National MSME Policy

Why we need comprehensive national MSME policy?

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The MSME sector contributes 8 per cent to the GDP, whilst employing more than 80 million people.

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Growth in micro and small enterprises has been consistent over the past five decades due to a combination of government support, implementation of technological enhancements, and support by the banking sector.

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In 2016, initiatives have been taken by the Centre as well as State governments to improve 'ease of doing business' and to make Micro, Small and Medium Enterprises (MSMEs) more globally competitive – such as

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1. the UdyogAadhar Memorandum framework for revival and rehabilitation of MSMEs, which enables banks/creditors to identify enterprises in the stage of initial stress and thus take corrective action, and
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2. A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship (ASPIRE), among others.
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Impact of demonetization

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- The historic paradigm change through demonetisation, is strongly expected to have a long-lasting favourable impact.
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- In case of SMEs, most will be unsure of payments coming from customers

for some time.
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- Currently, businesses and MSMEs dependent on cash for daily operations have been hit badly and though the Centre increased withdrawal caps, it will still be a few months before the situation stabilises.
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- The Centre should immediately act to enhance awareness amongst Indian SMEs about the importance and benefits of cashless transactions and digital payments, and in addition to that, deliberate on the role trade associations and other SME stakeholders could play to assist in this transition.
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Suggestions

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- The Centre must notify the Micro Small and Medium Enterprises Development (Amendment) Bill, 2015, which seeks to enhance the existing limit for investment in plant and machinery, considering inflation and the dynamic market situation.
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- At the moment, there is no integrated approach for the development of MSMEs despite the fact that it accounts for 40 per cent of India’s manufacturing and 45 per cent of exports.
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- Therefore, the Centre should come out with one comprehensive policy.
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- Several areas of concern relating to the GST law and its implementation, must be addressed.
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- It is equally important to provide special incentives for the promotion of export, such as freight subsidy and marketing support.
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Source: Business Line

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