



PLYWOOD
Manufacturers' Association is expecting a special budgetary provision for campaigns for implementing the use of plywood, increasingly considered as an eco-friendly substitute for wood

MSMEs SEEK SOPS FROM UNION BUDGET

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From tax benefits to the formulation of a price purchase preference policy, expectations from the Union Budget are growing in the MSME sector.

The Industries Association of Uttarakhand (IAU), an organisation of MSMEs, has prepared an agenda for the budget. IAU president Pankaj Gupta has called for the provision of tax benefits to companies to source from MSMEs, as well as adherence to payment schedules agreed upon with vendors in contracts.

In order to encourage the use of information and communication technology (ICT) by MSMEs, IAU wants enhanced depreciation on IT products to boost competitiveness. The government must consider according 100 per cent depreciation, once in a block of three financial years, for an annual investment in IT equipment and software up to a limit of Rs 25 lakh, it said.

IAU has also called for formulation of a price purchase preference policy in accordance with section 11 of the MSME Development Act, 2006, which enables the Centre and the state governments to notify from time to time preference policies for procurement of goods and services.

In respect of the various employee-related regulation acts — such as the Provident Fund Act, Employees State Insurance Act, Factories Act, Industrial Disputes Act and Contract Labour Act, which have impeded the growth of the MSMEs — these laws should be suitably amended, it said.

The cumbersome process for land-use change and conversion should also be made simpler, it noted. On credit availability, IAU said NPA norms should be revised for a period of two to three

years, to enable banks to restructure the financial facilities offered to this sector.

Another major difficulty being experienced by the sector is the credit rating system. While certain credit rating agencies do undertake this activity, the problem is that individual banks rate the credit-worthiness of SMEs based on their own internal risk assessment processes. The RBI should constitute a group along with the Indian Bank Association and credit rating agencies to work out a uniform credit rating process to bring about transparency and speed in this important issue, IAU said.

The government should declare differential rates of interest and the concessional industrial package announced in 2003 should be extended for a period of three years, it added.

Vibha Malhotra, head of the Uttarakhand office of the Confederation of Indian Industry (CII), the Union Budget 2010-11 should enable MSMEs to contribute meaningfully to the voluntary carbon emission reduction targets set by India for itself (of reducing emission intensity by 20-25 per cent by 2020, over 2005 levels).

Malhotra said skill shortage was another problem for MSMEs, especially in hill states such as Uttarakhand, and the budget should look at special schemes, on a PPP basis, to address this shortage.

Anil Goel, president of Uttarakhand Plywood Manufacturers' Association (plywood is a Rs 700-800 crore industry in the state), said the government should give special incentives and facilities to farmers to encourage the growth of eucalyptus and poplar trees, which are the mainstay of the plywood industry. Since plywood is eco-friendly and a substitute for wood, Goel said there should be a special budgetary provision for campaigns for its use.