

8th July, 2019

GCCI/DYSGR/MSM-IP/2019-20/7666

Shri Kamal Singh
Director
MSME-DI, Ahmedabad

Sir,

Sub: MSME related issues with probable solutions

Greetings from Gujarat Chamber of Commerce and Industry.

We request you to refer to your e-mail dated 3rd July, 2019 inviting issues faced by MSME Sector, to be further forwarded to O/o The Minister MSME, Govt. of India, New Delhi.

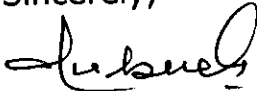
We are accordingly forwarding the key issues faced by the MSMEs, with a request to kindly do the needful for resolution of the same. We are also forwarding some additional compilations of issues sent to us by our member Associations and Regional Chambers, for your consideration and needful representation.

Kindly allow us to subsequently send any additional issues received from our other members associations for your consideration.

We look forward to your positive intervention in the matter in the larger interest of MSME industries of Gujarat.

With Regards,

Sincerely,



Durgesh Buch
President

Encl.: As above

C.C. to: SLBC-Gujarat



Gujarat Chamber of Commerce and Industry

“Issues of MSMEs and their probable solutions”

Sr.No	Sector	Issues faced by MSMEs	Possible solutions and Policy Interventions proposed
1	SME Clusters	<p>There are 600 industrial SME clusters and 7000 artisan/micro Enterprise clusters operating in India. Gujarat is a leading State for the MSMEs with around 83 MSME product clusters located in various parts of the State. For further developing these MSME clusters, there is a need for Common Facility and Display Centre, where the MSMEs can exhibit their products and avail Facilities like R&D Lab, Testing Centre, Pilot Plant facilities, State of the art Library, Convention Centre and Training Centre for manpower potential for the Skilled Development also for Start-up Training and Getting training program for skilled and semi-skilled workers.</p>	<p>Govt support needed</p> <ul style="list-style-type: none"> • By providing subsidy to local associations to create these facilities • By way of PPP model
2	Public Procurement Policy	<p>As per Public Procurement Policy for Micro and Small Enterprises (MSEs) annual procurement of minimum 20% has to be made by Public Sector Undertakings and other Government institutions from Micro &</p>	<ul style="list-style-type: none"> • The public procurement target should be complied in true spirit by the PSUs • Norms should be made more transparent and practical and the policy should be revised accordingly so that

		<p>Small Enterprises. At present Manufacturing Sector is taking the benefit and Services sector are not getting these benefits.</p> <p>Further, all the PSUs are not following the policy strictly.</p> <p>Also, there is lack of transparency in the tendering process.</p>	<p>manufacturing units are encouraged to take benefit</p> <ul style="list-style-type: none"> • Benefit of the Public Procurement Policy should also be made available to the Services Sector • Govt. Depts. and PSUs should display amount of work/order allotted to MSMEs on their websites.
3	Micro and Small Enterprises Facilitation Council (MSEFC)	<p>MSEFC was created to expedite and resolve the legal hurdles faced by MSME. In recent times, the said support is withdrawn for MSME registered under Service Sector or MSME having disputes related to Works Contract where both material and services are involved.</p>	<ul style="list-style-type: none"> • Service Sector is a major contributor to the GDP and should be included by MSEFC for redressal of disputes. • Works Contract should also be included in ambit by MSEFC to support MSME which are governed under Works Contract or Service Sector. • This ambiguity has created lot of litigations and many disputes related to works contract / service sector are dismissed by MSEFC which is unjust.
4	Sick Units	<p>Most banks withdraw the financial support to Sick Units once they are categorized as NPA. The unavailability of handholding and lack of financial support causes the unit to close down causing large scale unemployment and huge losses</p>	<p>Timely and adequate assistance to MSMEs and rehabilitation effort should begin on a proactive basis when early signs of <i>sickness</i> are detected. The concept of classifying accounts as Special Mention Account (SMA) should be taken positively and necessary support and handholding should be provided from SMA 1 stage itself. Thus, many Sick units can be revived and the situation of workers getting unemployed can be avoided.</p>

5	20% lending by banks to MSMEs and Interest rates	<p>In line with GOI policy directives to achieve 20% Year on Year growth in credit to Micro, Small & Medium sector by all nationalized Banks, they are not following this directive in true spirit. This is a major problem for the growth of SMEs.</p> <p>Also, the banks are not passing the benefit of repo rate reductions by RBI to the end users, in the form of lower interest rates</p>	<ul style="list-style-type: none"> • If Banks strictly follow this directive, many MSMEs will be able to expand their infrastructure thus resulting in requirement of more jobs. • The banks should pass on the benefit of repo rate reductions by RBI to the end users, in the form of lower lending rates
6	Labor Laws	<p>The MSMEs need a constant supply of labor for smooth production. However, even though their operations are small, they are subjected to the same labor laws and rules that are applicable to Large corporates.</p>	<ul style="list-style-type: none"> • The labor laws should be simplified and MSMEs should be provided some leniency and flexibility in labor laws in order to increase their employability. • Self-certification scheme should be promoted and expanded to include all labor related laws. • Hiring Contract labor should be allowed for MSMEs with simple conditions • MSMEs should be given freedom to lay-off such contract labor as needed
7	Skill Development	<p>The number of skills that are being imparted through the ITIs are very less when compared to global standards. Also, the machinery on which training is imparted are not as per the latest technology. This is causing a skill gap in the industry, especially for new skills.</p>	<ul style="list-style-type: none"> • New skill sets need to be introduced in the curriculum of technical colleges and ITIs • Districts Industrial centers (DICs) should tie-up with the local industries for skill training sessions. • Continuous skill up-gradation plan should be introduced in the Industrial Policies of the States

			<ul style="list-style-type: none"> • There should be an industry-institution cell in all ITIs, Polytechnics and engineering colleges, which will help bridge the gap in identification of right students for the right MSMEs. • Internship for polytechnic and engineering students needs to be made mandatory, at least for six months, to give first hand exposure of MSMEs to the students. • Subsidized purchase of State-of-the-art technology should be allowed for ITIs
8	Separate grievance redressal authority for the MSMEs.	<p>The MSMEs have to follow the same grievance redressal mechanism as applicable to Large units, although they lack the resources and influence power of a large unit. The increasing number of pending cases related to delayed payments to MSMEs is a witness to this problem. While the impact of a delayed payment is less for a large unit, for an MSME it may threaten its very existence.</p> <p>Further, although Service sector units are included under the definition of MSMEs and are also provided Udyog Adhaar numbers, their cases are not handled by the Facilitation Councils or by Courts under the MSMED Act.</p>	<ul style="list-style-type: none"> • An efficient and fast alternate dispute resolution mechanism and a separate grievance redressal authority need to be established for the MSMEs. • Cases related to Service Sector MSME units should also be taken up by the Facilitation Councils and Courts under the MSMED Act.
9	Rural/Village based MSME development	To balance the employment in rural and urban areas, more focus is now required to develop rural and village-based industries.	<ul style="list-style-type: none"> • Industrial infrastructure needs to be developed in the rural area.

			<ul style="list-style-type: none"> • Gujarat can be developed on these lines as 24 hours electricity is available in rural area. • The State can become a role model for the other states to replicate.
10	Marketing and Branding	Marketing and branding of the products and services remains a key concern for the MSME units	A cluster-based portal with virtual exhibition round the clock will put the MSMEs on global platform, enhancing the market of the products manufactured by MSMEs.
11	CGTMSE Scheme	Collateral free loans are not provided by the banks and they are not properly implementing the CGTMSE Scheme. MSME units, even though eligible for the scheme, are not made aware about this scheme and the banks do not inform the eligible units about the scheme.	<ul style="list-style-type: none"> • There is a need to implement this scheme properly and in right spirit • Awareness has to be generated amongst the MSMEs regarding this scheme • Scheme application process needs to be simplified • Banks need to encourage this scheme amongst the MSME units and bank branches should provide information about the scheme and its application process
12	International Co-operation Scheme	The scheme of International Cooperation is available at present only to group of MSMEs with minimum 10 units. Any individual unit can't take benefit of the Scheme for participation abroad.	<ul style="list-style-type: none"> • The benefits of the scheme should also be made available to individual MSME units.

13	CLCSS Scheme	Ministry of MSME has already issued orders for continuation of the CLCSS Scheme vide notification dated 6 th March, 2019. However, nodal banks are not aware of the Scheme.	<ul style="list-style-type: none"> • Awareness needs to be generated amongst the nodal banks regarding the scheme • The banks should be encouraged to provide benefits of the scheme
14	AAR Authority for Advance Rulings on GST matters	There is widespread confusion amongst the MSMEs due to the contradictory advance rulings made by separate authorities with regard to GST and there is a fear looming over them that they would be subjected to heavy penalties in the future due to these contradictory rulings	Government should consider a centralized Authority for Advance Rulings (AAR) to clarify certain issues, as existed in the previous indirect tax regime.
15	Long-time taken for getting industrial connection	Tedious documentation process to get industrial connection which takes 9-12 months to get technical approval and work execution.	Limited documents should be desired for ease of doing business
16	Non-usage charges	State Industrial Development Corporation is levying Non-Usage Charges to the industries/units whose plots are vacant because of pending infrastructure work, especially in new Estates. Interest & penalty are also added to the charges.	This is unfair and it hinders MSME growth and for no fault of the units.
17	Mini-cement plants	Many mini cement plants in and around Rajkot do not qualify for Government tenders and PSUs tenders	They should be allowed and empanelled for PSU tenders by Govt
18	Power press stability certificate	Factory Act states that power press stability certificate to be renewed every year & building stability certificate to be renewed every three years which is cumbersome process for MSMEs	The Act should be modified and relaxations should be made. The power press stability certificate also should be renewed every three years to make it easy for MSME units

19	Duplication/dual compliance under various laws	Un-necessary license procedures / traditions, which are insisted under various Acts / Laws like Factory Act/ Labour Laws etc. for less than 40 workers as they are very hazardous, time consuming as well tiring and costly	Removal and termination of all such procedures insisted under various acts/laws requested to Government.
20	Health dept	It is quite pertinent that MSMEs are facing disappointing services of ESI Hospitals amongst the entire region.	Government should look into this matter and do the needful for the plight of the MSMEs
21	Natural Gas prices	Some of the MSMEs are dependent on Natural Gas consumption as their main source of fuel and they are badly affected with the higher and rising prices of Natural Gas.	Some concrete plans and procedures are required to be defined for the smoothest and convenient running of such units.