

# Make LLP model friendly for MSMEs

## ICSI Told To Suggest Changes In LLP Structure

### FEW TAKERS

LLPs registrations were opened in April last year but only 677 entities have registered till date.



### CREDIT POLICY

Converting to a LLP structure will also help small and medium units get easier access to credit from banks

**T**HE ministry of corporate affairs has asked the Institute of Company Secretaries of India (ICSI) to suggest changes to make the limited liability partnership (LLP) model more suitable for the small and medium sector enterprises in the country.

The government wants the SME sector to convert from the traditional business form to a LLP structure, which has several advantages such as limited liability for partners apart from lesser compliance costs.

The idea of getting SME sector to adopt the LLP model is to make them more competitive by extending them the benefits of this model.

As per the proposal, ICSI will also reach out to the smaller firms in order to explain them the benefits of the LLP form of business, while also making a realistic estimation of the problems faced in converting to the new model of business.

"We will be conducting chain programmes to take the benefits of the LLPs to the SMEs," said ICSI president Vinayak Khanvalkar.

Converting to a LLP structure will also help SME units get easier access to credit

from banks, the official said.

LLPs registrations were opened in April last year but the response has been very poor, with only 677 entities being registered till date.

The official further points out that the present number mainly comprises big consulting groups and law firms, with a relatively small portion of small-sized entities and new entrants showing interest. "This (LLP form of business) is a fantastic new opportunity and will inevitably give a whole new profile to the MSME sector. It will be possible for the sector to reach out to venture capital. This can be the stepping stone for partners becoming much larger industrialists and logging bigger growth," minister for corporate affairs Salman Khurshid had earlier said, on the advantages for SMEs to leverage out from the LLP model.

The report of the task force on SMEs, which was recently presented to Prime Minister Manmohan Singh, had highlighted the need for giving wide publicity to the LLP model, which it said will provide SMEs an interim solution to move from the informal to the formal economy.