First Meeting of the Dr. Prabhat Kumar Committee on MSME Policy held on 15th February, 2016 at Committee Room, 7th Floor, Nirman Bhawan

First meeting of the Committee on MSME Policy under the chairmanship of Dr Prabhat Kumar was held in the Committee Room at Nirman Bhawan on 15th February, 2016 at 3.00 PM. The list of participants in the meeting is given at the Annex.

2. The meeting started with a welcome address by Dr K.K. Jalan, Secretary (MSME) who put forward the following points in connection with the desirability to have a MSME Policy:

   a. Ministry of MSME has already enacted the Micro, Small, and Medium Enterprises Development Act, 2006 which defines the policy framework of MSME Sector. But in the changed economic scenario and with increasing importance of MSME sector, there is a need to revisit reforms initiatives with the ultimate objective of giving fillip to the MSME Sector.

   b. It is necessary to deliberate and decide as to whether employment or manufacturing would be the prime objective of policy.

   c. Furthermore, Ministry of MSME's schemes are primarily targeted at Micro and Small enterprises and they overlook the Medium enterprises. So, is there any need to keep Medium enterprises under the purview of Ministry of MSME?

3. Shri S.N. Tripathi, Additional Secretary & Development Commissioner (MSME) made a presentation on the likely issues to be included in the new policy framework.

4. Shri Prabhat Kumar, Chairman of the Committee requested Secretary (MSME) to enlarge the composition of the committee and include experts of the sector. He emphasized on the need to go through the following reports on the MSME Sector:

   a. Report of Prime Minister's Task Force on Micro, Small, and Medium Enterprises
b. Recommendations of the Inter-Ministerial Committee for Accelerating Manufacturing in Micro, Small & Medium Enterprises Sector

c. Report of the Committee set up to examine the financial architecture of the MSME sector

He stated that these reports provide a good background of the sector and their findings need to be studied.

5. Shri Nil Madhav Mohanty raised the following points:

   a. Small scale industry is basically a state subject and we need to draw such a line too in terms of policy framework.

   b. Small industries are not productive vis-a-vis Medium enterprises. From social perspective such enterprises may be continued as they provide more employment opportunities. But from efficiency perspective, there is a need to identify the small productive enterprises.

   c. Reservation policy and Labour laws have restricted the growth of middle level enterprises. This area needs to be focused while preparing new policy for the sector.

   d. The other major problems for MSME sector include skilled labour, finance, market access, etc.

   e. Central government schemes need to be complementary to State government schemes instead of substituting the same.

6. Shri D.P Bagchi raised the following issues:

   a. There is a need to develop domestic market instead of focusing on export market. We need to provide the platform to MSMEs to penetrate the market.

   b. There is a need to study the Service Sector (referring to a Study Report by ICRIER) in all aspects, especially the Skill Development aspect.
c. There is a need to focus on the micro sector including the skilling aspect.

d. Focus on those sectors where the employment intensity of investment is high e.g. sectors like tourism, construction and hospitality.

e. The Committee should also take the views of other stakeholders of the sector.

7. Shri J.S Juneja suggested that manufacturing and services sector should be dealt with separately. According to him, most of the new entrepreneurs are looking forward to services sector. Manufacturers are turning towards trading activity. There is also a need to collaborate with Ministry of Science and Technology, CSIR, etc for creating conducive environment of innovation in the sector. He emphasized on the need to develop a customer driven ‘National Innovation System.’ Most of the enterprises are family enterprises, which lack entrepreneurial skills; we need to promote such skills into these enterprises. He attracted the attention of the participants to the importance of ‘Governance’ as highlighted in a UNIDO Report on the same subject.

8. Shri Satyananda Mishra made the following points:

a. Role of Ministry of MSME and Office of DC (MSME) need to be assessed first.

b. Is there any need to define MSME enterprises? Definitional aspects are relevant to the extent of any concrete suggestions flowing from the related recommendations.

c. Policy should revisit the role of tool rooms. There is a need to create more Design institutes / polytechnics (like the Japanese Design Polytechnics).

d. There is a need to strengthen the Microfinance Institutions (MFIs). Some good examples of MFIs in the country include Bandhan, Equitous, Basic, etc.
e. There is a need to strengthen the existing Act of MSME by considering the above.

9. Shri Dinesh Rai highlighted the following issues:
   a. We need to discuss with State governments to address the issues concerning MSMEs.
   b. There is a need to identify the vacant plots in the industrial areas.
   c. As per the report of Federation of Madhya Pradesh Chambers of Commerce, at the field level inspector raj still remains to a large extent. Thus we need to address the basic issue of getting clearances from various departments and need to make provisions for single window disposal of applications so that opening up of start-ups may become hassle free.
   d. There is also a need to involve Associations and strengthen industry-academia linkage in framing policies.
   e. There is also a need to improve the conditions of DICs.
   f. KVIC concentrate only on Khadi, but now due to their great reach they can get into various urbanised services in rural areas.
   g. Import duties need to be consistent with pricing of raw material.

10. Shri Madhav Lal stated that there is a need to revisit basic principles related to our approach to MSME sector. Furthermore, MSMEs should not be looked in isolation; they are part of global value chain. The policy needs to recognise the same. The activities related to MSMEs need to be mentioned in the Act which will give statutory force to implement the programmes and policies of the Ministry. The Act should be a suggestive Act, indicative of a policy and general direction the sector is headed towards. We need to study the following principles/dimensions of European/ASEAN MSME policies:

   • Environment in which entrepreneurship is encouraged/rewarded
11. Hon'ble Chairman summarised the discussion as follows:

- A large number of issues have already been covered in the discussion, and there is a need to harmonise the policies of other Ministries with the policies of Ministry of MSME.
- Ministries such as Food Processing, Finance, Textiles, Tourism, Skill Development, Labour, Commerce etc have large share of MSMEs. They need to be called for the next round of discussions.
- There is a need to have interaction with the State Governments including Rajasthan, Maharashtra, Kerala, Madhya Pradesh, etc to take the views of States too.
- Emphasizing upon Vendor Development Programmes, the officials of BHEL, Maruti, etc could also be called for a discussion with the Committee.
- A meeting with Industry Associations including the Association representing Women, SCs, and STs may be scheduled February 26, 2016.
- Secretariat should prepare a list of major recommendations made by the following committees and indicate those recommendations which have been accepted and implemented, and those which have not been accepted by the Government:
  - Report of Prime Minister's Task Force on Micro, Small, and Medium Enterprises
  - Recommendations of the Inter-Ministerial Committee for Accelerating Manufacturing in Micro, Small & Medium Enterprises Sector
Report of the Committee set up to examine the financial architecture of the MSME sector.

12. The meeting concluded with a vote of thanks to the Chair.
## Annex

### List of participants

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<tr>
<th></th>
<th>Name</th>
<th>Position</th>
<th>Role</th>
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<tbody>
<tr>
<td>1</td>
<td>Shri Prabhat Kumar</td>
<td>Former Cabinet Secretary, Government of India</td>
<td>Chairman</td>
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<td>2</td>
<td>Shri K.K. Jalan</td>
<td>Secretary (MSME)</td>
<td>Member</td>
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<td>3</td>
<td>Shri S. N. Tripathi</td>
<td>Additional Secretary &amp; Development Commissioner, O/o DC (MSME)</td>
<td>Convener</td>
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<td>4</td>
<td>Shri Madhav Lal</td>
<td>Former Secretary (MSME)</td>
<td>Member</td>
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<td>5</td>
<td>Shri Nil Madhav Mohanty</td>
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<td>6</td>
<td>Shri Dinesh Rai</td>
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<td>7</td>
<td>Shri D.P Bagchi</td>
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<td>8</td>
<td>Shri Satyananda Mishra</td>
<td>Former AS&amp;DC(MSME)</td>
<td>Member</td>
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<td>9</td>
<td>Shri J.S Juneja</td>
<td>Ex CMD, NSIC</td>
<td>Member</td>
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<td>10</td>
<td>Shri Arun Kumar</td>
<td>ADC, O/o DC(MSME)</td>
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<td>11</td>
<td>Shri Kuntal Sensarma</td>
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<td>12</td>
<td>Shri S.R Samuel</td>
<td>JDC, O/o DC(MSME)</td>
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<td>13</td>
<td>Shri A. Mohanty</td>
<td>Director, O/o DC(MSME)</td>
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