

We have made manufacturing more complicated: CEA

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India has made its manufacturing sector complicated for small and medium enterprises with onerous rules such as those related to use of land, Chief Economic Advisor (CEA) V Anantha Nageswaran (*pictured*) said on Monday.

Speaking at an event by the India Exim Bank, Nageswaran said that the issue will come up in the Economic Survey to be released on January 31, "Land is subject to so many regulations that enterprises are not able to use it fully... Any law-abiding firm, an

MSME, will not be able to use even 20-30 per cent of the land on the ground floor. We have made manufacturing more complicated."

He said that manufacturing units are built on stilts as ground floor use gets restricted due to parking norms which means land cannot be used optimally. "India has the lowest per capita land availability among the G20 countries and it is a scarce resource."

Talking of challenges that the Ministry of Micro, Small and Medium Enterprises (MSMEs) face in the context of changes brought through 43(B) of the Finance Act, the CEA highlighted the need to look at political economy and behavioural resistance that con-

tinues in the country. He said that the government gave a nudge for timely payments to MSMEs since working capital is crucial for them, but there has been demand for roll back from larger firms.

The 43(B) provision dictates that a payment due to an MSME will be eligible for deduction only when the payment is made to the firm and within 15 days if there is no contract with the MSME.

On improving access to credit for MSMEs, Nageswaran said that there is a greater

room for credit access if banks are willing to make earnings based decisions instead of giving credit on the basis of collaterals to which smaller firms have limited access.

On exports, the CEA said that while policy can be a facilitator, action has to come from the private sector. "Export growth is a function of external demand. Exports are a consequence of private sector action. Policy should not stand in the way.

Where it is possible to make it easier, we should," Nageswaran said.

