

Business & Investment

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Timely and adequate finance key to the growth of Indian SMEs

By A Business Reporter

"Micro, small and medium enterprises play a significant role in the economic growth and development of countries. Within ASEAN, MSMEs account for more than 96% of all enterprises, between 52% and 97% of domestic employment and 23% to 58% of the GDP, as well as 10% to 30% of exports. Sustainable economic growth and job creation will therefore rely on competitive and robust SMEs. While regional partnerships present opportunities, these also present potential threats as they increase competition for MSMEs which must have the ability to adapt to rapidly changing market demand, technological change and capacity constraints relating to knowledge, innovation and creativity", said George Barcelon, President, Philippine Chamber of Commerce (Philippines) at a panel discussion on "India-ASEAN Partnership: Building Regional Network to promote SMEs and Women's Empowerment" organized by Ministry of External Affairs, Government of India and All India Association of Industries at the Delhi Dialogue IX. Sushma Swaraj, Minister for External Affairs, Government of India in-



(L to R): Johny Chotrani, Chairman, Philippine-India Business Council, (Philippines), George Barcelon, President, Philippine Chamber of Commerce (Philippines), Vijay Kalantri, President, All India Association of Industries and Vice Chairman, World Trade Centre Mumbai and Ma. Teresita C. Daza, Ambassador, Embassy of Philippines in India.

augured the DD IX themed on "Charting the course for India-ASEAN relations for the next 25 years" at New Delhi.

Johny Chotrani, Chairman, Philippine-India Business Council, (Philippines) said, "In the Philippines, the MSME sector is seen as a

critical driver the country's economic growth. There are 900,914 business enterprises operating in Philippines, of which the total number of MSMEs 89.9% (806,609) are micro enterprises. MSMEs sector serves as supplier and subcontractor to large enterprises and forms a strategic component of the export value chain.

Speaking on enhancing the participation of women entrepreneurs (in ASEAN and India) in the Global Value Chain, Benny Y. P. Siahaan, Director, Directorate for ASEAN External Cooperation, MOFA (Indonesia) said, besides the government efforts in providing easy access to funding, resources, technology and training women entrepreneurs themselves can play a key role by forming a support network which will facilitate exchange of knowledge and experience, develop and propose initiative to promote economic and trade activities in order to enhance gender equality.

Highlighting the need for SMEs

to become economically and financially viable, Hemant Mishr, CEO, Asia Cap Investment Advisors Private Ltd., emphasized that SMEs should focus on setting up business at various incubators, business park or SEZ while borrowing at competitive rate. They must explore the available export opportunities in various countries and initiate partnerships with various companies including PSUs for supplying their products which will benefit the SMEs in the long run. Expand less on fixed cost and use new age technologies i.e. instead of buying server, use cloud space offered by various companies like Amazon, Microsoft opined Mishr.

He also stressed that for enhancing the competitiveness of SMEs the capacity of financial institutions must be increased to construct profitability lending programmes, while prioritizing the development of innovative solutions to collateral issues such as the acceptance of more flexible forms, few fixed assets, use of group guarantees and loan guarantee scheme for them. He further added that, "more emphasis on cash flow than balance sheets in assessment of borrowing capacity, easy and effective loan application assessment methodologies needs to be implemented.

Earlier in his opening remarks, moderator for the panel discussion, Vijay Kalantri, President, All India Association of Industries said, "SMEs in India contribute 45% to its GDP and are integral part of the ASEAN and India economy. SMEs have contributed significantly in terms of employment, exports, entrepreneurial activity and economic empowerment and played an essential role in economic success of ASEAN countries as well as India. Increasing SME cross border activities across the region will help in boosting the economic growth and development and will further increase their competitiveness. Women entrepreneurs who form an important part of SME sector face economic, social and cultural obstacles such as finance, legal issues and societal pressures which need to be timely addressed by the government and policy making agencies, asserting that the current government is actively undertaking a number of initiatives to boost the SMEs and Women Entrepreneurs".

On this occasion, World Trade Centre Mumbai and All India Association of Industries signed a Memorandum of Understanding (MOU) with the Philippine Chamber of Commerce to further strengthen the economic and trade relations between both the countries.

'GST TO BOOST COMPETITIVENESS OF MSMEs'

The GST is set to impart better competitiveness to micro, small and medium enterprises and provide them a level-playing field with large firms owing to factors like an easier process of availing input credit and simpler tax regime, according to a report.

The joint study by ASSOCHAM and Ashwin Parekh Advisory Services said the Goods and Services Tax (GST) will lead to improved market expansion and lower logistical overheads, a boon for MSMEs dealing in sales and services and purchase of capital goods.

According to the report, the GST will exert compliance burden and associated costs on MSMEs since it aims to increase the taxpayer base. The GST regime will usher in lower taxes, seamless input tax credit and logistics savings while swinging the market share towards organised players.

Indian MSMEs will be able to better compete with cheap cost centres such as China, the Philippines and Bangladesh, the report said. The report also highlighted issues related to MSMEs in the GST regime like no tax differentiation for luxury items and services, increase in cost of products, selective tax levying, burden of higher tax rate for service provider, excess working capital requirement and realignment of purchase and supply chain regime.

India gets G20 praise on startup funding, derivative reforms

By Barun Jha

Acknowledging steps being taken by India for sustainable and inclusive growth as well as support to global economy, the G20 has praised the initiatives in the country for promoting ease of doing business, startup funding and labour reforms.

In its Hamburg Action Plan, adopted at the G20 Summit of leaders from the world's 20 largest economies, the group also noted that "in the financial sector, India is popularising a number of derivative instruments in exchanges or electronic trading platforms" as part of

measures to enhance resilience of its economy.

It further said India is facilitating external commercial borrowings (ECBs) by startups in order to encourage innovation and promote ease of doing business, as part of the efforts being taken by the G20 members this year for maintaining momentum on structural reforms and sustainable growth.

On steps being taken by G20 countries for promoting inclusive growth this year, the Action Plan said India is introducing labour market reforms to provide security to workers, increase female participation in the workforce and make

doing business easier in the country.

The acknowledgement from the G20 Summit, which was attended by Prime Minister Narendra Modi among other world leaders, assumes significance in the wake of India trying hard to improve its global ranking for ease of doing business.

The World Bank ranked the country at a low 130th position last year, an improvement of just one position from the previous year. The Modi government has said it wants India to be ranked in the top-50 nations in terms of ease of doing business. The next update to the ranking is expected later this year.

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