

# Create new labour laws for SMEs

**Our Bureau**

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The Economic Survey has said that an "alternate mechanism" should be considered for small and medium enterprises (SMEs) to reduce employee-related costs. This will help the huge sector attract investors.

"Industrial establishments have a variety of statutory obligations to discharge. This not only adds to the transactions costs of industry, in many ways puts off a potential investor," it said.

While SMEs are small establishments in terms of turnover and have limited resources, they are mandated by law to have regular payouts to their employees on provident fund, gratuities and insurance.

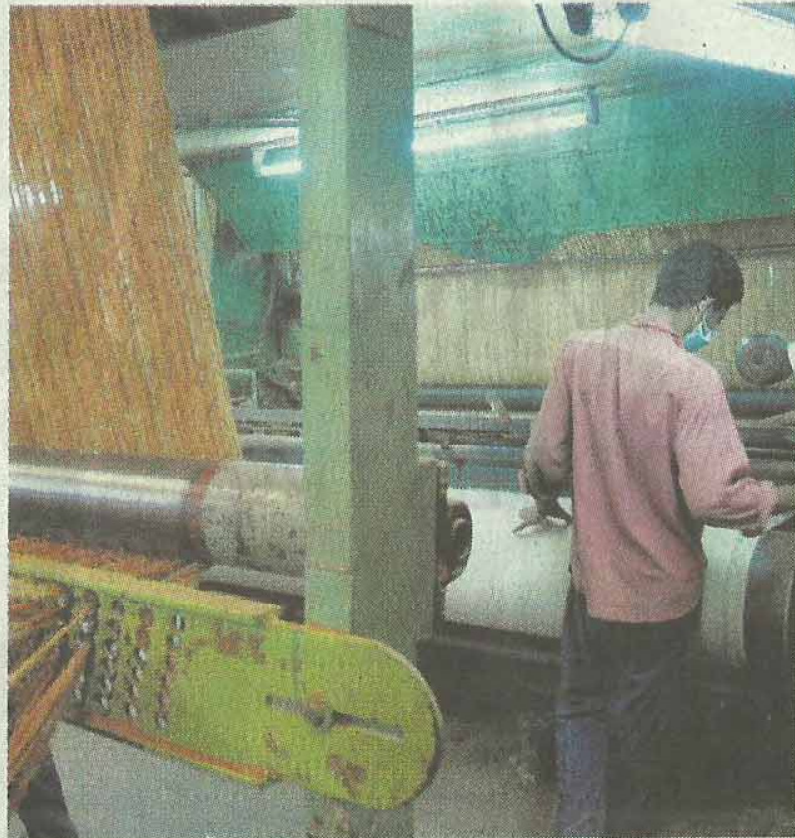
A new mechanism will help the sector, a huge employment generator accounting for 45 per cent of the country's manufacturing output, get around costly compliances systems

and "meet statutory obligations in a more efficient and economical manner".

The Survey also highlighted that credit growth to micro and small firms fell to 7.2 per cent in December, 2011, from 19.9 per cent in December 2010, though the drop was more moderate for medium enterprises (about five per cent to 25.5 per cent).

"The Reserve Bank of India has advised banks that the allocation of 60 per cent of MSE advances to micro enterprises is to be achieved in stages, namely 50 per cent in the year 2010-11, 55 per cent in the year 2011-12, and 60 per cent in the year 2012-13. Further, banks have been advised to achieve 10 per cent annual growth in the number of micro enterprise accounts," it said.

While the Government has targeted public-sector procurement target of 20 per cent from the sector to help increase sales, market regulator SEBI has also permitted a trad-



**Credit growth slumps:** A worker at a coir matt manufacturing factory. The Economic Survey says credit growth to micro and small firms fell to 7.2 per cent in December 2011, from 19.9 per cent in December 2010.

ing platform for SMEs, in order to raise capital. The National Manufacturing Policy released late last year also envisaged simplification of business regulations. It contains dedicated

interventions for SMEs primarily on technology upgradation, adoption of eco-friendly technology, equity investments and skill development.

[roudra.b@thehindu.co.in](mailto:roudra.b@thehindu.co.in)