

Nourishing Dwarfs to become Giants

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Source: Economic Survey 2018-19

Nourishing Dwarfs to become Giants: Reorienting policies for MSME Growth

- Survey focuses on **enabling MSMEs to grow for achieving greater profits, job creation** and enhanced productivity.
- Dwarfs (firms with less than 100 workers) despite being more than 10 years old, account for more than 50% of all organized firms in manufacturing by number.
- Contribution of dwarfs to employment is only 14% and productivity is a mere 8%.
- Large firms (more than 100 employees) account for 75% employment and close to 90% of productivity despite accounting for about 15% by number.
- **Unshackling MSMEs and enabling them to grow by way of:**
 - A sunset clause of less than 10 years, with necessary grand-fathering, for all **size-based incentives**.
 - **Deregulating labor law restrictions** to create significantly more jobs, as evident from Rajasthan.
 - **Re-calibrating Priority Sector Lending (PSL)** guidelines for direct credit flow to young firms in high employment elastic sectors.
 - Survey also focuses on service sectors such as tourism, with high spillover effects on other sectors such as hotel & catering, transport, real estate, entertainment etc., for job creation

