

Recommendations for New MSME Policy

Recommendations to ease the regulatory environment for Micro, Small and Medium size enterprises and to expand their role in creating productive employment and grassroots economic growth:

1. The definition of 'Micro, Small and Medium Enterprises' is based on size of investment in plant, machinery and equipment, which is open for multiple different interpretations. The definition should be on the basis of revenue earned by the enterprise, which will bring clarity and consistency. Micro may be defined, for example, as enterprises earning less than Rs 25 lac in the year, and so on for small and medium enterprises.
2. Set up an 'Entrepreneur Call Centre' as the first point of information regarding processes, time and cost of setting up enterprise. This can also work to track the status update of applications made by entrepreneurs.
3. Creation of a single 'Start Up Window' which will work as one stop shop to submit all the documents along with the fees required and get all the certificates necessary to start the operations in a specified time period, say, in seven working days.

The list of documents to be submitted may include:

- a. Article of Association
- b. Memorandum of Registration
- c. Certified copy of partnership deed
- d. Ownership proof of the place of business
- e. 5 options for choice of name
- f. Required application processing fee and stamp duty fee
- g. Declaration of Compliance
- h. Notice of the situation of the registered office of the company
- i. Particulars of the Director, Manager or Secretary
- j. Any agreement proposed to be entered into with any individual for appointment as Managing or whole time Director
- k. Statement in lieu of prospectus (SLP) signed by every director
- l. Along with all the completed forms, photograph, identity proof, address proof, age proof and prescribed fee

The list of certificates to be issued may include:

- a. Director's Identification Number (DIN)
 - b. Digital Signature
 - c. Certificate of Incorporation
 - d. Certificate of Commencement
 - e. Company's seal
 - f. Permanent Account Number
 - g. Value Added Tax Number
 - h. Transaction Authentication Number
 - i. Certificate of registration with Employees Provident Fund Organisation
 - j. Certificate of registration with Employees' State Insurance Corporation
 - k. Certificate for electricity and water connection
 - l. Construction permit
 - m. Exit process in case of closing down the enterprises
4. Registration of enterprises with MSME ministry needs to be incentivised, just making it mandatory by law would not fully address the problem. If the enterprise wants to have their self declaration about plants and machinery, regulatory norms about safety, labour etc to be accepted then it can be accepted only if it is registered with the MSME Ministry.
 5. Encourage 'Facilitation Agencies' to provide business start-up services and facilitate the process of setting up enterprises. The government could pay 75% of the fees per enterprise set up while 25% would be a co-payment by the entrepreneur. The government guarantee of funding would attract private players to set up such Agencies.
 6. Set up a grievance redressal cell and online portal with a promise of time bound redressal of complaints from entrepreneurs. Like a Citizens Charter that promises services and grievance redressal in a time bound manner with penalty to erring public officials, an Entrepreneur Charter should be created.
 7. Recognise self declaration and self certification with regard to investment, machinery, equipment, health, safety, labour and tax norms.
 8. Amendments to the Industrial Disputes Act, 1947, the Factories Act, 1948, the Contract Labour Act, 1970, and the Apprentices Act need to be introduced on the lines of the Rajasthan Government's initiative.
 9. Incentivise skill training and higher productivity by offering skill vouchers to MSMEs with 10% copayment by employer or employee. The skill voucher can be used at any of the empanelled training providers and the certification of the skill be done by a third party. A



similar Management Training Voucher can be given to the owners who can acquire higher level skills in management, HR, marketing, finance.

10. Set up separate 'Commercial Courts' to resolve business disputes, with a priority for MSMEs.
11. Develop a MSME portal for listing enterprises for business collaboration at regional, state, national and international level.
12. Currently there are 33 annual tax payments a typical MSME makes. Consolidate the multitude of taxes and enable online payment.