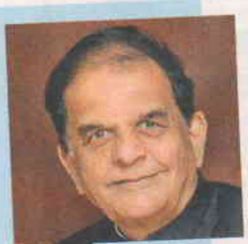
Viewpoint:

A Way To BOOST MANUFACTURING And EMPLOYMENT OPPORTUNITIES



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Make in India is an admirable initiative! The SME sector is thankful to the current government for making manufacturing its focus for the first time since 1991, the year of manufacturing demise.

The study of India's manufacturing sector reveals that 46.5 per cent of the country's industrial output comes from the SME sector and it contributes nine per cent to the country's GDP. Further, 40 per cent of the country's exports are from the SME sector.

The SME sector also contributes the highest in country's industrial research and development. It is estimated that this sector employs about 100 million people of which a substantial portion is unskilled and semi-literate. It should be therefore obvious that removing impediments in the path of SMEs will give a great boost to Make in India objective to curb imports and increase employment, especially among the deprived classes.

One often asks why we cannot compete with imported products despite lower labour costs. For that, one needs to understand the conditions under which our SME sector is operating since the last two decades.

Current limitations to SME growth

High working capital cost and excessive need. Indian SMEs get their working capital from banks at 12 per cent interest, which is two to three times more than for foreign SMEs from whom we import.

Even though there are laws that limit th[e] credit period enjoyed by SME customers to 45 days, payments are never received for 9[0] days or more; both from the large commercial establishments as well as the government. Therefore working-capital needs als[o] almost double.