

# YEARLY ROUND UP

2023-24



FRIENDS OF MSMEs  
IN PARLIAMENT

## Background

One of the biggest challenges for the Indian economy is to provide gainful employment for 10~12 million people every year. Only 10-15 % of the people can be absorbed in Government and Corporate jobs put together. The rest of them have to find avenues for self-employment or find work with a self-employed. The latter forms the universe of Micro, Small and Medium Enterprises (MSMEs). A study of employment trends in the macro sectors of the economy since 2010 also reveals that non-farm jobs have surpassed farm-based jobs.

“Neither the Government, nor the corporate sector can create over one crore jobs needed every year in India. They could only be created when millions of youth entering the job market opt to be an entrepreneur and set up MSMEs. But the creation of self-employment opportunities requires enabling ecosystem for MSMEs. It not only requires ease in setting up enterprises but also support in many areas including finance, skills and marketing that needs to be ensured.”



**Shri Rajendra Agrawal,**  
Convenor, 'Friends of MSMEs in  
Parliament'

A like-minded group of Members of Parliament – from both Lok Sabha and Rajya Sabha, have come forward to form a group in the name of 'Friends of MSMEs in Parliament' to address the constraint and be a bridge between the MSMEs and the Parliament. The 60 million strong MSME sector, contributing to over one third to GDP, over 40% to industrial production and exports, provides direct employment to 120 million people. But the sector is largely informal- barely 10% MSMEs are registered with respective authorities. The informality is largely due to compulsions born out of regulatory and policy rigidities but manifests itself for majority entities into suboptimal scale, challenging working conditions, stunted growth and vulnerability to external shocks.

## Objectives

The Group- 'Friends of MSMEs in Parliament' aims for the following:



### **Ensuring Legislation incorporate MSME perspective**

To interact with stakeholders, gather their concerns and aspirations and to voice them in the Parliament through a structured process during every Session of Parliament



### **Leveraging Parliamentary Institutions for benefit of MSMEs**

To leverage Parliamentary institutions such as Departments, related Parliamentary Standing Committees in resolving MSME issues



### **Facilitating dialogue with Govt, institutions and MSMEs**

To review efficacy of MSME related provisions of legislations & policies with MSME leaders and lend support for holding dialogue with respective Ministries/ Departments and Institutions for improving outcomes for MSMEs



## SAMWAD: Dialogues with 'Friends of MSMEs in Parliament'

### SAMWAD 1

1<sup>st</sup> SAMWAD was held alongside the Budget Session on 27 March 2023. The inaugural SAMWAD dialogue set the context for establishing the forum and how the group can leverage the parliamentary system in positively impacting the outcomes for MSMEs.

Conversations with members of the 'Friends of MSMEs in Parliament' took place alongside parliamentary sessions. Titled as 'SAMWAD', these discussions offered a platform to highlight the critical issues that MSMEs are facing and present policy recommendations.



### Key issues discussed

- Context for establishing the group:
  - ◆ Contribution of MSME sector to India's GDP and its potential to provide gainful employment
  - ◆ Failure of Parliamentary Committees to hold regulators (RBI, IRDAI etc.) accountable and ensure justice to MSMEs
  - ◆ MSME concerns get overshadowed by the demands of the corporate sector
  - ◆ Information gap and lack of awareness at District level of national initiatives
  - ◆ Lack of linkages with national/ international MSME support programmes
  - ◆ Need for linking local industry to national / global value chains

### Points of discussion/ decision

- The group planned to hold consultations with MSMEs before each session of the Parliament to identify the major issues and raise their concerns at various Parliamentary forums and to the Government
- Name: 'Friends of MSMEs in Parliament' was adopted
- Shri Rajendra Agarwal, three time Member of Parliament from Meerut, was unanimously selected to be the Convenor of the forum
- Proposed activities and initiatives
  - ◆ Updating Members of Parliament on issues and initiatives on a regular basis
  - ◆ Meeting with select Ministers/ Institutions/ Ambassadors to push MSME interests & seek redressal of grievances
  - ◆ The Group planned to hold a National MSME Congress
  - ◆ Leveraging of Parliamentary Institutions (Standing Committees, Assurance Committee)
  - ◆ Proposed activities of the forum (Session meetings, Newsletters, Website, Interviews)
  - ◆ FISME (Federation of Indian, Micro and Small & Medium Enterprises) to provide secretarial & research support



## SAMWAD 2

2<sup>nd</sup> SAMWAD was held alongside the Monsoon Session on 27 July 2023. As the secretariat of forum 'Friends of MSMEs' in Parliament, FISME hosted the dialogue. The meeting was convened by Member of Parliament and Convenor of the group, Shri Rajendra Agrawal. Major issues discussed were- Banking and Finance related issues, leveraging Parliamentary Institutions and proposed activities for the forum.



### Points of discussion/ decision

- Discussion was proposed with RBI, IBA, SIDBI, DFS, MoMSME & MSME associations for the enforcement of Banking Code in letter & spirit
- The group to take up the issue of Bank Loan Ratings with RBI, DFS, IBA, and other associations
- Standing Committee Finance, Assurance Committee to take up the issue of Bank Guarantees with Deptt. of Expenditure and IRDAI
- Activity plan finalized :
  - ◆ Meeting of the forum with MSME leaders before/during Sessions
  - ◆ Newsletter to be published after every session highlighting important issues and initiatives taken
  - ◆ Outreach through brochure, website, social media, video interviews of members

### Key issues discussed

- Prepayment and Foreclosure charges
  - ◆ Imposition of prepayment/ foreclosure charges (2~4%) by Banks usually at the time of switching to another Bank
  - ◆ Practice is anti-competitive, acts as a roadblock in access to finance by MSMEs and is in violation of RBI led self-adopted Banking Code that recommends no charges on MSEs
- Bank Loan Ratings
  - ◆ Most MSMEs get non-investment grade rating leading to higher interest rates
  - ◆ Rating agencies use RoI format (meant for listed Cos) for MSMEs also
- Bank Guarantees
  - ◆ MSMEs required to furnish Bank Guarantees/ Performance Guarantees as part of business
  - ◆ Banks charging huge sums against service from MSMEs (margin money, collateral & service charges for period of use)
  - ◆ Replacement of Bank Guarantees during public procurement by Insurance Sureties as has been done in case of NHA1 projects was proposed





### SAMWAD 3

3<sup>rd</sup> SAMWAD was convened during the winter session of the Parliament and was held on 14 December 2023. The meeting was convened by Member of Parliament and Convenor of the group, Shri Rajendra Agrawal. As the secretariat of forum 'Friends of MSMEs in Parliament', FISME hosted the dialogue. Major issues discussed were- Progress of the activities of the forum, current MSME issues and development, launch of Banking Grievance Redressal Portal for MSMEs.



### Key issues discussed

- Progress of activities
  - ◆ Follow up was done on the Banking and Finance issues raised in SAMWAD 2
  - ◆ Website and logo of 'Friends of MSMEs in Parliament' was presented for approval
- Current MSMEs Issues & developments
  - ◆ Briefing on 'Study for Identifying Strategies for Quadrupling Meerut's GDP'
  - ◆ Briefing on Seminar on 'Reducing Cost of Litigation for MSMEs'
- Suggestions for Tax issues faced by small online sellers
  - ◆ Simplifying requirement of Principal Place of Business Registration
  - ◆ Introducing digital Invoicing for all transactions
  - ◆ Easing of Additional Place of Business registration

### Points of discussion/ decision

- Convenor, 'Friends of MSMEs in Parliament' arranged meeting with Chairman, Parliamentary Standing Committee on Finance Shri Jayant Sinha on:
  - ◆ Bank Guarantees: Letter was sent to Finance Secretary with a request to convene meeting of Industry with RBI, IBA, IRDAI
  - ◆ BLR: Letter was to DFS (Department of financial Services) requesting for a meeting
  - ◆ Foreclosure: Letter with details was sent to Chairman, PSC (Parliamentary Standing Committee) on Finance
- Tax Issues faced by small online sellers were presented to the forum along with recommendations
- The Banking Grievance Redressal Portal for MSMEs ([www.bankgrievances.com](http://www.bankgrievances.com)) was officially launched at this SAMWAD meeting and the Group was updated on its need and purpose.



## SAMWAD 4

4<sup>th</sup> SAMWAD was convened during the interim budget session of the Parliament and was held on 5 February 2024. A set of issues iterated by MSME stakeholders were discussed with MPs for sending to political parties for inclusion in their election manifestoes for general elections 2024. Progress since last SAMWAD meeting was updated to the forum and MSMEs aspirations for election manifesto were discussed. This was the last SAMWAD dialogue with MPs of 17<sup>th</sup> Lok Sabha. The group acknowledged the importance of establishing the forum and assured of continued support in the next term as well.



## Key Issues discussed

- Dissemination of Proceedings Report for Seminar on 'Reducing Cost of Litigation for MSMEs'
  - ◆ Ministries- Law, MSME, Finance, Commerce, Defence, Corporate Affairs, Railways, Heavy Industries
  - ◆ Institutions- PM Economic Advisory Council, NITI Aayog, PMO, SCOPE, RBI, SIDBI
  - ◆ States- All Principal Secretary Industries or equivalent, Secretary MSME States
  - ◆ Judiciary- Chief Justice of India
  - ◆ Request for report received from NITI Aayog, RBI, DPIIT, Ministry of MSME
- Banking Grievance Redressal Portal for MSMEs ([www.bankgrievances.com](http://www.bankgrievances.com)) live with complaints on banking related issues being received on it
- Website of 'Friends of MSMEs in Parliament' live
- Logo of 'Friends of MSMEs in Parliament' finalized at last SAMWAD was unveiled before the forum

## Points of Decision/Discussion

- MSMEs Aspirations for Election Manifesto 2024 presented to forum
  - ◆ Advocacy for legalizing remote work for the self-employed
  - ◆ Reforming insolvency regulations to alleviate stigma of failure and prevent entrepreneur suicides
  - ◆ Enhancing resource efficiency and financial accessibility for MSMEs
  - ◆ Preparing financial sector for MSMEs' universal access to finance
  - ◆ Reducing cost of contractual litigation for MSMEs
  - ◆ Reviving manufacturing through MSME upgrade





## Seminar on Reducing cost of Litigation for MSMEs



### Agenda

- 'Friends of MSMEs in Parliament' in collaboration with FISME organized a seminar on 'Reducing Cost of Litigation for MSMEs' on August 10, 2023. The theme of the seminar was: *'Accelerate Justice, Empower MSMEs, Unleash India's Economic Potential'*
- Actual cases were presented during the seminar before legal luminaries, including Hon'ble Minister of Law & Justice, legal counsel from the MoMSME, a retired HC Judge, and counsels with expertise in contracts, insolvency, and mediation

### Issues Addressed

- The high litigation cost drags down GDP growth by about 1.5% every year and imposes compliance burden on businesses, leading to the informalization of economy
- Concerns surrounding arbitration process, execution of arbitral award, issue of Delayed Payments and measures to strengthen the MSMED Act
- Effectiveness of IBC, need for harmonizing it with MSMED Act and practise of treating MSMEs at par with Operational Creditors
- Mediation Act and its effectiveness in commercial disputes resolution



### Recommendations

- i. Expedite arbitrator appointments through legal amendments, ensuring adherence to stipulated time line
- ii. Implement cost-effective arbitration mechanisms tailored to MSMEs' financial capabilities
- iii. Strengthen adherence to Section 34 of the Arbitration Act, deterring frivolous challenges
- iv. All government buying agencies should quarterly report pending arbitration cases and the number of payments pending to their MSME vendors
- v. Arbitral Awards should include interest and not just the principal amount
- vi. It should be ensured that the buyer is obligated to fulfil payment obligations upon confirmation of the arbitral award. If the arbitral award gets challenged under Section 34, the buyer should be made to deposit the amount awarded in arbitration with the court
- vii. A comprehensive dashboard to track cases across Civil Courts, High Courts and Supreme Court



## Roundtable discussion on Indirect Tax issues faced by MSMEs

### Agenda

- A Roundtable discussion was organized by FISME in collaboration with 'Friends of MSMEs in Parliament'
- The session deliberated the bottlenecks faced by MSMEs in the e-commerce sector due to the GST regime, and offered recommendations to promote ease of doing business
- The issues and concerns were later presented to 'Friends of MSMEs in Parliament'



### Key Issues Discussed

- Need for a simplified tax regime to empower MSME sector
- Challenges relating to GST requirements such as securing Principal Place of Business (PPOB) registrations in every state of operation, OTP mechanism, updating GST certificates for additional premises and physical invoices
- Bottlenecks faced by MSMEs in the e-commerce sector due to the GST regime
- Need to identify areas of improvement for the benefit of MSMEs such as easing registration hassles, improving working capital blockages and rationalisation of rates

### Recommendations

- i. An alternate mechanism through which returns can be submitted, instead of the OTP-based system
- ii. A training session focussed on e-commerce awareness for GST officials
- iii. Doing away with physical invoices should be given more consideration in a digital age
- iv. Adopting a single home state PPOB model in GST regulations to enhance operational flexibility for sellers
- v. Safeguarding state GST revenue and maintaining transparent audit trails
- vi. Permitting digital B2C transaction invoices to aid MSMEs in cost reduction and contribute to minimising carbon footprint
- vii. An API-based APOB registration system by e-commerce operators for each seller's GSTIN at warehouses to help reduce time required for inventory placement and eliminate repeated verification of the same premises
- viii. Reducing the TCS rate to 0.1% cumulatively to resolve the working capital issue for sellers



## Other Key Initiatives

### Representation to Government

- A delegation of FISME led by Shri Rajendra Agarwal, Convenor, 'Friends of MSMEs in Parliament' met Union Finance Minister Nirmala Sitharaman seeking prioritisation of medium-sized enterprises in the economic development of India
- Bank Guarantees: Letter was sent to Finance Secretary with a request to convene meeting of Industry with the RBI, IBA, IRDAI
- BLR: Letter to DFS, (Department of financial Services) requesting for a meeting
- Foreclosure: Letter with details was sent to Chairman, PSC (Parliamentary Standing Committee) on Finance



### Representation to Parliamentary Standing Committee (PSC) on Finance


- Convenor, 'Friends of MSMEs in Parliament' arranged meeting with Chairman, PSC (Parliamentary Standing Committee) on Finance Shri Jayant Sinha
- Letter with details on Foreclosure issues was sent to Chairman, PSC (Finance)
- A meeting under aegis of Parliamentary Standing Committee of MSME Associations and the RBI, IBA, IRDAI and concerned departments was proposed
- Three major issues highlighted were-foreclosure charges, BLR rating, issues pertaining to bank guarantees


### Banking Grievance Redressal Portal for MSMEs


A dedicated online platform designed to address banking-related concerns and grievances of Micro, Small and Medium Enterprises (MSMEs) in India. The portal was launched on 14 December 2023 at the 3<sup>rd</sup> SAMWAD discussion of the Forum. It provides support to MSMEs for registering their banking grievances, tracking their complaints, assistance for legal aid and advice on banking issues.


**BANKING GRIEVANCE REDRESSAL PORTAL**  
For MSMEs


HOME POST GRIEVANCE ABOUT US SUCCESS STORIES LOGIN ADMIN


 **Post Your Banking Grievance**  
→

 **Track Your Grievance Status**  
→

 **Read Our Success Stories**  
→

**OPERATED BY**  
  
FEDERATION OF INDIAN MICRO AND SMALL & MEDIUM ENTERPRISES

**IN PARTNERSHIP WITH**  
  
FRIENDS OF MSMEs IN PARLIAMENT



<https://bankgrievances.com/>



## Centre of Excellence for Aspiring SMEs (CoEAS)

- Centre setup by IFCI Ltd. & FISME to address three critical needs of SMEs
- **Access to Equity**  
Private Equity & Public equity listing on SME/ main exch-anges
- **Access to Technology**  
Through Licensing/ Joint Venture routes from East Asian & Western countries
- **Strengthening support systems for aspiring & rapidly growing SMEs**  
Through research-based advocacy for reforms in regulatory and promotional set-up
- CoEAS to provide strategic services to help SMEs raise equity and investment
- Centre had signed MoU with the Korean Small & Medium Enterprises Association in India (KOSMA)



## MSME issues for Election Manifesto

- Legalizing working from home for self-employed
- Bringing Insolvency rules to destigmatize failure
- Making MSMEs resource efficient to ensure sustainable jobs
- Preparing financial sector for MSMEs' universal access to finance
- Reducing cost of contractual litigation for MSMEs
- Reviving manufacturing through MSME upgrade

## Study for Quadrupling Meerut's GDP

- The study recommended a Bottom-up District led growth model and Public Private Partnership to accelerate growth of Agriculture, Industrial & Services sectors
- Dissemination of report to NITI Aayog, PMO, CM, DPIIT, MoMSME and other policymakers
- Steering Committee formed under the leadership of Shri Rajendra Agrawal, Hon'ble MP, Meerut, Convenor, 'Friends of MSMEs in Parliament' and Shri Deepak Meena, DM, Meerut (Co-Chair)
- Cluster wise Implementation plan was prepared and Cluster Working Groups formed to identify the growth challenges and constraints





## Members- 'Friends of MSMEs in Parliament': 17th Lok Sabha 2019-24

### Name & Constituency

**Rajendra Agrawal**  
Meerut(UP)



**Vivek Narayan Shejwalkar**  
Gwalior (MP)



**Dhalsingh Bisen**  
Balaghat (MP)



**Guman Singh Damor**  
Ratlam (MP)



**Ganesh Singh**  
Satna (UP)



**Kunwar Pushpendra Singh Chandel**  
Hamirpur (UP)



**Jagdambika Pal**  
Dumariya (UP)



**Nayab Singh**  
Kurukshetra (Haryana)



### Name & Constituency

**Shankar Lalwani**  
Indore (MP)



**Dharambir Singh**  
Bhiwani-Mahendragarh  
(Haryana)



**Ramesh Chander Kaushik**  
Sonipat (Haryana)



**Sunita Duggal**  
Sirsa (Haryana)



**Subhash Chand Baheria**  
Bhilwara (Rajasthan)



**Jugal Kishore Sharma**  
Jammu



**Sushil Kumar Singh**  
Aurangabad (Bihar)



**Uday Pratap Singh**  
Hoshangabad (MP)



## Convenor

Shri Rajendra Agrawal has been Member of the Lok Sabha of India. He has been elected from the Meerut-Hapur Lok Sabha constituency in Uttar Pradesh consistently three times since 2009. He holds a Master's degree (M.Sc) in Physics. He has been the Chairman of the Committee on Government Assurances and a member of the Panel of Chairpersons of the Lok Sabha. He has been the Chairman of the Joint Parliamentary Committee on the Citizenship Amendment Bill, 2016. He has consistently raised issues concerning MSMEs in the Parliament and outside.

## Secretariat

The Group is to use FISME (Federation of Indian Micro and Small & Medium Enterprises) as the Secretariat and its back office. FISME will coordinate and organize interactions and meetings as directed by Convenor of the Group-'Friends of MSMEs in Parliament'.

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A FORUM OF  
PARLIAMENTARIANS FOR MSMEs

<https://friendsofmsme.org.in/>

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