

Minutes of the Meeting chaired by Principal Secretary to PM of the High level Task Force constituted to address the issues of MSME Sector on 25th September 2009- Highlights

At the outset Principal Secretary to PM and the Chairman of the Task Force expressed his confidence in the usefulness of the ensuing deliberations by the members of the Task Force.

The major issues discussed and recommendations made during the meeting follows:

Shri Anil Gupta, President Indian Industries Association commented on multiplicity of laws and regulations faced by MSE units and the need for their simplification. This multiplicity has made the sector risky and litigation prone. He stressed the need to increase social benefits and lay down simple rules that will make it easier for employees in the sector to be linked benefits of ESI, Provident fund, etc. He also requested for effective implementation of the CGTMSE, simplification of insolvency and bankruptcy laws and design of an appropriate exit policy for units in the sector. He further suggested for a review of the Chakrabarty Committee recommendations on rehabilitation of sick MSMEs and implementation of the recommendations thereof. He also raised the issue of one time settlement policy, setting up of a fund for revival of sick MSEs, better monitoring of delayed payment under the MSMED Act 2006 and review of restrictive rendering conditions imposed by government Departments/ PSU that rule out participation by MSEs.

Comments/Issues put forth by other members:

Need to stipulate a sub target of 6% of NBC for the micro enterprises under the priority sector lending norms laid down by RBI for banks.

Difficulties faced due to levy of service tax on units supplying ancillary products and services to manufacturing industries.

Need for a proportionate representation of the MSE sector in the Economic Advisory Council and Boards of commercial Banks.

Setting up a National Statutory commission for the micro sector with quasi judicial powers.

Lack of funds and suitable scheme for technology upgradation and skill support.

Lack of grievance redressal system in banks and the need for simplification of the loan process for new units.

Need for providing power and other infrastructure facilities for small industry parks.

Special incentive to encourage women entrepreneurs in MSME sector.

Promotion of a scheme where large industries can get tax incentives for procurement from small sector.

Implementation of the Usha Thorat Committee recommendations, establishments of SME exchange and review of the cost of flanking in the North East which is steeper than in other parts of the country.

The Development commissioner MSME summarized the main issue raised by the representative of MSME associations and added that there is scope for examining procurement guidelines so the government departments /PSUs develop long term buyer vendor relationship and procurement from MSE sector is achieved to a targeted level. He emphasized the need for involvement of all the state governments in creation/renewal of infrastructure for MSMEs since land, power, etc are in state government domain.

The CMD, SIDBI assured full support from SIDB to the enterprises efforts.

Special secretary, Ministry of Labour & Employment remarked that labour laws are in the process of legislative review and his ministry will examine the issue on insolvency and bankruptcy laws raised by MSME associations.

Secretary MSME, emphasized the need to consider stipulation of a sub-target for micro enterprises under the priority sector lending. He informed that ministry has circulated a draft

note for the Cabinet on procurement policy for MSEs to the departments concerned and the Ministry has also held discussion with them on this subject. He mentioned that while the Chakrabarty Committee has recommended setting up of different funds for this sector the same is not allowed as per instructions of D/o Expenditure and this needs to be looked into.

Based on the discussion the following decisions were arrived at in the meeting :

- 1- To look at the specific issues raised during the meeting, seven sub-groups on credit, marketing, labour, exit policy, infrastructure/technology/skill development/ taxation and special package for north east and Jammu & Kashmir as per constitution and terms reference.
- 2- The chairpersons would be free to co-opt additional members, Secretary (MSME) would assign on senior officer (not below the rank of Director) to assist each sub-group. The sub-group will send outlines of their recommendations to PMO with a copy of Secretary, MSME by 26th October 2009. The Task Force shall meet at the end of October 2009.
- 3- The outline of the reports of sub-groups shall contain the following :
 - a. Summary of issues and their present status.
 - b. Discussion on action taken on the issues in earlier reports.
 - c. Specific action points and
 - d. Suggested measures for follow up action.