

Proposal on MSME (Service Sector) in Bihar Budget 2022

Bihar is the fastest growing state in country but still needs further Budgetary support for development of Industry and trade. Since we have very few Large and Medium industry in State our focus should be on promoting Micro and Small Enterprises (MSE), which would become backbone of State Economy. The State Budget does not deal with Service Sector as a Priority Sector. We are an agrarian state, which means, we need to promote the Services Sector to draw multiple benefits.

Services sector in the Indian economy commands (2019-20):

1. More than **55** per cent of the total size of the economy and GVA growth.
2. **Two-third** of total FDI inflows into India.
3. About **38** per cent of total exports.

Bihar Industrial Investment Promotion Policy 2016 is inclined towards Products while Services, with higher stake, has not been given due weightage. This needs to be addressed urgently.

Incentivize MSE for further Development

We suggest that State Government should formulate a special incentive scheme for MSMEs on the lines of several state Government schemes under which interest subsidy upto 7% and a special incentive for procurement of modern plant and machinery (upto Rs.50lakhs) are provided to MSMEs. Subsidy Funds should be earmarked for Re-skilling, Up-scaling and Performance Certification of existing MSE.

Fund Availability to Service Sector

Though this sector is having major share in growth of Economy, but sectors fund requirements impede its potential to contribute in faster development not only terms of State GDP but also in mass Employment generation. Banks and Financial Institutions do not support Working Capital, which forms 80% of Investments of the sector. A simplified scheme for budgetary support be proposed for this Sector.

Special Requirements for MSME Development

The following suggestions should be considered for Bihar.

- i. There should be a single window system for providing all clearances such as pollution control and forest to MSMEs.

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- ii. Delayed payment penalty clause should be incorporated in the RFP floated by buyers.
- iii. Reorient DICs in State to promote development of MSMEs.
- iv. Priority sector lending should be restricted to MSEs only.
- v. Suggestion of land bank given by Trade & Industry should be implemented.
- vi. A policy should be framed to extend marketing Handholding support to MSMEs of State.
- vii. Regulatory compliance requirement for MSMEs should be simplified.
- viii. Exemption from inspection for three years as available to Start-up should also be extended to new micro& small units.
- ix. Documentation on the basis of self-certification should be encouraged and promoted.
- x. Incentivize creation of Multistorey Mini Industrial Estate and Private Industrial Parks as acquisition of land has become prohibitively expensive.
- xi. Social security scheme be formulated for MSE.
- xii. Barrier clauses like Turnover and other irrelevant terms in contradiction to BSP Policy 2002 (amended to date) , by State departments and organisations should be immediately stopped.

Value addition to MSE

- i. Entry into state MSME data bank be made mandatory for availing of benefit of State Public Procurement Policy.
- ii. Disclosure of procurement from MSEs by State PSUs/Boards/Autonomous Bodies (State Funded) be made mandatory in their Balance Sheet, as proposed at Centre.
- iii. Items reserved for procurement from MSEs should also have their tariff lines incorporated.
- iv. Instead of multiple registrations with respective SPSUs, single registration should be done.
- v. Suggest GeM Portal to display the list of items reserved for procurement from MSEs within Geographical limits of State.
- vi. Explore the possibility of floating limited tenders for procurement from MSEs owned by SC/ST as SPSUs were finding it difficult to procure from SC/ST owned MSE.

Payment Prioritizing to MSME

As already mentioned the MSME is finance starved and hence any delay in payment by Customers puts this sector in extreme stressed functional mode, which results in Bad debt or even closure. A policy to protect MSE should be incorporated in Procurement policy with heavy penal clauses for delayed payments. The tenders should specify such terms to encourage MSE vendors to actively participate.

Budget Provisioning for MSME Required- Rs 500 Cr.