

Panel for tough action to hike MSME credit

■ PM-appointed task-force on MSMEs urges Centre to earmark \$1 bn in public spending over the next 3-5 years

fe Bureau

New Delhi, Feb 2: To bolster the micro, small and medium enterprises (MSMEs) which account for 45% of the country's factory output, the Prime Minister-appointed task-force on MSMEs has asked the Centre to extend the stimulus package for MSMEs for a year beyond March 31, 2010. The panel has also asked the UPA to earmark \$1 billion in public spending over the next 3-5 years to target specific problems in the institutional set up and infrastructure available to MSMEs.

Calling for immediate action to ensure that commercial banks meet credit targets for micro and small enterprises, the task force has suggested that any shortfall from these targets be diverted from banks to create a special fund for micro enterprises with the Small Industries Development Bank of India (SIDBI).

The task-force, which included Planning Commission member Arun Maira and finance secretary



Ashok Chawla has also reminded the government about its promise to unveil a public procurement policy for the sector as per the MSME Development Act, 2006. "The policy is likely to set a goal for government departments and PSUs to reach, over a stipulated period, a target of at least 20% of their annual volume of purchases from MSMEs and mandate their reporting in the annual report," it recommended. A similar preference should also be given to MSMEs under the offset policy for defence and aviation procurements. Significantly, the PM's

Small is big

- Any shortfall from targets be diverted to create a special fund, says Panel
- Public procurement policy to ensure 20% of govt purchases from MSMEs
- Direct Tax Code and GST regime must factor in MSMEs' needs
- Review insolvency legislation to recognise enterprises continuously get created and destroyed

panel has also stressed that the proposed Direct Taxes Code and the goods and service tax regime must factor in MSMEs' needs. "There should be appropriate provisions for graded corporate tax structure, tax pass-through for angel investors and venture capital funds with incentives for research and development," the report said.

To oversee the implementation of its recommendations, the task force recommended that a Prime Minister's Council on Micro and Small Enterprises be established along with an independent national

body for promoting and developing small firms. Meanwhile, an expert group should examine institutional changes that can be rung in while a review committee should monitor credit flows to the sector.

"We have submitted our recommendations to the Prime Minister and he said these recommendations should be implemented as soon as possible. We have sent the task force recommendations to the other related ministries like commerce, labour, finance and heavy industries to examine these suggestions. We expect that the recommendations should be implemented within the next six months," said the minister of state (independent charge) for micro, small and medium enterprises Dinsha Patel.

While urging the government to expedite setting up of an SME exchange, the panel has stressed that insolvency legislation need to be reviewed urgently to recognize 'the reality of the global market where enterprises continuously get created and destroyed.'

'Increase lending priority to 60%'

fe Bureau

New Delhi, Feb 2: The MSME ministry has asked the finance minister Pranab Mukherjee to increase the lending priority and tax audit for micro enterprises.

"We have asked finance minister Pranab Mukherjee that the lending priority for micro enterprises should be increased to 60% from the existing 45%. We have also proposed to set a target of 15% annual growth for new loans, under which 6 lakh new enterprises are expected to get credit. Also, the tax audit is proposed to be increased from 40 lakh to 1 crore," MSME Secretary Dinesh Rai said on Tuesday.