

3rd Edition of

Round Table Conference On "SMALL & MEDIUM ENTERPRISES THE INDIAN GROWTH STORY AND THE SMEs"

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SBI CGM Surinder Kumar, Carnation Industries MD Ravindra Sehgal, FICCI (eastern region) chairman Gaurav Swaroop, FE senior editor Sudipta Datta, West Bengal MSME minister Manas Bhunia, additional chief secretary Anup Chanda and SME Chamber of India president Chandrakant Salunkhe at the round table conference on SMEs in Kolkata

SMEs IN A STATE OF CHANGE

Sudipta Datta, senior editor, The Financial Express:

This is part of a series of round table conferences we are holding across the country, an initiative taken by the State Bank of India and The Financial Express, on the small and medium enterprises (SMEs) sector, its growth prospects, the challenges and the road map. This evening it's West Bengal's turn and with chief minister Mamata Banerjee putting this sector at the heart of the state's re-industrialisation bid, we are delighted to welcome a distinguished panel to take it ahead. I want to introduce our distinguished panel. To my left West Bengal MSME minister Manas Bhunia, additional chief secretary Anup Chanda and SME Chamber of India president Chandrakant Salunkhe. To my right FICCI (eastern region) chairman Gaurav Swaroop, Carnation Industries MD Ravindra Sehgal and SBI CGM Surinder Kumar. Without much ado I would like to talk to the minister and ask him what is your road map for SMEs in Bengal and how it can contribute to the SMEs scenario in India?

Manas Bhunia: Our new government, under chief minister Mamata Banerjee, has already announced that it will give tremendous importance to the development and growth process of micro, small and medium enterprises (MSMEs) in West Bengal because we feel and believe that through this department and through the development and the progress of the MSME sector in our state, the economic growth, overall growth and inclusive growth can be more advanced and can be achieved. Our skill is here, our human resource is here, our intellectual personalities and the committed sector and the inter-state industrialists and their friends, they are also contributing to this process and I am delighted. Our government has not completed two months but under our chief minister's guidance, direction and initiative, we are taking important steps. We are doing in-depth study and every day we are discussing and meeting the leaders of various chambers, organisations, associations, interested entrepreneurs and listening to the difficulties. We have difficulties, but we have to proceed by overcoming them, which should bring a bright future for all of us, particularly, the government of India, the UPA 2 government and our honourable minister Veerbhadra Singh who has given tremendous importance to this sector. Prime Minister Manmohan Singh and finance minister Pranab Mukherjee have given the impression that this sector can give a potential employment generator. A detailed FICCI study of the MSME sector has found that there are over 77 lakh units in the state. We can proceed in a better direction and with the cooperation of all sectors, particularly, I should say the top banker of our country, the State Bank of India. We need a little more touch from the bankers and if we can overcome the problems that we are facing regarding land issues, the mutation, the conversion and the availability then I personally feel that this state will march ahead in a more positive direction because the mood of the entrepreneurs and the leaders of the chambers and the industry are very positive. I can assure you that our government will try our best to touch your feelings and we will try our best to help you, to help the state and to help the economic resurgence, rejuvenation and the revitalising process by this new government in this direction.

Datta: Mr Kumar, we come to you, Mr Bhunia said that the top bankers should help a little bit more in supporting the SMEs to grow.

Surinder Kumar: On behalf of State Bank of India (SBI), I would like to express my thanks to Mr Bhunia for reposing faith in the banking industry, particularly, in SBI. Not little more, we would like to do much more. In terms of the infrastructure, we have more than 1,000 branches that are catering to the needs of these medium, micro and small industries. We have 42 dedicated SME branches in the state where only SME business is done. All the requirements of the MSME sector are met here. Even the gaps, I'll say the best banker is the banker who accepts his mistake. We accept, yes, that there are delays and delays are on account of what? That is to be analysed. In West Bengal, I think State Bank is the premium bank that is handling more than ₹10,000 crore advances for the SME sector, which is almost 25% of our exposure in the state. We stand committed, we would like to work as a financial partner for all the promoters. That is our commitment and in this open forum I give my mobile number as always, any difficulty you can catch hold of the CGM.

Datta: Dr Chanda, we have 27 lakh SMEs in the state. Do you think this kind of financial health is enough or we should expect more or what are the things that one should see for or look forward from the government?

Anup Chanda: When we talk about the SME sector, we should remember that it is not a homogenous sector and the problems of the different layers of the sector are to be distinguished. Even within the micro sector, which the way we define it is where the investment and the plant machinery is up to ₹25 lakh if it is a manufacturing enterprise and ₹10 lakh if it is a service enterprise, itself requires another distinction in as much as the problems of those enterprises where investment is up to ₹5 lakh will be entirely of a different type. This is very important to bear that the same medicine will not work in all the cases. Gradually it is getting recognised and therefore, as far as credit is concerned, there are many many different dimensions, many parameters. Credit is very important requirement in this business and their access to credit was limited. Because, when we talk about access to credit, intimately comes the question of the collateral. And arranging collateral was a very big challenge for this tiny sector. Of late, a lot of respite has been given to this tiny, and in fact I would say up to micro, sector by way of introduction of the CGPMSE scheme, which initially gave leeway to enterprises employing up to ₹5 lakh by doing away with the need to furnish collateral separately as the plans will advance credit without collateral. Subsequently, more



The audience and West Bengal MSME minister Manas Bhunia listen to additional chief secretary Anup Chanda as he makes a point on the SME sector being a heterogeneous one, at the round table conference in Kolkata

liberal approach has been adopted and now up to ₹10 lakh this is what is practised. I think this is very big change that has come about.

Kumar: In case of State Bank of India, it is ₹25 lakh.

Chanda: In fact, the individual banks have really reached beyond. This is, I would say, a major change in the sphere of availability of credit that was a prime concern particularly for the first generation of entrepreneurs. We have to remember we are talking about West Bengal where most entrepreneurs in this sector are first generation entrepreneurs. So I think this is a very big change and from over ₹10 lakh up to ₹1 crore, they are covered by a CGPMSE scheme, which again I think provides tremendous comfort. So, over time, bankers have also become very customer friendly. This I think is a very welcome change. And of course I mean now certainly expectations are gaining ground and people have started talking whether this CGPMSE can be extended beyond ₹1 crore but that matter entails responsibility on both sides. The bankers have reached half-way, it will be for the enterprises also to respond and behave in an ethical manner to this kind of gesture that has been advanced.

Datta: Mr Swaroop how do you think you can support the MSME sector? What are the things that need to be done? What SMEs need to do and how can chambers support?

Gaurav Swaroop: Basically, as a first step, the approach has to be strategic in nature. We are working on it. It's a development of clusters, various clusters. You have different sizes and at the same time you have different types of in-

vestors, for example, you have agro-based and small enterprises and you can have small enterprises based on industries. Now, in other parts of the country you have a lot of small enterprises that are ancillary units to large industry. We have not seen much development for large industries in this part of the country particularly in this state in last several years, which would have encouraged the growth of such enterprises. However, if we look at the agricultural side then again there is a huge scope but then you need infrastructure. So, if once the sectors and clusters have been identified — the government has identified seven and we have identified another seven — and the recommendation made to the government, then you have to look at sector-specific requirements. Now, one of the things that we must realise is that the biggest constraint is the management of time. The owner has to worry about finance, he has to worry about marketing, he has to worry about production and clearances. The most important thing from that viewpoint is to make his or her life simple so that the focus can be on the primary task. I would say that in the event we develop clusters, the bank should have a branch in the clusters, why should the person have to go to a distance? Those things should be handled right then and there, which is why we are aggregating clusters. So, the idea is to have common infrastructure, common services in one place. This is where FICCI comes in. It tells you OK you want to develop this particular sector and these are the kind of things that can help you get identified and help you get on with. One of the critical areas for a person who's in

this sector is in marketing and this becomes more important as you go down the chain in terms of size.

Ravindra Sehgal: Well, primarily I think the SME sector has four issues to address starting with technology, credit, labour and markets. Now, as an entrepreneur a single person has to face all this. Talking about technology, I mean I think as compared to the rest of India, Bengal has lagged far behind and we need to take this state up and we are really glad that the new ministry has shown the initiative, shown the zeal and enthusiasm and all entrepreneurs are looking forward to that because as Mr Swaroop rightly said that we need to bring a few large industries so that the ancillaries automatically come. Imagine, today if I make some good castings for a tractor industry, I have to sell it all the way to Delhi and north and other areas. They will give me the price at which they are buying from north itself or from Gujarat itself. So the disadvantage of the distance and everything makes my realisation lower than those people working there. So a base has to be set up to bring in large industries with the ancillaries support coming from the SMEs, that's one. But going back to technology upgradation, the Centre has given incentives in the form of TUF-technology upgradation fund, but somehow the engineering industry is left out at the moment. But let's say Bengal has the focus of iron and steel so I think we would need the state government's support to fight with the Centre to make sure that the engineering sector of the foundry and forging and these two come into the tough schemes because that would help a lot of SMEs in Bengal, that was one of the suggestions we would be presenting to our honourable minister also. Then we come to the labour I think the biggest problem today in all over India it's not just Bengal is the availability of skilled labour. Now two things need to be done, one is setting up of institutions which impart skills. Then we come to credit. It's very good that you have given us a kind of an eye opener on the kind of opportunities you give but I think the rate of interest needs to be looked in to because there is a disadvantage, I mean for SMEs in any case because we are burdened with a lower price realisation and a higher cost and let's say 60% SMEs are involved in exports from India. Even though they may directly they will be exporting 20 to 30% but they provide to the large scale sector a lot of inputs which go into that. So if you talk of exports then we are beaten in the credit system and the other thing in which the state government can help us is with the refund of VAT. In the last five years all the SMEs who were in exports failed in realisation of VAT

and we were shown the door at that time, no support in the sense that we were not even given audience in Writers Building. Sir, we request you to look in to VAT refund at least for the SME sector involved in exports.

Chanda: As of now we have simplified the procedure very much. All you have to do is to simply show that you have deposited the VAT. I am talking about the VAT that is given under the industrial incentive scheme. On production we immediately release 90% reimbursement and then after three months either you come back with certificate from the commercial taxes or even if you don't get certificate, after 90 day we release the balance.

Sehgal: I think that is very good sir, but I think for exports there is still a delay in lower cases.

Chanda: Export is difficult.

Sehgal: Ya, so those are the things which are little cumbersome.

Chanda: But incentives will help.

Bhunia: And regarding the steel manpower, the observations are very important. Our government will definitely look into this matter and we will find out how best can be the process of utilisation of their skill of our own boys and girls can be done in our state.

Sehgal: I was in Mumbai couple of months back where we were given a presentation by National Skill Development Council, which has been given ₹1,000 crore by the Centre to find out those skills because 20 million children enter class 1 but only 2 million pass out every year from the 10th grade so, 18 million are lost. So they are identifying which are the areas these 18 million can be trained.

Chanda: Here I will mention, see skills development we have been doing but it's not a question of doing how many because issue is not one of enrollment but really development of schemes so that he becomes employable and he is indeed employed that is really the key to success.

Salunkhe: When we are talking about the India's SMEs growth stories, we should give more importance to their growth first. Recently we had the standing committee with the RBI and we found that all banks were ready to support the MSMEs but somehow we should not give more importance for the only financial problems, there are so many things like skill development is most important, market development is most important, export promotion is most important, provide skilled labour from the local government is most important and of course the infrastructure development is most important. I would suggest West Bengal starts an annual international trade fair, which will increase exposure.

Vijay Talwar (Audience): I have a factory for the last 40 years and I am involved only in exports. I export to Europe, the US and Japan. One of my problems is pertaining to refunds. Since I'm a 100% exporter, I have flat refund of ₹45 lakh. I haven't seen even a single paisa.

Salunkhe: See, I'll suggest something to all of you. If we have certain issues on export related or suppose you have problem dealing the export purpose, all of you should contact the Chambers of Commerce or FICCI or SME Chamber, we can support you.

Datta: I have to end this here. Thank you so much ladies and gentlemen. I would also like to thank our media partner UTV Bloomberg, our sponsor SBI and also our knowledge partner SME Chamber of India on behalf of The Financial Express, I thank all of you for coming and sharing time with us. Namaskar.



Participants exchange views on small and medium enterprises after the panel discussion