

Manufacturing misery

MSMEs up against high costs and weak demand

AJ HEGDE

Of late, there's been a lot of news about micro, small and medium enterprises (MSMEs). However, in spite of all the attention, there hasn't been any improvement in the condition of MSMEs, which are the largest job providers after agriculture. Manufacturing MSMEs have witnessed manifold growth over the years, thanks to large OEMs offloading the manufacture of components and sub-assemblies to them. However, over the last year, their condition has deteriorated.

MSMEs employ unskilled and semi-skilled workers. The skill development programme of the government has not been able to provide enough skilled manpower. MSMEs can recruit/train freshers and the government has a scheme to reimburse part of the stipend. Unfortunately, the reimbursements don't always reach MSMEs.

The State Industrial Area Development Boards develop land and distribute to industries. The land cost fixed by these boards is very high. In addition, a lot of time and money have to be spent in getting the land allotted and registered. Private land is available, but without proper infrastructure and approvals.

The power supply to most MSMEs is erratic, forcing them to install captive power plants, voltage stabilisers and UPS. These are additional investments which add to the costs.

Getting bank loans for MSMEs is not easy. Government agencies have instructed banks to disburse loans to MSMEs on priority basis, but banks are reluctant and insist on collateral.

Hence MSMEs borrow from NBFCs, co-operative banks and informal sources at higher interest rates. Due to the high cost of capital, exporting products at competitive prices is difficult. MSMEs are classified based on the investment made on plant and machinery. The present limit fixed is too low. Banks and government departments take

advantage of this definition and deny certain benefits and concessions. It is time that the government revised the investment limit upwards.

The recent corporate tax reduction is applicable only to companies. Ninety per cent of MSMEs are either partnership firms or proprietorships and are, therefore, not eligible for the reduced rate. Most MSMEs cannot convert to companies due to high cost of compliance and less flexibility. The government should find a way to pass reduced tax rate benefits to MSMEs as well.

Payments for supplies from MSMEs are never received in time. The government directive to all corporates to make payment to MSMEs within 45 days is not followed.

The slowdown in the economy has affected the MSMEs sector badly. A large number of manufacturing MSMEs are suppliers of parts to the automotive sector. Over the last one year, they haven't got enough orders due to disruptions in the automotive sector. Many MSME units are either closed or working partially. The recent loan *melas* organised by banks may not have had many takers from the MSME sector as the units are struggling even to repay the existing loans.

The US-China trade war should increase export of goods from countries like India. But Indian MSMEs are unable to match Chinese prices.

The procedure for importing raw materials without customs duty is cumbersome. It is not worth spending time and money in getting advance licences for getting duty-free raw material in small quantities. Hence MSMEs import the raw materials by paying customs duty. This increases their input costs.

The future for manufacturing MSMEs does not look good. They do not have enough resources to develop their own products or enter into joint ventures with foreign partners and grow big.

The writer is CEO of Bhavani Industries, Bengaluru



BOOK REVIEW

A playbook for a new India

New-age technologies can bridge the gap between India's workforce and meaningful employment

DEBJANI GHOSH

The first thing that interested me about the *Bridgital Nation* was its title: *Bridgital Nation: solving technology's people problem*. What a fascinating lens to apply to the human and technology equation, I thought, and the book didn't disappoint. *Bridgital Nation* brilliantly defines India as an *antarlapika* — a Sanskrit word which means a puzzle that has its answers hidden inside it. The book uses some heart-warming stories of everyday people to show how India holds the solution to two of its biggest challenges: jobs and access.

By 2020, India's population will have a median age of 28 and by 2030 it will be 31, whereas most developed countries are well into middle age. China and the US will have a median age of over 38 by 2020. Developed nations will be looking at technology to primarily solve the unavailability of labour, one of their core issues.

India, on the other hand, will have an abundance of human capital, and is perfectly poised to carve out its own unique roadmap where technology leverages people to solve some of the biggest issues facing India. It can act as a bridge between the overwhelming demand for vital services and an overwhelming supply of human capital. Hence the term 'Bridgital'.

Through the use of examples,

the book brilliantly illustrates why India must build its own unique playbook that leverages technologies like artificial intelligence (AI) to augment and raise people's skills to innovatively solve the challenges of access.

Women at work

Bridgital Nation also identifies two pieces of the puzzle that are critical for India's successful transformation — working women and entrepreneurs.

It was absolutely shocking to realise that nearly 120 million Indian women — more than double the entire population of South Korea — have obtained at least secondary education but do not participate in the workforce. This is unimaginable, given that the country is suffering from a huge skill gap and only 33 per cent of the workforce has a secondary or above degree.

The 'XX Factor', as it is called in the book, addresses the skill gap by allowing more of India's higher-educated population to transition into the job market. Even if half of the above-mentioned women entered the workforce, India's share of workers with at least a secondary degree would jump from 33 per cent to 46 per cent in one stroke, adding \$440 billion to India's GDP. Imagine the possibilities!

The problem is not that women do not want to work. In fact, it's the opposite. Three-quarters of over 70,000 teenage girls in a



Title: *Bridgital Nation: Solving Technology's People Problem*
Authors: N Chandrasekaran/ Roopa Purushothaman
Publisher: Penguin Allen Lane
Price: ₹799

national survey said they wanted a career after graduation. India, as the book rightly calls out, doesn't have a problem of bringing women into workforce. The challenge is keeping them there. Half of India's women are married by the age of 19 and one in three women have a child before they are 20. Also, in India, women are secondary earners at best — and primary caregivers. The priorities are hard-wired into our culture and mindset.

Bridgital Nation takes a hard look at how this issue can be addressed through some brilliant examples of real people like Jasleen Kaur, a police officer in Punjab, and by studying the best-known global methods. It makes a compelling case for smart policies which are focussed on childcare provision and parental leave, as well as concerted steps that must be taken to change the society's attitude towards working women.

The challenge is not an easy one to solve, as there is no simple roadmap to address the very tall and invisible barriers that keep women from work, but the book shows why India cannot give up on its women. We must make a

real effort to address these barriers and get the women back to work. This is a rare chance for India to go beyond statements of intent and prove that it really wants more inclusive growth, in both letter and spirit.

Boosting entrepreneurship

On the second piece of the puzzle — India's entrepreneurs — *Bridgital Nation* makes a very interesting case for a new focus on entrepreneurship across the country, that could potentially shift 45 million workers into more productive employment in small and medium enterprises (SMEs).

These jobs, as the book stresses, are more formal and pay better. Also, entrepreneurship can flourish through development of 'bridgital clusters' that create a bridge between SMEs and a range of digitalised business services.

As the authors beautifully describe it, the book is a study of a most reluctant subject and its citizens. It's about everyday people and how they find in themselves the strength and resilience to turn adversities into opportunities. It is about bridging the India of numbers with the India of the senses.

Bridgital Nation is about developing a new mindset for India. One that is not about problems and challenges we are facing, but about the opportunities that can be leveraged to address them. It's about how we use the abundant resources India has in its people and the new advancements in technologies like AI and the Internet of Things to create that ultimate bridge for India.

A must read for all of us who want to be a part of shaping the new India.

The writer is President, Nasscom

NEW READS



Title: *Resurgent Asia: Diversity in Development*
Author: Deepak Nayyar
Publisher: OUP Oxford
Price: ₹895

An analysis of the factors that influenced Asian countries' impressive economic progress and the critical issues around their development



Title: *Intelligent Fanatics of India*
Authors: Rohith Potti/Pooja Bhula
Publisher: Intelligent Fanatics Publication
Price: ₹399

The story of seven 'antifragile' Indian entrepreneurs, who didn't just survive under adversity, but came out the other side with stronger a business



Title: *Targeted: My Inside Story of Cambridge Analytica and How Trump and Facebook Broke Democracy*
Author: Brittany Kaiser
Publisher: HarperCollins
Price: ₹699

A deeper glance into the Facebook-Cambridge Analytica scandal through the eyes of the political consultant who first brought it to light

5 THINGS to WATCH OUT for TODAY

■ **The Winter** Session of Parliament is set to begin. During the session, which will run till December 13, seven Bills are likely to be taken up along with two crucial Ordinances on corporate tax rate cut and e-cigarette ban. Lok Sabha Speaker and BJP leader Om Birla convened an all-party meeting over the weekend to discuss the smooth running of the Session.

■ **The next hearing** in the Jet Airways insolvency case is set to take place. Jet ran up a debt of ₹8,500 crore, which has increased to over ₹14,000 crore as of October, with the SBI being the lead lender. The airline was taken to the insolvency court on June 20.

■ **The lenders** of Jaypee Infratech will meet to discuss further the company's resolution plans. The Supreme Court on November 6 directed completion of Jaypee Infratech's corporate insolvency resolution process within 90 days and said the revised resolution plan will be invited only from NBCC and Suraksha Realty.

■ **The Delhi** government will take a call on whether or not to extend the odd-even road rationing scheme in the city up till early next week. The road-rationing scheme was rolled out on November 4 and ended on November 15.

■ **The Telangana** High Court will hear a batch of PIL and writ petitions on the ongoing TSRTC strike. The State government had said last week that it was not in a position to accede to the orders of the High Court to constitute a high-powered committee of three former Supreme Court judges to resolve the strike.

BY THE WAY DIPANKAR BHATTACHARYA looks at people and professions



EASY

ACROSS

- 01. Raised bubble of skin (7)
- 05. Coded information for storage (5)
- 08. Closely examine (7)
- 09. Poison (5)
- 10. 2/6d piece (4-5)
- 12. Gardening implement (3)
- 13. Tropical fruit (5)
- 17. Decay (3)
- 19. Writers of formal compositions (9)
- 21. Strong twilled worsted fabric (5)
- 22. Storm, rush wildly about (7)
- 24. Larceny (5)
- 25. Intermediate to (7)

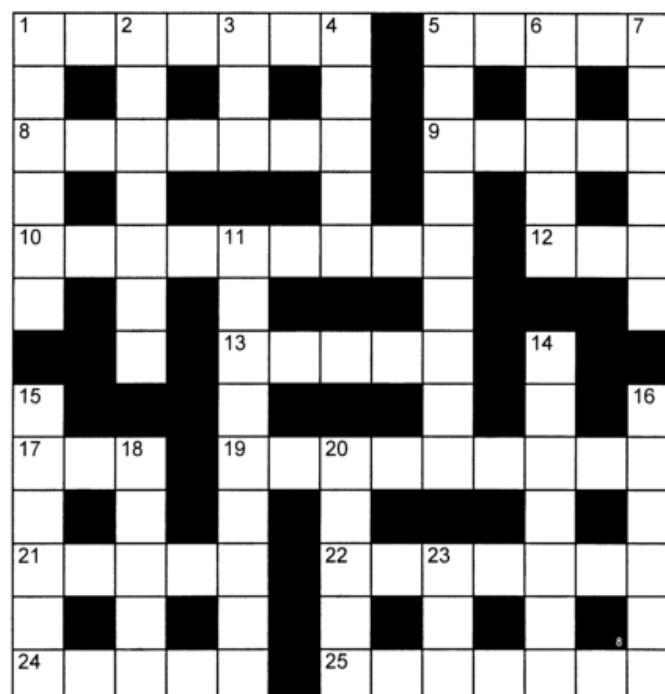
DOWN

- 01. Plant disease (6)
- 02. Narrow in outlook (7)
- 03. Foot digit (3)
- 04. Proportion of one thing to another (5)
- 05. Schedule of articles in estate (9)
- 06. Blow with the fist (5)
- 07. Wood used in construction (6)
- 11. Efficient; legally qualified (9)
- 14. Be wrong about (7)
- 15. Good luck (drinking health) (6)
- 16. Behind (naut) (6)
- 18. Compact, concise (5)
- 20. Use hard brush (5)
- 23. Rug (3)

SOLUTION: BL Two-way Crossword 1487

ACROSS 01. Tuber 04. Overlap 08. Riant 09. Pimento 10. Ebb 11. Resonance 12. Idem 13. Mint 18. Education 20. Sit 21. Hostage 22. Radio 23. Pottery 24. Darts
DOWN 01. Three-line whip 02. Bramble 03. Retort 04. Oppose 05. Ermine 06. Linen 07. Protestations 14. Insider 15. Damage 16. Misery 17. Snored 19. Unset

BL TWO-WAY CROSSWORD 1488



NOT SO EASY

ACROSS

- 01. Bubble of skin to burn with scalding words (7)
- 05. Data fed into memory as opposed to outtake (5)
- 08. Take a close look at parking when bluebottle is around (7)
- 09. Oven-cooked meat topping is poisonous (5)
- 10. Aid or Med put back for two-and-six? (4-5)
- 12. Scrape up the weeds on the promontory (3)
- 13. Fruit that gives a fellow energy (5)
- 17. The right to put back the rubbish (3)
- 19. Writers one tries when about to sit around (9)
- 21. Material supplied to a boy in Russia (5)
- 22. Rush about wildly with a politician in a fury (7)
- 24. Larceny of article the Financial Times takes (5)
- 25. Bee went astray with something on either wing (7)

DOWN

- 01. Bounty captain found Turk's-head injurious to plants (6)
- 02. Narrow and prejudiced, liar is upset with the Sun (7)
- 03. Front of shoe starts treading on everything (3)
- 04. Proportion of air to be mixed in it (5)
- 05. List of contents to make up with Roy perhaps (9)
- 06. Drink in a bowl delivered by duke (5)
- 07. How could wood used for building be trim? (6)
- 11. Efficient way to be in contest with the National Theatre (9)
- 14. An error in Keats I'm sorting out (7)
- 15. A health to professionals with sex-appeal (6)
- 16. A set form adopted by the Navy to the rear of a ship (6)
- 18. Short trees get chopped up (5)
- 20. Team of poor players will use sweeper hard (5)
- 23. Tangled head of hair on which one is hauled over the coals (3)