

MANUFACTURING

Agenda for Manufacturing Micro Enterprises



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The world of MSMEs is highly polarised. Of the 11.5 million manufacturing MSMEs (4th Census), 99% are MEs and less than 1% are SMEs. Also, 91% of the units are unregistered. Interestingly, the pain points that constrain the growth prospects of MEs and SMEs are not similar on many occasions.

One prime issue that cripples MEs is access to formal finance. The major obstacles are registration of units, availability of small-value loan at competitive rates and efforts of formal finance to reach MEs. MEs, which start business either from home or rented premises, often end up operating from non-industrial land — almost a no-no as per banking norms. This requires policy intervention in supporting them in seamless conversion or relocation, if in cluster. Relocation needs to be done for the entire value chain, not just the industry in question. Special allocation of land must exist for this in a time-bound manner.

A large number of MEs have a

need for loans of less than ₹5 lakh in one go. Such small-value loans are not an attractive business scenario for some banks. Here, NBFCs can be supported to create various combo products for the ME clusters there, so that loan disbursement is fast.

Also, NBFCs may be allowed to disburse subsidies given by ministries. Simultaneously, banks may be given targets not only with respect to value but also to the number of non-repetitive-ME loans.

Role of pollution control boards is regulatory. Pollution control equipments are costly. There is also no approved vendor for pollution control equipment. Some desired interventions are (a) supporting MEs in reaching the pollution norms gradually in a time-bound manner, rather than frightening them away, (b) incentivising research for creating affordable pollution control equipment, and (c) creating a list of approv-

ed vendors for sourcing pollution control equipment/techniques.

Most MEs are not even aware of scores of labour laws, leave aside the intricacies and confusions. While simplification is the solution, immediate support is needed for providing (a) legal education and counselling in each of the industrial townships, starting with locations having more than 10 ME clusters, and (b) creating an incentive mechanism for MEs who cater to these norms.

About 95% MEs are proprietary/partnerships and are mostly one-person shows. They need affordable and quality business development service providers (BDSPs). At present, BDSPs that are useful are mostly not affordable. Availability of labour is a prime issue. While some of it is due to growth in real wages via MGNREGA, MEs, particularly unregistered ones who have the lowest

capacity to pay, take the worst hit.

Taking the clue, there has been a trend for mechanisation. With passing years, this may lead to deskilling of labour; for whom it will be a point of no return, leading to further rise in labour costs. MGNREGA must be linked to providing employment incentives for industrial skilled work. The situation also needs creating or transferring ME-friendly technology on a war footing, if we want to touch the planned target in manufacturing value added.

Also of importance is the means of communication. Most support schemes are available in English and are too complex. Simpler versions may be made available in Hindi and vernaculars. Adequate budgetary arrangements are also needed to take care of rising applications through this process. Not least is the need for clearance in a fortnight and ensuring that the cost of availing support should not be costlier than the quantum of support itself.

Cluster-level product-based industry associations can help achieve these goals, if they are strengthened by creating a strong secretariat along with necessary infrastructure. They will also be the one-stop shop for putting forward the voice of MEs to ensure these achievements.

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