside. (Deccan Herald, October 16th, 2014)

### **Talented ITI graduates must get more opportunities: Modi**

"ITIs are shishu mandir of technical education. Those who may have knowledge other than that of books, that of skills, must be respected. The talented among the ITI graduates must get new opportunities," Prime Minister Narendra Modi said here on Thursday.

There are 2.82 lakh apprentices undergoing training against 4.9 lakh seats. The programme will aim to increase this to 24 lakhs apprentices, Mr. Modi said. The Apprentices (Amendment) Bill 2014, to amend the 1961 Act to regulate the conditions of work of apprentices in a wider number of trades, was passed in the Lok Sabha in August.

Launching the Universal Access Number scheme for PF contributors, Mr. Modi said: "More than Rs. 27,000 crores is lying unclaimed in PF accounts. If mobile phones work for those travelling inter-State or across countries, why can't PF accounts work?"

Mr. Modi also launched an online portal that will allow employers to file returns online for compliance with 16 labour laws and a system under which lots drawn by computers will be used to conduct inspections.

He announced that to end inspector raj, the government had decided to implement a system based on "responsibility and trust."

(Hindu, October 17th, 2014)

### **Government sets up committee to study corporate bankruptcy framework**

The finance ministry has set up a committee to study the corporate bankruptcy legal framework in the country, following up on finance minister Arun Jaitley's announcement in his maiden budget speech in July that an entrepreneur friendly, legal bankruptcy framework would be developed for small and medium enterprises (SMEs) to enable easy exit.

The committee, set up under TK Vishwanathan, a former Lok Sabha secretary general and former law secretary, will submit a report by February next year, the ministry said in a statement on Monday.

"The committee will examine the whole gamut of issues relating to bankruptcy," the ministry said, adding that the committee will look into early detection and resolution of financial distress and protection of interest of stakeholders. The ministry said that the committee will also study the rescue mechanism and suggest ways of improving it. Besides, the panel will further examine the role of the institutions engaged in the process of rescue and liquidation. The ministry has also sought comments from all stakeholders. Bankers hope that the new reforms will usher greater clarity and give more teeth to existing recovery laws.

"We are hopeful that it will also address the issue of wilful defaulters and ensure that quick action is taken against them," said an executive director with a state-run bank, requesting anonymity. The government is also looking to set up fast track courts to try loan default cases of over `100 crore as part of a plan to reduce the pileup of bad loans at state-run banks.

(Economic Times, October 21st, 2014)

### **Govt plans to revamp SME, SEZ tax regime**

The government is getting down to business to boost local manufacturing and create jobs and is working on a series of measures, including revamp of the tax system for the small-scale sector, ship-building and special economic zones (SEZs). Work has also begun on speeding up the system of clearances for the mining and power sector, including allocation of coal, after the government managed to rework the environment and forest clearance mechanism that was seen as a major hurdle for projects to take off.

Senior officials said with elections in two states out of the way, the Narendra Modi government is expected to speed up decision-making in the coming weeks.

The revenue department has asked the commerce department to come up with options related to SEZs, an issue that is being discussed for over a year but has seen no progress, a senior government officer told TOI. At the same time, the finance ministry has made it clear that all tax related proposals — such as those related to restoration of minimum alternate tax and dividend distribution tax exemption — will only be taken up at the time of the Budget.

Similarly, discussions on a new policy for the small-scale sector, including a reworked tax regime, have also started with the cabinet secretariat stepping in on Friday to work out steps that will boost the sector that accounts for around 45% of the manufacturing activity in the country and employs close to 6 crore workers.

A large section in the government believes that a push to the micro, small and medium enterprises is critical to boost job-creation and to check unnecessary imports. The ship-building industry is seen to be a significant employment generator, a key theme of the 'Make In India' campaign launched by the government last month.

At the same time, the government realizes that there is a need for a massive infrastructure creation drive and is trying to make sure that procedures related to getting mining approvals are eased at the earliest. In fact, the project monitoring group in the cabinet secretariat has already begun work on the issue and is working with the private sector to remove bottlenecks.

A similar exercise has also been initiated for the power sector, including work on how coal blocks and linkages will be given to those setting up electricity generation units.

Delay in approvals has held up investments of close to Rs 20 lakh crore over the past few years, and even impacted the financial sector. The government has already started working towards solving the land acquisition problems, another complaint of the industry, to make the process simpler.

(The Times of India, October 18th, 2014)

### **MSME Ministry Awarded ISO Certification**

The ministry of micro, small and medium enterprises on Wednesday said it has been awarded ISO certification, which indicates that the ministry has implemented a quality management system. An official statement quoting MSME minister Kalraj Mishra said implementation of ISO standards will enable the ministry to identify areas for improvement and also bring in transparency and account ability in the functioning.

(Economic Times, October 23rd, 2014)

### **Bangladesh keen to partner Bengal in industry projects**

Bangladesh is positively looking at West Bengal for collaboration in industrial projects, according to Bengal Chamber of Commerce and Industry which recently sent a delegation to the neighbouring country.

"We met business people across sectors in Bangladesh and there is a lot of enthusiasm among them as regards partnering the state for industrial projects in both the places," Mr Alok Roy, president of the Bengal Chamber of Commerce and Industry, said while addressing a Press conference here today.

Bangladeshi firms are specially keen on technology transfer in areas such as water, food processing, transport and various manufacturing processes, Mr Roy said, adding that the government needs to play a proactive role in facilitating those tie-ups.

The Bengal Chamber will set up a help desk at the chamber for Bangladeshi industrialists who wish to invest in the state, he informed.

Bangladesh's Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI), had invited the Bengal Chamber to celebrate the 110th anniversary of the chamber earlier this month. In response, BCC&I sent a delegation to Dhaka which was led by Mr Roy.

Going forward, Mr Roy said, the chamber will actively promote the development of micro, small and medium enterprises (MSMEs) in the state along with the government as according to him "MSMEs are current future of West Bengal," as large investments are drying up.

Dwelling upon a separate issue, Mr Ambarish Dasgupta, senior vice-president of the chamber, said Kolkata needs to be branded as a city of emerging technology or advance information technology like analytics, digital or cloud instead of a general IT hub in order to give a push to IT growth in the state.

Required talent pool and project funding won't be much difficult issue for such an initiative as the state has a number of reputed educational institutes.

(Statesman, October 29th, 2014)



### **Uttarakhand government to come out with new MSME policy**

A new policy for Micro, Small and Medium Enterprises (MSME) is being worked out in Uttarakhand to help around one thousand unemployed youth to become efficient entrepreneurs and provide them all facilities and incentives to start their ventures, the state government has said.

This announcement was made by Chief Minister Harish Rawat at a programme held yesterday to honour entrepreneurs who have done outstanding work in the MSME sector.

Stating that the peaceful environment of Uttarakhand offers tremendous scope for investment, he said the policy for the MSME is being redrafted to make it more attractive for local entrepreneurs so that they get more opportunities.

Besides, the Hill Industries Policy made in 2008 is also being amended to make it more luring to big industrial houses and give further push to investments in the state, Rawat said.

Claiming that the state is all set to make a big leap in terms of investments in coming years, he said apart from the target of preparing 1000 youth as skilled entrepreneurs, a climate conducive to investments in eco-tourism, agriculture, floriculture and food processing sectors is also being prepared.

Asking investors to come forward to invest in Uttarakhand without any hesitation, Rawat said they will be given all facilities and incentives to make the process smooth.

(Economic Times, October 29th, 2014)

### **Boost to MSMEs as TN Likely to Get Rs 150 crore Tech Centre**

Amidst the economic downturn, the micro, small and medium enterprises (MSME) in the State have something to cheer about, as the Union government is planning to set up a technology centre in the State to cater to the automobile and aerospace sectors.

The Rs 150 crore state-of-the-art technology centre is likely to come up near Chennai, director of MSME Development Institute, SM Jamkhandi, told Express on Tuesday. He was speaking on the sidelines of a district-level seminar on Unemployment Youth Employment Generation Programme (UYEGP) and Opportunities for New Entrepreneurs organised by Federation of Indian Chambers of Commerce and Industry.

“The Union government has narrowed in on three sites, including Coimbatore, but I am in favour of having it in Chennai as it is the automobile hub. Besides, it has a port,” he said.

“The Technology Centre is likely to come up on 20 acres of land. The location is about to be finalised. This could be a New Year gift to Tamil Nadu from the Centre,” Jamkhandi added.

The technology centre will be ready within three years once the land as well as necessary clearances are obtained, after which 10,000 entrepreneurs will be trained, he said. The technology centre will cater to aerospace as well as automobile sectors.

“We are also planning to have a flight simulator at the centre, something an ordinary SME can’t afford,” he said.

The technology centre in Tamil Nadu will be the third in the country. Bangalore will be setting up a technology centre at Devanahalli to cater to the aerospace sector, while the second one is sanctioned for Puducherry.

He said the Union government has identified 76 new technologies for entrepreneurs who want to enter new verticals. He also highlighted the contribution of Indian entrepreneurs in making the moon and Mars mission successful. For Chandrayaan, the MSME sector provided 16.5 per cent of the critical components while for Mangalyaan it contributed 12 per cent of the critical components.

Earlier, State rural industries and labour minister P Mohan inaugurated the seminar and highlighted the achievements as well as incentives to MSME sector. He highlighted that Tamil Nadu is a pioneer in the New Entrepreneur-cum-Enterprise Development Scheme. MSME secretary Rajesh Lakhoni, Industries Commissioner Swaran Singh, Chennai Collector E Sundaravalli and former bureaucrat advisor to FICCI president P Murari were also present.

(New Indian Express, October 30th, 2014)



# ARTICLE

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## ‘Reinvigorate the MSME Ecosystem’ – Contribute to ‘Ease of doing business..’

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By: Ms. Uma Reddy  
Managing Director  
Hitech Magnetics & Electronics Private Limited



How do we move up that ladder?? We need some path breaking policies that will nurture and support the growth of MSMEs. There is a need to accelerate sustained growth of MSMEs.

Indian MSMEs have been recognized as one of the key sectors for employment generation and overall economic development of our country, The Governments at the state and central level also keep highlighting the strengths and the significant contributions made to the GDP by the SMEs.

Indian SMEs contribute to the national economy through its domestic production, high exports, low investments, large employment, operational flexibility with location mobility, lower Imports, develop appropriate indigenous technology, diverse range of products, Import Substitution, competitive with less overheads, generating start up entrepreneurs in the knowledge sector. MSMEs in India contribute nearly 8 per cent of the country’s GDP, 45 per cent of the manufacturing output and 40 per cent of the exports.

Despite their high enthusiasm and inherent capabilities to grow, MSMEs in India are also facing a number of problems like sub-optimal scale of operation, technological obsolescence, supply chain inefficiencies, increasing domestic and global competition, fund shortages, change in manufacturing strategies and turbulent and uncertain market scenario.

At a time when the SMEs should have been growing by leaps and bounds in a growing economy, Indian SMEs are literally left with their hands and feet tied down with many antiquated laws. It has to be specially noted that in the present day, MSMEs need to be competitive to exist & sustain their enterprise. **To grow, they would definitely need simplification of laws.**

India ranks 134 out of 189 economies in 2014, 3 steps below the 2013 rank. Enough reason that there is a need for innovative strategies in policies and an entrepreneurial eco system, for entrepreneurs to focus on their core business.

**SMEs is the potential sector for increased employment in this sector, provided there is an ecosystem that will encourage the SMEs to recruit more workers. The cabinet recently approved 'proposed changes in 3 labour laws'** forming part of the apprenticeship Act 1961, Factories Act 1948, & the Labour laws Act 1968, as a measure by the government to improving ease of doing business. Congratulating the government for its effort to make small amendments, which was not touched even with a barge pole for the past 3 decades or more. Even though, this does not even touch the tip of the iceberg, for MSMEs to grow, there is a need for path breaking amendments. Not delving on the issues which were being reiterated since the last 3 decades, let us look at the low hanging fruits in labour laws that can be implemented more easily.

- **Simplification of procedures (documentation)** : MSMEs Sector need a more simplified Labour Law / Act compliance procedure. as a “**easy to fill & file**” exercise. Presently it is too cumbersome and needs to be done every month. This will reduce lot of documentation and maintaining of records.
- **Threshold limit** for all labour laws may be raised to 50 in order to eliminate Inspector Raj. This will push employment in this sector.
- **Introduction of combined electronic format for compliance of all labour acts.** A single form for both ESI & PF. In order to save time & efforts, all the compliance requirements be moved & made available online. This will encourage & ensure timely & effective compliance.
- ESI & PF coverage should be applicable, only after 3 or 6 months, after the employee joins work. Most of the time, in MSMEs, employees join & sometimes, even quit within a week. ESI coverage is expected to be done for even 1 day of work. The paper work is very high and with high attrition, it is increasingly difficult for a SME.
- A single percentage of billed amount remitted every month based on no: of employees / turnover for ESI & PF to the department, taking away the monthly remittances and submissions for MSMEs upto an employment of 50. It is desirable that a single uniformly structured identity based procedure is followed instead of multiple identity references to deal with various departments for delivery of social benefits to employees across all levels, sections & sectors.
- **Special provisions for start-ups which includes restricted visits of labour inspector** : Special consideration & exemption provisions need to be included particularly for start up companies as they face many uncertain variables such as attrition, authorized & unauthorized absence etc. Frequent & repeated interference in the name of enforcement will only de motivate MSME's in general & start ups in particular in following the compliance procedures. Hence it is only desirable from all stake-holders point of view that inspection in the name of enforcement be restricted / avoided for MSMEs. In addition, this should be avoided totally during the year ending, especially in March, when SMEs are under extreme pressure of work.
- **Simple Procedure & Freedom for Termination Action** – Termination in view of Poor Performance / Misuse of Facilities / Misbehavior during working hours, Low Attendance , Indiscipline, Absenteeism without Permission etc., In the above case , Employers to be allowed to take a free decision - No Settlement of Salary, other benefits, PF, Gratuity etc. Simplification and flexibility in engagement and deployment of labour
- **Guidance Programs & Workshops:** Orientation and guidance from labour department officials for timely enforcement of labour laws: Labour departments can conduct awareness programs & periodical orientation & guidance workshops in partnership with industry associations to reach out to the MSME Sector. In this way, MSMEs can avoid hiring consultants / professionals, which is cost prohibitive. Role of labour Inspectors should be in the form '**to educate**', similar to Non

Conformity (NC), major & minor remarks given in ISO assessments and within a time frame the NC has to be closed within a stipulated time. Enforcement procedures & methods should be positive & encouragement for timely compliance instead of threatening approach.

- **Minimum Wages Act 1936:** As long as a SME meets the statutory laws such as Minimum Wages Act, ESI, PF, etc. wages should commensurate with productivity so that efficient workers are adequately compensated and MSMEs can become competitive. In addition, OT wages should be 1.5 times normal wages and not double as per existing laws. This would, make the SME more productive and competitive, especially for the manufacturing sector.
- **Payment of Bonus Act 1965:** Only those workers should be entitled for bonus who have completed at least one year of continuous service and Bonus should be payable only in the year in which the industrial unit has generated profits. Bonus should be productivity linked so that entitlement for minimum bonus is subject to attainment of a productivity level fixed.
- **Legal Redressal:** Many of the problems faced by the MSMEs are a result of a lack of clear understanding of the laws or rules by the officers of the enforcement depts. This leads to avoidable litigation with resultant expenses to both the manufacturer and the Govt. In cases where a Govt. dept. causes an industry to seek legal redressal against an order of such dept., and if the court rules in favour of the industry, the cost of legal action should be reimbursed by the Govt. This will ensure that frivolous and unjust demands are not made by anyone in the Govt.

In addition to the above, Credit flow to MSMEs. Access to markets, Infrastructure support, use of Technology, IT , Skilled manpower, etc are some of the many challenges MSMEs face. For MSMEs to **survive with such issues and compete with large and global enterprises, MSMEs need to adopt innovative approaches in their operations and innovate themselves.**

**It is only the SME sector that can eradicate poverty and we will come out with schemes to foster growth in the sector. “ said Kalraj Mishra, Union Minister for MSMEs at the India SME awards 2013-14 ceremony.**

Will this Ministry be able to move forward and make more amendments to the labour laws? Will the policy changes be able to address all the challenges the MSMEs face?

We have to wait and & keep our fingers crossed. We MSMEs believe that this is the best time for us to be - entrepreneurs in India – a win- win for the successful entrepreneur and India which needs more employment and growth in the manufacturing sector.

Only time will tell if the Indian MSMEs will be able to swing to the trajectory for growth and success of their product / service.

TOPICS	DB 2014 Rank	DB 2013 Rank	Change in Rank
Starting a Business	179	177	↓ -2
Dealing with Construction Permits	182	183	↑ 1
Getting Electricity	111	110	↓ -1
Registering Property	92	91	↓ -1
Getting Credit	28	24	↓ -4
Protecting Investors	34	32	↓ -2
Paying Taxes	158	159	↑ 1
Trading Across Borders	132	129	↓ -3
Enforcing Contracts	186	186	No change
Resolving Insolvency	121	119	↓ -2

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# FICCI - Confederation of Micro, Small and Medium Enterprises (CMSME)

## INVITING MEMBERSHIP



## FICCI CMSME

### and IDBI Bank Partnership

Offering concession of 100 bps on interest rates and  
charging only 0.10% processing fee from members

## Other Membership Benefits

Free consultation & faster availability  
of credit & finance @low cost

Decrease in raw material cost

Create brand and increase revenue  
/leads through web presence

Lead generation at low cost  
through digital advertising

Cost-effective & useful  
MSME Insurance

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