



Consortium of Indian Associations

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87% of MSMEs are Disappointed with the Budget 2023, says CIA MSME Mega Survey

Industry forum moots separate ministry for micro enterprises.

15th February 2023: The Consortium of Indian Associations (CIA) has suggested the setting up of an independent Ministry for self-employed and micro business. A separate Micro Enterprises Ministry could help address specific issues facing this sector.

“Though the government has been talking about the ‘ease of doing business’, Micro Entrepreneurs continue to be governed by complicated and outdated laws and dispensable compliance burdens,” CIA said. Given this, the Association feels that the government should revisit/scrap/redraft these laws.

CIA also has proposed that the Government should amend the Micro, Small and Medium Enterprises Development Act, 2006, to strengthen the state facilitation councils. “Micro Small Enterprises Facilitation Centers should be given more power to conduct their proceedings in a transparent and time-bound manner and enforce payment of the specified interest to the aggrieved MSMEs. The government also needs to make changes to the GST Act to make it SME friendly. Many of the central government schemes are not propagated or used by State Governments thereby limiting the beneficiaries. ”

These recommendations are based on the report of a mega nationwide survey conducted by the 25 Associations during 2nd Feb to 8th Feb, post-the presentation of the Union Budget for 2023-24.

The objective of the survey was to know the predicament of MSMEs in India, their opinion on Budget 23 and their unfulfilled requirements. The Survey covered the opinion of 1,08,500 self-employed. The respondents included manufacturers (52%), service providers (10%), self-employed (11%), and Exporters (9%).

There are around 63 million micro, small enterprises (MSEs) and 40 million self-employed individuals in the country. They form the backbone of India's economy. The Covid Pandemic and the lock-down in its wake had hit them hard. The last 12 months of their work, however, has been uninterrupted and, therefore, the Survey provided an opportunity to know how they are performing and their suggestions to the Government.



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Some key highlights include:

- ❖ **During the last 5 years, the performance of 72% of the respondents is either stagnant or decreasing or stopped or wound up. Only 28% of the respondents have confirmed that they are growing. This is a warning sign.**
- ❖ **76% of the respondents have said they are not making a profit currently.**
- ❖ **45% feel there is no “ease of doing” feeling that exists in starting or running or closing or in their living style. Many have expressed “Toughness in doing business”.**
- ❖ **Only 21% of the respondents feel that the Government of India supported MSMEs adequately during covid situation.**
- ❖ **87% of the MSME respondents feel the budget is disappointing or a big letdown or have no comments.**
- ❖ **69% of the respondents have said they have not availed themselves of any government support so far.**
- ❖ **82% of the respondents are demanding a separate ministry for Micro Enterprises for better concentration and support.**
- ❖ **59% of the respondents feel the reclassification of MSME norms has not been done adequately.**
- ❖ **On Job front, 79% of the respondents are expected to reduce or wait & watch or see no change in their employee strength this year. 21% have expressed their interest in increasing the staff strength.**

"Over the past 3 years, CIA has provided vital suggestions and modifications required on several initiatives taken by the Central and State Governments for the benefit of MSMEs. As a result, we realized that a data-backed survey would help consolidate the feedback from this sector, to bring out the pain points and provide solutions and a way forward to revive the sector. Our survey in June 2020 had over 45000 respondents. The survey in July 2021 had over 85000 respondents and the present survey has over 1,08,500 respondents across India," said K.E. Raghunathan, convener of CIA and former national president of All India Manufacturers' Organization.



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The report has stressed the need for the government to adopt a three-pronged approach towards SMBs - **Exempt, Protect and Support** - to mitigate the challenges being faced by the sector, at least for 12 months to recoup.

- **The sector must be exempted** from statutory compliances, penal actions, and litigation.
- **The sector must be given protection** from the high interest burden, price wars, high cost of raw materials, losing employees, penalties, and late fees.
- **It must be supported** by giving liberal loans, clearing off the pending dues, offering moratorium with interest waiver, OTS for those who want to windup and restart, Exemption from capital gain tax for those selling their factory premises to repay loans or into business or for furthering diversification and not declaring NPAs for a year.

On the main issues faced by the entrepreneurs, 79% of the respondents felt that access to bank finance was their big issue. Around 42% cited profit margin concerns, 70% are concerned about delayed payment receipts, 40% on raw material price and availability, 52% find adherence to statutory compliances is tough, 62% are worried about demand and order book position and 38% have fear of manpower sourcing and employability skills in the youth.

CIA has highlighted a series of long term and short-term measures to the Central and State Governments to beat the impact of the lockdown on the Self Employed and Micro Enterprises, which includes on GST vows, pending payment collections, extensions, and relaxations, NPA classifications, refinancing options, opening fair price shops for raw material supplies, fixation of Remission of Duties and Taxes on Export Products as compared with the present day competition from neighbouring Asian countries such as Bangladesh, Philippines, Indonesia etc. who are far more attractive, relaxing the eligibility norms in ECGLS loan proposals and relaxation in the norms of eligibility of restructuring.

Currently, enterprises pay more to the Government than the profit they make. This must be seriously relooked at. "The revenue-sharing pattern between the enterprises and government should be refixed based on the turnover and profits to enable entrepreneurs to benefit and stay within the legal framework," says Raghunathan.



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The Budget has also elicited a positive response from respondents. They hailed the measures such as:

- ❖ Payment compulsion in 45 days – that expenses will not be permitted unless payments are made before claiming.
- ❖ Refund of 95% of performance guarantee for items supplied during covid time.
- ❖ IT Exemption till Rs. 7 lakhs. Though this has no direct benefit to any loss-making MSMEs or those who are drawing less than Rs. 7 lakhs, mainly unorganized workers, and employees.
- ❖ Credit guarantee scheme enhancement with 1% reduction in rate of interest.

The Consortium is planning to submit the data-backed report and findings to the Prime Minister, Mr. Narendra Modi, the Union Minister of Finance, Mrs. Nirmala Sitharaman, the Union Minister of MSME, Mr. Narayan Rane, the Union Minister of Commerce and Industry, Mr. Piyush Goyal, and to all state chief ministers.

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