



Some of the issues, like the NBFCs' liquidity concerns, require bold moves by the Centre and RBI

BK GOENKA
ASSOCHAM President



'DWARF' FIRMS' CONTRIBUTION TO EMPLOYMENT IS ONLY 14%

Attention on MSMEs, especially young firms, to create more jobs and raise productivity

ENS ECONOMIC BUREAU
NEW DELHI, JULY 4

THE COUNTRY should focus on policies to unshackle micro, small and medium enterprises (MSMEs) to create more jobs and raise productivity, with a special focus on promoting young firms that have the potential to turn big rather than MSME firms which remain small, the Economic Survey for 2018-19, which was tabled in Parliament Thursday, said. The Survey also suggested deregulating labour law restrictions to create more jobs, citing the recent changes in Rajasthan.

To unshackle MSMEs and thereby to enable them to grow, all size-based incentives must have a sunset clause of less than ten years with necessary grandfathering, the Survey said.

The Survey said that the perception that small firms are significant job creators is not a true representation as small firms destroy jobs as much as they create. The Survey said 'dwarf' firms (with less than 100 workers and more than 10 years old) account for more than 50 per cent of all organised firms in manufacturing by number, but their contribution to employment is only 14 per cent

and to productivity is a mere 8 per cent. Whereas, large firms (more than 100 employees) account for 75 per cent employment and close to 90 per cent of productivity despite accounting for about 15 per cent by number.

"Perverse incentives" targeting "dwarf" companies must be replaced with prioritising start-ups and "infant" firms, it said. "Our policies – across the board – protect and foster dwarfs rather than infants...these policies create a "perverse" incentive for firms to remain small. If the firms grow beyond the thresholds that these policies employ, then they will be unable to obtain the said benefits. Therefore, rather than grow the firm beyond the said threshold, entrepreneurs find it optimal to start a new firm to continue availing these benefits," it said.

It added that labour legislations which exempt firms with less than 100 employees to get permission from the government before retrenching their employees, incentivises a large majority of firms to prefer to be below the threshold of 100 employees.

Citing the example of Rajasthan, the Survey said the average number of firms with 100 employees or more was similar for Rajasthan and the rest of the coun-

"Perception that small firms are significant job creators is not a true representation as small firms destroy jobs as much as they create"

try, but after the law change in 2014-15, the number of firms with 100 employees or more increased at a significantly higher rate in Rajasthan than in the rest of the country. The Survey suggested using Aadhaar to promote age-based incentives to firms. "Misuse of the age based criterion can be easily avoided using Aadhaar. For instance, if a promoter starts a new firm, utilizes the benefits for ten years when the age-based policy is available and then closes the firm to start a new one to avail the age-based benefits through this new firm, then the Aadhaar of the promoter can alert authorities about this misuse," it said.

The survey calls for focus on high employment elastic sectors such as chemicals and chemical products, textiles and leather & leather products to enhance direct credit flow to sectors that can create the most jobs in the economy

and service sectors like tourism.

"According to the extant policy, certain targets have been prescribed for banks for lending to the micro, small and medium (MSME) sector that exacerbates perverse incentives to firms to remain small," the Survey said. According to priority sector lending (PSL) guidelines, 75 per cent of adjusted net bank credit or credit equivalent amount of off-balance sheet exposure, whichever is higher is applicable to micro enterprises. Under MSME's PSL targets, it is necessary to prioritise 'start-ups' and 'infants' in high employment-elastic sectors, it said.

The focus also must be on service sectors such as tourism, which has high spillover effects on other sectors such as hotel & catering, transport, real estate, entertainment etc. Identifying and promoting tourist spots for development will help create jobs, it said. "It is possible to identify 10 tourism spots in each of the larger 20 states and 5 spots in the 9 smaller states and build road and air connectivity in these tourist attractions, which would boost economic activity along the entire route and would also reduce the migration of the rural labour force who form a major proportion of the total labour force," it said.

The 7% growth pegged by the Economic Survey for 2019-20 is a pragmatic target and with the right policy levers in place, we can step up growth to sustain an average growth rate of 8% over next 5 years"

CHANDRAJIT BANERJEE
DIRECTOR GENERAL, CII

7% growth projections for the current fiscal, as stated in the Economic Survey, on back of investment revival and rural consumption, point towards a cautious optimism about the economy, but the economic survey clearly outlines that India would need at least 8% annual growth to be a \$5 trillion economy by 2024-25"

B K GOENKA
PRESIDENT, ASSOCHAM

7% GDP growth for FY'20 is a pragmatic target: Industry

'Economic Survey do give us hope to ride over some of the challenges faced by the economy'

PRESS TRUST OF INDIA
NEW DELHI, 5 JULY

Industry chambers today termed the 7 per cent GDP growth for 2019-20 pegged by the Economic Survey a 'pragmatic target' that pointed towards a cautious optimism about the economy on the back of investment revival and rural consumption.

CII and Assocham said in order to clock 8 per cent growth to achieve the objective of becoming a \$5-trillion economy by 2024-25, concerted effort is required to drive private investment, enhance consumption and address difficult issues like liquidity concerns of NBFCs.

"The 7 per cent growth pegged by the Economic Survey for 2019-20 is a pragmatic target and with the right policy levers in place, we can step up growth to sustain an average growth rate of 8 per cent over the next five years," CII Director General Chandrajit Banerjee said in a statement.

He also agreed with the Sur-

CONCERTED EFFORT NECESSARY

→ CII and Assocham said in order to clock 8 per cent growth to achieve the objective of becoming a \$5-trillion economy by 2024-25, concerted effort is required to drive private investment, enhance consumption and address difficult issues like liquidity concerns of NBFCs

→ For sustaining growth at 8 per cent, investment would need to be the key driver for heralding simultaneous growth in demand, jobs, exports and productivity

→ The 7 per cent growth projection for the current fiscal, "points towards a cautious optimism about the economy"

→ the focus on direct transfers to farmers and greater attention to agriculture infrastructure would raise the rural income and demand, giving a boost to growth

→ Global headwinds, as highlighted in the Survey, would need to be tackled well, as the threat of protectionism is real in the key economies of the world.

vey's key prognosis that for sustaining growth at 8 per cent, investment would need to be the key driver for heralding simultaneous growth in demand, jobs, exports and productivity.

"Concerted effort is required to drive an improvement in private investment

along with robust consumption to lift growth in the current fiscal from a multi-year low of 6.8 per cent posted in 2018-19," Mr Banerjee said.

Expressing similar views, Assocham president B K Goenka said the 7 per cent growth projection for the current fis-

cal, "points towards a cautious optimism about the economy".

"The positives in the Economic Survey do give us hope to ride over some of the challenges faced by the economy. Some of the difficult issues like the liquidity concerns of NBFCs and the impact on

the consumption would require bold moves by the government and the RBI," he added.

Mr Goenka also said the focus on direct transfers to farmers and greater attention to agriculture infrastructure would raise the rural income and demand, giving a boost to growth.

"However, monsoon would be a key factor to watch," he added.

Stressing on economic policy uncertainty that has been underlined by the Survey as one of the key factors impinging on investment potential, Mr Banerjee said an index on the same must be created to track and monitor it at the highest level on a quarterly basis.

"This in turn will increase transparency on economic policy in the country," he added.

Mr Goenka on the other hand said global headwinds, as highlighted in the Survey, would need to be tackled well, as the threat of protectionism is real in the key economies of the world.

सात फीसद आर्थिक वृद्धि का लक्ष्य व्यावहारिक: उद्योग जगत

नई दिल्ली, 4 जुलाई (भाषा)।

उद्योग जगत ने आर्थिक समीक्षा में 2019-20 के लिए सात फीसद आर्थिक वृद्धि के लक्ष्य को व्यावहारिक बताया है और कहा है कि सही नीतियां अपना कर इसे आठ फीसद तक पहुंचाया जा सकता है।

प्रमुख उद्योग मंडल सीआइआइ और एसोचैम ने कहा है कि 2024-25 तक देश को 5,000 अरब डालर की अर्थव्यवस्था बनाने का लक्ष्य हासिल करने के वास्ते आठ फीसद की वृद्धि हासिल की जरूरत है। उद्योगमंडल ने कहा है कि इसके लिए निजी क्षेत्र में निवेश और खपत बढ़ाने और एनबीएफसी के क्षेत्र में तरलता के संकट जैसे मुद्दों का समाधान करने के लिए मिलकर प्रयास करने की जरूरत है।