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FOSMI

Federation of Small & Medium Industries, WB

MSME *news*



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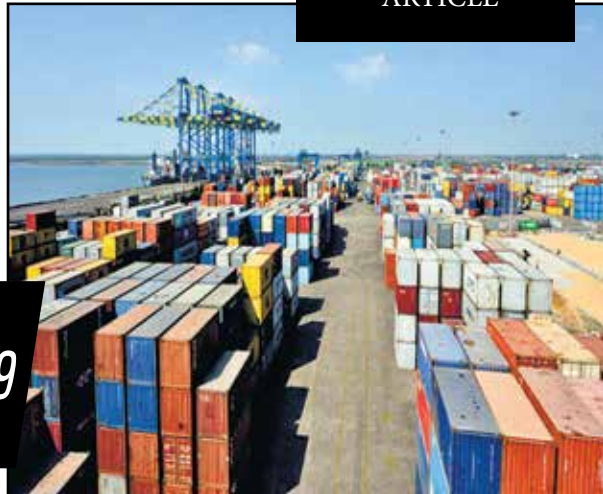
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Editorial

The interim budget presented by Hon'ble Finance Minister Smt. Nirmala Sitaraman was designed to facilitate the transition to the full budget following the elections in July'24, places a strong emphasis on supporting Micro, Small and Medium Enterprises (MSMEs). Recognizing the pivotal role of the automotive industry in shaping the future of digital mobility for MSMEs, the budget prioritizes environmental sustainability by promoting the adoption of eco-friendly technologies.



To address the need for new skills and technology in the MSME sector, the government has established the Ministry of Skill Development and Entrepreneurship (MSDE), with a focus on scaling up skill development efforts to realize the vision of a 'Skilled India'.

Additionally, there is a concerted effort to promote the adoption of Electric Vehicles (EVs), including plans to establish solar-powered EV charging stations. These initiatives are expected to not only bolster the domestic market but also attract international investors.

Furthermore, the budget encourages small, medium and micro enterprises to enhance their production capabilities, integrate into global value chains and strive for self-sufficiency. Artificial Intelligence (AI) is recognized as a key enabler in this regard, with a target set to automate processes and drive innovation.

Turning to India's broader economic landscape, it is evident that the nation has made significant strides since independence, despite centuries of colonial rule. With a GDP growth rate of around 7% amidst a global economic slowdown and a youthful population comprising 66% of the total, India aspires to become the world's third-largest economy by 2030, with an ambitious export target of US\$ 2 trillion.

The government's unwavering commitment to technology, sustainability and skill development serves as the cornerstone of its strategy to achieve these objectives. By leveraging these pillars, India aims to navigate the challenges of the present while charting a course towards a prosperous and inclusive future.

The inauguration of the 4.8km Howrah Maidan-Esplanade stretch connects Kolkata and Howrah under the Ganga River Metro Green Line by Hon'ble Prime Minister of India Sri Narendra Modi, marks a significant milestone in urban infrastructure development. This feat represents innovative engineering and planning.

In closing, I extend my warmest wishes to you and your loved ones for a joyous and vibrant Holi celebration, filled with laughter, merriment, and cherished memories.

With Warm Regards

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President's Message



Biswanath Bhattacharya
President, FOSMI

As we usher in the promising financial year of 2024-25, I extend heartfelt wishes to each of our members. May this new year bring prosperity, growth and success to our businesses and endeavours. In the upcoming year we plan to focus on several key initiatives and enhance the productivity and resilience of our members.

The seventh Bengal Global Business Summit (BGBS) was held at the Biswa Bangla Convention Centre in Kolkata on November 21–22, 2023. The collaborative spirit demonstrated at the summit lays the foundation for a dynamic and prosperous future for the state, showcasing the power of partnerships in driving economic progress. As the global business community watches, the onus is now on West Bengal to transform promises into reality and emerge as a positive move towards economic success.

The Finance and Corporate Affairs Minister Smt. Nirmala Sitharaman, presented the Interim Union Budget for 2024-2025 in Parliament on February 1, 2024. The budget presentation underscored the government's dedication to fiscal prudence and signalled a bold step towards revitalizing the nation's economic landscape, fostering social inclusivity and

embracing a sustainable future. The Government's vision, as outlined in the budget, reflects a resolute commitment to steering the country towards prosperity and resilience.

Throughout the year 2023, FOSMI arranged various productive programs for the members to foster collaboration, knowledge sharing and enhancing overall industry competence. The activities were aimed for improving efficiency, innovation and to address industry challenges of FOSMI members. During the year 2023, FOSMI's participation in various meetings with the Central Govt. bodies gave an ample opportunity towards policy advocacy for the betterment of MSMEs on various issues and such involvement of FOSMI have created space for constructive discussion with Government officials on policy matters concerning the MSMEs.

Our commitment to the growth of FOSMI members remains unwavering and, in this dedication, FOSMI initiated programs to equip its members with the tools and knowledge needed to embrace operational efficiency by adopting Competitive Lean Scheme under Quality Council of India (QCI) and deeply involved in extending all support to its members through capacity building activities. FOSMI's untiring commitment to empowering its members with the skills and insight will enhance their operational effectiveness and contribute to overall growth.

Sustainability is the core of our vision for the future. In line with this, FOSMI with a deep pride conducted an International Conference under the approval of Ministry of MSME, Govt. of India on the theme- "MSMEs: Embracing to Circular Economy". The conference served as a platform to explore innovative approaches, acquire knowledge on best practices through the shared knowledge and experience of eminent foreign experts /speakers from different corners of Globe in the conference on Circular Economy. Indeed, the great event registered 13 Foreign speakers, more than 150+ participants from MSME fraternity including good numbers of Women Entrepreneurs symbolising the commitment of our members for adoption of sustainable practices. Appreciably, it was a great achievement for FOSMI. I am confident that these endeavours will fortify our position in the industry and pave the way for a prosperous future business landscape.

FOSMI is dedicated to helping each member to succeed, making sure members do well in today's changing business world. FOSMI is looking forward with all positivity during the year 2024. Our journey continues with renewed energy and will remain focussed and aiming for more productive activities for overall development of its members.

Best wishes

Crucial Role of Circular Economy for SME in South Asia



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ost of materials is the lion share in any of the manufacturing enterprises and the escalating prices of the materials trigger a series of unprecedented challenges to Small and Medium Enterprises (SMEs) all over the world. The root cause for the increasing cost of materials has been the scarcity of them due to unsustainable rate of extraction over the decades from the natural capital.

In general, sustainability means the ability to continue a defined behavior indefinitely. The 'environmental sustainability' applies not only for non-renewable resources but even for renewable resources. If the rate of harvest exceeds the rate of regeneration, the renewable resource also starts depleting.

The concept of a circular economy has gained a significant traction worldwide as a sustainable alternative to the threat posed by increasing prices of the materials. The paradigm shift from traditional linear economy model to the circular economy emphasizes the importance of keeping resources in use as long as possible, extracting the maximum value from them;

and then recovering and regenerating products and materials at the end of each service life. For SMEs in South Asia, embracing the principles of a circular economy is a strategic necessity for long-term success and resilience in a rapidly evolving global market.

South Asia is home to a diverse array of SMEs, ranging from traditional artisans to high-tech manufacturers. These businesses play a pivotal role in driving economic growth, generating employment opportunities, and fostering innovation in the region. The array of challenges triggered with resource constraints and environmental degradation are common to those SMEs also. Embracing a circular economy presents SMEs with an opportunity to address these wide spectra of challenges effectively while unlocking new avenues for growth and competitiveness.

One of the key benefits of transitioning to a circular economy for SMEs is enhanced resource efficiency. By adopting circular economy practices enterprises can achieve the success in prevention at source and improve the cost competitiveness directly. The tools such as Resource Efficient Cleaner Production provide the basis for the rest of the circular economy tools by increasing the resource productivity in cost effective manner.

Recirculation of resources as the next stage reduce their reliance on virgin materials. This not only conserves natural resources but also lowers production costs, making SMEs more competitive in the market. Even SMEs in South Asia can implement Extended Producer Responsibility (EPR) programmes in a cost-effective manner through recovery of resources. The buyback principles and providing the service from the product instead of selling the products are business strategies that help to recirculate the valuable materials within the loop. Moreover, by establishing closed-loop systems, SMEs can create new revenue streams and reduce their environmental footprint simultaneously.

Furthermore, embracing circularity fosters innovation and product differentiation among SMEs. By rethinking product design and incorporating principles such as modularity, durability, and recyclability, businesses can create products that are not only more sustainable but also more appealing to eco-conscious consumers. Eco-design is a promising tool that facilitate such resource circulation approaches by incorporating the environmental considerations over the life cycle of the product, from extraction of raw materials to the end of life. Eco-design has been implemented in the enterprises in Sri Lanka according to UNEP Design for Sustainability (D4S) methodology where switching on to low impact materials such as Cleaner, renewable, recycled or recyclable alternatives and minimizing the usage of materials are prime strategies. Those companies

has been able to not only to reduce the cost of the products but also secure the customer preference in the export market positioning those products as greener eco-friendly alternatives.

Eco-innovation is a vital tool to develop more sustainable business models by changing the business strategies of the company. This opens up new markets and strengthens customer loyalty, driving long-term growth and profitability. Additionally, collaboration along the value chain, including partnerships with suppliers and customers which are well known strategies in eco-innovation can lead to the development of innovative business models that promote circularity at every stage of the product lifecycle. Sri Lankan enterprises those who have implemented eco-innovation has embarked on sustainable product innovation and improvements in supply chains creating to positive impact on both profitability and environmental performance.

Importantly, the transition to a circular economy offers SMEs in South Asia an opportunity to future-proof their businesses against environmental risks and regulatory pressures. With increasing awareness of resource depletion, governments and regulatory bodies are introducing stringent environmental regulations and incentivizing sustainable practices. By proactively embracing circularity, SMEs can stay ahead of regulatory requirements, mitigate operational risks, and build a positive reputation for environmental stewardship, enhancing their resilience in an uncertain business environment.

However, transitioning to a circular economy is not without its challenges. SMEs in South Asia may face barriers such as limited access to technology and expertise, inadequate policies, incentives and infrastructure for waste management, and a lack of supportive policies and incentives. Addressing these challenges requires concerted efforts from governments, industry associations, financial institutions, and other stakeholders to provide SMEs with the necessary support, training, and incentives to adopt circular practices effectively.

In conclusion, the adoption of circular economy principles presents a transformative opportunity for small and medium enterprises in South Asia. By enhancing resource efficiency, driving sustainable innovation, redesigning the products according to the eco-design principles and developing eco-innovative business models can help SMEs unlock new avenues for growth and competitiveness while contributing to circularity and sustainable development goals.

As champions of entrepreneurship, industrial chambers have a crucial role to play in advocating for and supporting the transition to a circular economy, ensuring a brighter and more sustainable future for SMEs in South Asia and beyond. ■

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Integration of ESG (Environment, Society, Governance) in Shaping Export Behaviour

Strategic Choice among Small and Medium Scale Industries



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In literature, the concept of innovation refers to the use of new technology or new management practices in an organization to achieve a targeted improvement in its operations.

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oosting exports is a policy goal for countries worldwide, and emerging economies are leveraging on talent pool, diversity, social media skills, opening learning opportunities, networking and series of business and trade expo, all aiming to increase the well-being of their citizens. For emerging markets and in particular for small and medium enterprises (SMEs), export activity and involvement in global value chains have become a key success factor given national currency fluctuations and imported inflation (Atkin et al., 2017). However, to boost the exports, firms have to be internationally competitive and innovative. Innovation is a multifaceted construct that encompasses the generation, development, and implementation of an idea or behaviour that is

new to the adopting organization (Damanpour, 1996). Innovation has become a necessity for all contemporary enterprises that want to survive in a world characterized by competition, technological change, and recurring crises. In literature, the concept of innovation refers to the use of new technology or new management practices in an organization to achieve a targeted improvement in its operations. Industry experts, consultants, policy promoters as well as researchers from academic institutions have acknowledged the importance of exporting of goods or services and thus, how global economy thrives with raw material procurement from indigenous and offshore locations and finished goods get exported. Many scholars have emphasised on exporting being one of the most common means of entering international markets.



Figure 1: Growth Phases of Traditional industry to Export focusing industry

Exporting enables firms to employ non-utilized operating capacity, increase production efficiency and, in turn, profits, and to ensure survival in a highly globalized marketplace.

Based on Bilkey and Tesar (1977) and their postulated stages on export behaviour among manufacturing industries, with minor improvisations, (Figure 1) shows how gradually small and medium scale industries shape export behaviour and position successful entrepreneurial strategies.

Export Behaviour

The first study on export behaviour as a marketing innovation was done in 1968 by Kenneth Simmonds and Helen Smith[1]. It was perceived that, the fundamental motivation to take such approach

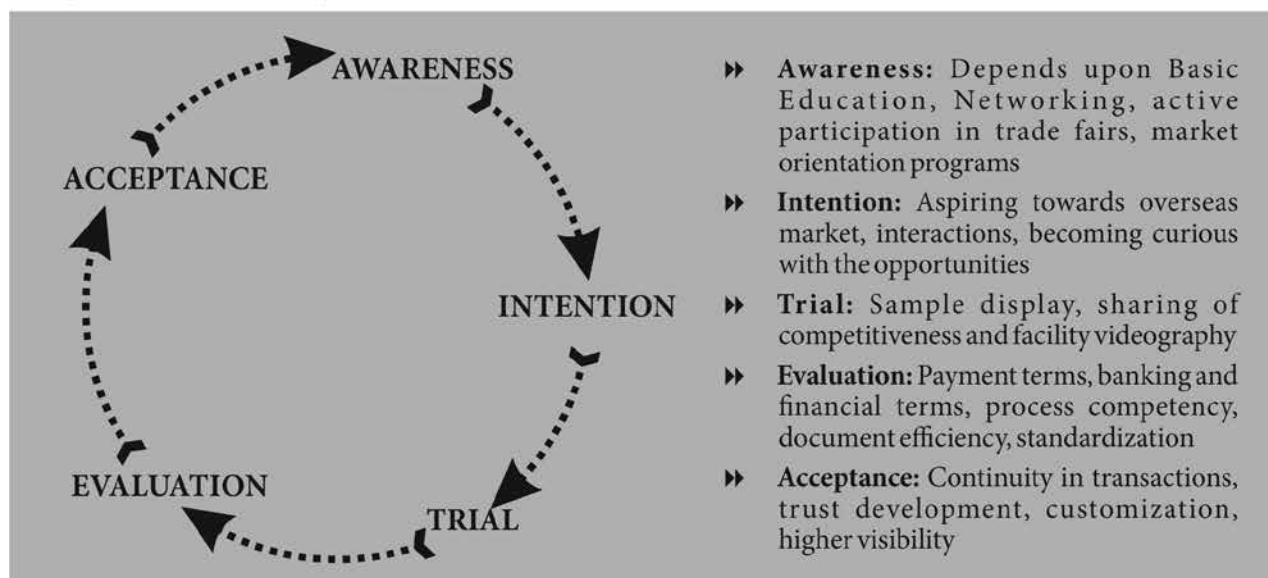
of entering into export market is conceived as innovation within the closed environment that firms usually operate. Though export behaviour is not literally popular of those times, many researches have adopted innovation in majority of the business context. At this time, although little was known about export behaviour in particular, there were many studies on adoption of innovations in other business and management contexts, and thus, an unconstructed term has gradually taken a major role in the form of export behaviour in literature.

Different hypotheses have been tested to check and validate export behaviour among the firms, and it was mapped that export behaviour can be understood, in majority of the small and medium scale firm's

activities include,

- Internalization of innovation, that is, venturing into export behaviour without specific influencing factors from the external sources
- The firm's leadership approach and vision has been the primary factor in leading the firm in to export behaviour
- Higher the appetite and confidence on the quality of product, and clarity of the product demand in the overseas market, thus leading to aggressive and competitive nature of the firms to embrace export behaviour
- Thought provoking discussions, and brain storming on the merits of specific overseas market, building resources

Export Behaviour Stages



towards such alignment of entry into the overseas market is also could be the leading factor to attribute to export behaviour

Globalisation and Opportunity for Innovation:

Over the last past decade or more, the speed of globalization and quick adaptation to the changing economic activity have opened-up different opportunities for the small and medium scale industries on innovation. Globalization normally results in free movement of goods and services across the borders. High tariff walls (i.e. Import tax, quotas or voluntary export restraints) imposed by the importing nations, may prevent the MSMEs to compete in the global market (Mukherjee 2018). On the other hand, there have been increased cross border cooperations and new business ideas and instant monetization of the specific business ideas have been outrightly tested and monetized with increased exposure to social media platforms. Some of this innovation activity is being gearing up to pooling and evaluation of innovation, be they like ideas, technological adaptability, designing interfaces, funding and financial opportunities, positioning of technologies and limiting routine activities from core activities. Input ideas like ideas, finance, skills, technologies from overseas geographies have been tweaked to indigenous opportunities, and at other places have been leveraged to the advantage of outputs, including products and services, patents, licenses, etc. in overseas markets.

Literature has been optimistic and many incidences of the relationships between the business innovations– survival strategies of small and medium scale industry has been illustrated. It is well emphasized that innovation is critical to the continuity of any enterprise, and to give second life and life-cy-

cle stretching of the industry. According to Gaynor (2002), innovation is the core factor behind the survival and continuity of enterprises; it supports the company's expansion and growth and enhance the enterprise's future success. Other literature supports role of innovations in overcoming business obstacles and external challenges in the domain of industrial SMEs' success and survival. Schumpeter (1942) declared that the enterprise's survival is strongly linked to its innovation practices. Another trend synchronous with globalization is an increasing awareness of the importance of sustainable development among researchers and practitioners (Teplova et al., 2022). According to Brundtland and Khalid (1987), sustainable development is "development which meets the needs of current generations without compromising the ability of future generations to meet their own needs."

Pricing and non-pricing factors :

Introductory economics banks on perfect competition as baseline model across many types of industries, and small and medium scale industries are not an exception. But with rapid changes in the market dynamics, a relook into this issue should help in several ways. Many players might not go with such market set price, and explore other ways including value addition beyond consumer expectations. Competitive Market Price Leader is such firm that does not prefer prevailing market price, but basing on specific differences in costs or capacities or market share, opt for the lowest market price and promote through all possible announcements and make others to follow the suit. Some cost-competitiveness measures in the emerging export behaviour nations were based on conducive business climate, tax holidays, the political environment and, more generally,

the quality of institutions, timely policy interventions, all that might accelerate manufacturing and venturing into export business to attract cash inflows. At internal level, some measures include wage moderation, moratorium on annual increments or through internal devaluation practices, some such interventions are not well appreciated among developed geographies. On the other side, the non-price competitiveness factors (NPCF), largely based on the properties of the goods exported like product quality, variety, choice of co. creation, open innovation, crowd designing, the reputation of the seller and the quality of the distribution networks and post-sales services are equally important and they become part of the export behaviour among small and medium scale firms. Though literature has identified these variations not much has been analysed in the context of Indian industries, in particular, how channelising export behaviour among small and medium scale industries can be leveraged.

ESG on Export Behaviour: Though different dimensions are already highlighted against non-price competitiveness factors, recent research pegs on sustainability measures, and more specifically, ESG (Environment – Society and – Governance) as an important parameter that would elevate export behaviour as long-term prospect. In the 1990s, John Elkington's book began to mention the concept of the 'triple bottomline' (1998), including financial, environmental, and social factors as the main factors determining corporate value (stock value). The word ESG appeared for the first time in 2003 in the United Nations Environment Program Finance Initiative in the midst of this change in perspective. Later, in 2005, the ESG concept was officially used in the United Nations Global Compact (UNGC). It is largely understood among many industry practitioners and researchers that

sustainable social responsibility reshapes firms' business philosophies. Tackling social issues such as climate change, wealth disparity, and infectious diseases, leadership due diligence through governance, economic and financial prudence etc., are imperative to achieving sustainable development, and non-price factors will give long leap in boosting export behaviour among small and medium scale firms, and also, bigger and larger firms. National guidelines from Ministry of Corporate Affairs (MCA 2015) in association with Indian Institute of Corporate Affairs (IICA) were updated in September 2015-16, from year 2011, and the new guidelines designed to assist businesses to perform above and beyond the requirements of regulatory compliance. In spite of such proactive measures, national level actions may not be sufficient enough depending upon firm's situation specific to in its own life-cycle stage. Therefore, firms are advised to focus on and participate in solving these problems and incorporate environmental, social, and governance (ESG) factors into their business philosophies. On the one hand, firms cannot operate without a good external environment; on the other hand, by implementing ESG concepts, firms can establish new competitive advantages, such as green technology and brand reputation. Successful integration of sustainability principles will position export behaviour more welcoming, and strengthen good will of the firms. Key enablers in such integrations as identified by MCA include, leadership commitment, employee engagement, stakeholder engagement, disclosure and reporting.

According to stewardship theory, based on psychology and sociology, it is conscious of the management leadership in maintaining and developing the organization's value, and thereby assumes that

managers are faithful, responsive and effective people. Such individuals play key role as good administrators of the resources entrusted. Literature further supports the notion that "an administrator protects and maximizes shareholders' wealth; thus, the shareholder's utility functions are maximized. In comparison with agency theory, where the managers are tempted to take decisions for their own advantage, not for the owners, the steward theory assumes that managers act not in their own interests, but in a given conflict of interest situation they put the company's interests in front of the personal ones. From stewardship theory perspective, directors and managers work for shareholders ensuring the growth of shareholders' wealth. The stewardship theory is also embedded in the stakeholder perspective in connection with corporate ESG management. The stakeholder perspective on the motivation for pursuing social performance, indirectly supports company's strategic motivation in a sense that a company must satisfy all subjects representing various interests surrounding the firm.

On May 10, 2021, SEBI issued a circular introducing the Business Responsibility and Sustainability Report (BRSR), which will replace the Business Responsibility Reporting (BRR). The BRSR is aimed at securing transparent and standardized disclosures by companies on their ESG parameters and sustainability-related risks. This approach is expected to help companies better demonstrate their sustainability objectives, position, and performance to the market, resulting in long-term value creation and increasing the ability of investors to make informed ESG-related decisions.

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Awareness Program on MSME Competitive (Lean) Scheme



Under the aegis of Quality Council of India, FOSMI has initiated an effort to support its members for the adoption of Lean Management in their respective units. In this respect, an awareness program on Lean Competitive Scheme was organised by FOSMI on 15th January 2024 at Academy of Fine Arts. The program was conducted by Ms. Ruchira Mukherjee, who is the approved Lean Management Consultant (LMC) of QCI. Mr. Nitin Yadav from QCI, Delhi also joined the program.

The program witnessed the participation of good numbers of units of which 31 numbers of participants had done their initial registration with QCI with Lean Pledge which is the prerequisite to get started with Lean Management activities. Mr. Nitin Yadav gave detail information about the

concept of Lean Management and also highlighted the Level wise financial support system available to the Lean aspirants. Mr. Yadav added that Ministry of Micro, Small & Medium Enterprises, Government of India, aims to implement the MSME Competitive (Lean) Scheme for MSMEs with an objective to enhance their productivity, efficiency and competitiveness by reduction of wastages in processes, inventory management, space management, energy consumption, etc.

Ms. Ruchira Mukherjee, LMC, in her turn, further reinforced the knowledge of Lean Management and its various stages among the participant units and explained how she will extend her handhold support to the units for successful implementation of Lean Management by the units. She with a highly informative PowerPoint Presentation, made the concept

clearer and more outlined the benefits those can be derived by adopting the Competitive Lean Management Scheme.

Ms. Mukherjee emphasised a holistic approach, incorporating employee training, process mapping and continuous improvement initiatives and assured for introduction of seamless introduction of Lean Management methodologies for adoption of Lean Scheme.

She advised all participants to study the various videos uploaded in the lean portal from which the participants can get requisite information to complete the Basic Level Stage which is free and assured to extend all possible help to participants in this area as and when required.

The program ended with a very useful Question Answer session and with a successful note. ■



International Conference on **MSMEs : Embracing to Circular Economy**

The International Conference on “MSMES : Embracing to Circular Economy” organized by FOSMI was a comprehensive event encompassing various significant sessions and discussions. This report consists of the step wise proceedings of the conference as per the program schedule with detailing on each of the proceedings:

1. Inaugural Session :

FOSMI under the approval of Ministry of MSME, Govt. of India, organized an International Conference on MSMEs: Embracing to Circular Economy, held on 9th February 2024 at the Hotel Park Prime, 226 AJC Bose Road, Kolkata- 700020. The conference witnessed the presence of 4 (four) foreign speakers who joined the conference physically and there were 8(Eight) foreign speakers from different countries who joined virtually. The speakers’ details, their introductions and synopsis of their views on the subject has been covered in the report.

2. Lighting of the Lamp & National Anthem :

The conference was inaugurated with the Lighting of the Lamp Ceremony, attended by spectrum of dignitaries and speakers of the conference. The Lighting of Lamp Ceremony at the International Conference set a symbolic tone, illuminating the path towards sustainable practices. Following the enlightening ritual, as the National Anthem resonated, every par-



participant joined together and sang the National Anthem as mark of reverence and unity. The inaugural ceremony set the tone of a remembering start of the International Conference.

3. The distinguished dignitaries who joined to inaugurate the conference:

✦ **Mr. U. Swaroop**, IAS, Director, Directorate of MSME, Govt of West Bengal, as the Chief Guest.



- ✦ **Mr. P. K. Das**, Joint Director, MSME DFO, Kolkata, Ministry of MSME, Govt. of India, as the Guest of Honour.
- ✦ **Mr. Biswanath Bhattacharya**, President, Federation of Small & Medium Industries West Bengal (FOSMI).
- ✦ **Mr. Alok Mookherjee**, Chairman, FOSMI Advisory Board, as the Guest of Honour.
- ✦ **Prof. (Dr.) Sadhan Kumar Ghosh**, Director General, Sustainable Development & Circular Economy, ISWMAW; Ex Dean & Professor, Faculty of Engineering & Tech, Jadavpur University, as the Session Chair.
- ✦ **Mr. Hemant Sharma**, Section Officer, Ministry of MSME, Govt. of India, as the Special Guest.
- ✦ **Mr. Vladimir Maryev**, Director of the Association of the Development of Waste Processing Industry & the use of Secondary Raw Materials and Deputy Head, Department of Innovative materials of the Federal Road Institute, Russian Federation Moscow, Russia, as the Speaker from Russia.
- ✦ **Mr. Pankaj Kumar Panjiyar**, Chief Operation Officer, Doko Recyclers Pvt Ltd. Kathmandu, Nepal as the Speaker from Nepal.
- ✦ **Mr. Samantha Kumarasena**, Chief Executive Officer, National Cleaner Production Centre, Nugegoda, Sri Lanka as the Speaker from Sri Lanka.
- ✦ **Mr. Janaka Weerasinghe**, Expert on Circular Economy in Cement & Steel Plant, Cambodia, as the Speaker from Cambodia.
- ✦ **Mr. Amit Kumar Sengupta**, Secretary, Federation of Small & Medium Industries, West Bengal (FOSMI).

And

Participants from FOSMI Members, Distinguished Guests from Govt. Departments, Representative from Different Industry Associations, participants from MSME fraternity.

Overview of the Welcome Address of Mr. Biswanath

Bhattacharya, President, Federation of Small & Medium Industries, West Bengal, (FOSMI)

President of FOSMI, Mr. Biswanath Bhattacharya, expressed gratitude to the Ministry of MSME for entrusting FOSMI with the International Conference on MSMEs: Embracing Circular Economy. Emphasizing the need for a sustainable business model, he highlighted the importance of low carbon footprint and the Circular Economy in addressing environmental challenges. Mr. Bhattacharya underscored the potential of MSMEs in embracing Circular Economy, promoting green employment and urged the government to implement long-term strategies for a thriving environment. He anticipated the conference to enlighten MSMEs on Circular Economy's significance for sustainable development and growth.

4. Revealing of Conference Abstract Book :

Mr. U. Swaroop IAS, Director, Directorate of MSME, Govt. of West Bengal, revealed the Conference Abstract Book, a pivotal moment attended by esteemed dignitaries on the dais, speakers and participants. The Abstract Book, a repository of enriched wisdom of the eminent speakers who took part in the discussion and that stands as a testament of true insight of the conference theme.

Followed by the event of the revealing of Conference Abstract Book, all the dignitaries on the dais expressed their views on the conference theme- **Memes : Embracing to Circular Economy.**

5. Overview of the speeches of the dignitaries are as under :

Mr. U. Swaroop IAS, Director, Directorate of MSME, Govt of West Bengal, as the Chief Guest.



Mr. Swaroop expressed gratitude to FOSMI for organizing the Circular Economy conference, emphasizing its significance in environmental conservation. He

acknowledged Mr. Biswanath Bhattacharya's contributions to the State Facilitation Council. Seeking FOSMI's assistance for the UDYAM platform, he highlighted the importance of UDYAM for MSMEs. Stressing recycling in Circular Economy, he addressed challenges for MSMEs in adopting it. Mr. Swaroop urged FOSMI to submit policy papers on Circular Economy, emphasizing industrial estate sustainability. He advised MSMEs to utilize Banglashree Schemes' incentives and assured support for expansion. Requesting FOSMI to list pending incentives and include cost details in policy papers, he appreciated the international conference platform and Ministry of MSME's support.

Mr. Alope Mookherjea, Chairman, FOSMI Advisory Board, as the Guest of Honour.



Mr. Alope Mookherjea emphasised that while the Circular Economy concept is age-old, MSMEs lack sufficient focus on its implementation. He highlights the critical need for resource efficiency, asserting that Earth's resources are dwindling due to extensive exploitation. Mr. Mookherjea advocates for adopting Circularity, particularly in manufacturing processes, as a crucial step to combat the serious threat of waste disposal. Stressing the significance of MSMEs in India, he urges them to embrace Circular Economy practices, envisioning a prosperous future for both the country and its enterprises through sustainable and efficient resource management.

Mr. P.K. Das, Joint Director, MSME DFO, Kolkata, Govt. of India, as the Guest of Honour.



Mr. P. K. Das provided a comprehensive introduction to the DC MSME department under the Ministry of MSME, Govt. of India, emphasizing its role in supporting Micro, Small and Medium Enterprises (MSMEs) in the eastern part of the country. Highlighting the significance of MSMEs in job creation and the development of women entrepreneurs, he discussed the sustainable goal areas achievable through these enterprises. Acknowledging the crucial role of MSMEs during the Covid period, Mr. Das introduced the DC MSME Champion Scheme, encompassing innovative, sustainable and competitive schemes. The aim is to elevate MSMEs from grassroots to champion level, with brief details on financial support from the government. Addressing circular economy adoption, he touched on the ZED (Zero Effect Zero Defect) scheme, focusing on sustainable MSME development by minimizing waste, reducing emissions and promoting energy-efficient manufacturing. Mr. Das also highlighted government initiatives like Atmanirbhar Bharat Abhiyan, Digital India Campaign and



GST reforms, emphasizing their positive impact on MSME growth. He expressed gratitude to FOSMI for organizing the conference, recognizing its importance for the benefit of MSMEs.

Mr. Hemant Sharma, Section Officer, Ministry of MSME, Govt. of India.



Mr. Hemant Sharma extended congratulations to FOSMI for organizing the International Conference and delved into the essence of the International Co-operation Scheme (I/C Scheme) offered by the Ministry of MSME, Govt. of India. Stressing the vital role of Indian MSMEs in the economy, he emphasized the I/C Scheme's role in unlocking their export potential. Capacity building took centre stage, with Mr. Sharma outlined three new interventions, covering financial support for trade fairs, international conferences and reimbursement for export-related costs. He highlighted the Prime Minister's initiative under which the government reimburses charges like RCMC to export promotion councils. Additionally, he mentioned MOUs with 20 Export Promotion Councils for facilitating such support. The speech also touched upon financial aid for export-oriented costs, including insurance premiums and market intelligence dissemination. Mr. Sharma urged participating MSMEs to seize these opportunities for adding value to their export ventures.

The Inaugural Session concluded with a Vote of Thanks from Mr. A. K. Sengupta, Secretary, FOSMI. Hereinafter, Prof. (Dr.) Sadhan Kumar Ghosh, the Session Chair, forwarded the post inaugural core parts of the conference i.e. Technical Sessions comprising of Two Technical Plenary Sessions and one Panel discussion namely:

Technical Session -I:

Circular Economy & MSME

Technical Session II:

Sustainability through Circularity

Technical Session III:

Panel Discussion on Role of Circular Economy in Sustainable Business & Innovation in Adoption of Circular Economy by MSMEs

**Prof. (Dr.) Sadhan Kumar Ghosh,
Director General, Sustainable
Development & Circular
Economy, ISWMAW**



Prof. Sadhan Kumar Ghosh, in his opening address, emphasized Circular Economy's role in MSME sectors. He praised FOSMI's adaptability and highlighted MSMEs' significance in India's economy. Prof. Ghosh stressed the need for Circular Economy from product design to waste management, promoting resource efficiency. He cautioned against MSMEs overlooking losses from wastage. Circular Economy involves closed-loop systems, optimized resource use and renewable energy focus. Prof. Ghosh encouraged MSMEs to utilize generated waste as Secondary Raw Materials, fostering sustainability. He predicted India's Circular Economy to reach 45 billion USD by 2030, with potential savings of 624 billion by 2050. He urged MSMEs to embrace Circular Economy as a "Way of Life," citing its economic, time and global acceptance benefits. Government initiatives like Extended Producer.

6. Oath Taking Ceremony :

Prof. Ghosh concludes his speech with an oath, motivating the audience to work towards Circular Economy practices. He requested all the participants to take an Oath for implementing the CE in respective MSME units as is possible and everybody agreed and stood up for taking the oath. Significantly, all the participants in the hall took an oath with Prof. Sadhan Kumar Ghosh with their commitment which said, "Today on 9th February, 2024, I am hereby taking an oath that, I will try to understand the Circular Economy, will help my organization to implement Circular Economy wherever possible, to increase the Resource Efficiency to make the Sustainable Development in the Industry Sectors for the protection of Environment".

7. Brief summary of the deliberations on the subject, each speaker covered on their allotted topic who joined physically:

7. (a) Plenary Session I:

(Focused on Circular Economy and MSMEs, the session featured two insightful presentation)

**Mr. Vladimir Maryev,
Speaker from Russia**



Mr. Vladimir Maryev spoke on, "Use & Throw Vs Reduce, Reuse, Recycle: A Circular business model for MSMEs in Industrial Parks". He starts his speech highlighting the symbiosis of circularity around us and how those principles got aligned with the creation of an Eco-Industrial Park

in which the waste could be reutilized inside the system. He cited his experience in Japan whose main idea of exchange of energy by recovering the resources from the waste created within the organisation. Mr. Maryev said that the exchange of resources among the industries and the simultaneous research involvement is the necessitating factor and the major success phenomenon for the case of Japan. He also covered the working of eco-industrial parks operated in Denmark. He highlighted how Russia is performing in terms of their waste management speculating the figures of how most of their municipal solid wastes end up in landfills and how their federal project – 2021 helped them visualise on reduction of their waste of which about 50% of them are being recycled and their overall roadmap up to the year 2030. Mr. Vladimir advised the participants to illustrate the methodology of how the eco-industrial park could be constructed. He added that Circular Economy will give lots of benefits to the MSME.

**Mr. Pankaj Kr. Panjiyar
Speaker from Nepal**



Mr. Pankaj Kumar Panjiyar addressed the challenges and opportunities for Circular Economy (CE) adoption in Nepal's Micro, Small, and Medium-Size Enterprises (MSMEs). With a focus on his company's role, he highlighted the significant contribution of micro-industries, constituting over 90% and crucial for employment and empowerment in Nepal. The MSME sector, comprising 84.7% of the workforce, faces challenges like limited finance access, estimating a \$3.6 billion financing gap. He emphasized the importance of the MSME sector for Nepal's economic growth, particularly in rural areas. He detailed his company's e-waste management value chain involving collection, sorting, shredding and recycling. Advocating for a circular economy, he noted its potential to enhance market access, operational efficiency and product quality while aligning with sustainability goals. Highlighting the value of green technology adoption and environmental strategies, Mr. Panjiyar suggested that embracing circular business models could lead to significant contributions to Nepal's economic growth, job creation and environmental sustainability. He touched upon the challenges faced, the need for support, capacity building and emphasized awareness building for a successful

The MSME sector, comprising 84.7% of the workforce, faces challenges like limited finance access, estimating a \$3.6 billion financing gap.



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transition to a circular economy, using his electronic waste management case study as an illustration.

7. (b) Plenary Session II:

(Focused on Sustainability through Circularity, the session featured two insightful presentations)

Mr. Samantha Kumarasena *Speaker from Sri Lanka*



During the Plenary Session II on Sustainability through Circularity, Mr. Samantha Kumarasena from Sri Lanka delivered a comprehensive presentation on establishing circular supply chains for waste reduction and sustainability in production and consumption. He covered topics such as assessing environmental burdens, product-level optimization, circular business models, and tools for developing them. Mr. Kumarasena provided practical insights into implementing circular supply chain practices, emphasizing informed decision-making through Life Cycle Assessment (LCA) analysis. The importance of LCA analysis was highlighted, with a practical example focusing on sustainability in industrial glove manufacturing. This involved energy-efficient practices, waste reduction and the use of sustainable materials. Mr. Kumarasena pointed out that manufacturers can minimize their energy footprint through innovation and adapting machines for lower consumption. He cited the example of notable companies like Mölnlycke Health for integrating sustainability across their business, demonstrating strides in energy efficiency, water management and waste reduction. Overall, the session provided a thorough understanding of practical steps for waste reduction and sustainability in industrial processes.

The importance of LCA analysis was highlighted, with a practical example focusing on sustainability in industrial glove manufacturing.

Mr. Janaka Weerasinghe *Speaker from Cambodia*



Mr. Janaka Weerasinghe presented on "Integrated Waste Utilization and Circular Economy in Cement & Steel Manufacturing" in Cambodia, emphasizing the pivotal role of industrial symbiosis in transitioning to a circular economy. He highlighted the concept of collaborative waste exchange between industries to amplify resource productivity and reduce environmental impact. Weerasinghe showcased the case of Cement Kiln Coprocessing, an effective waste treatment method in cement manufacturing. This process, recognized by the UNEP Basel Convention, involves recycling mineral materials and recovering energy simultaneously, surpassing landfill and incineration in environmental performance. The European Union's cement industry has achieved a 43% substitution of fossil fuels with waste-derived alternatives, with potential for further improvement. Co-processing not only lowers CO2 emissions but also promotes sustainable waste treatment, reducing reliance on virgin materials. Weerasinghe's presentation underscored the economic and environmental advantages of industrial symbiosis and Co-processing, aligning with the principles of the circular economy and contributing to sustainable development.

Mr. Janaka highlighted the concept of collaborative waste exchange between industries to amplify resource productivity and reduce environmental impact.

The Plenary Sessions ended with a lively question answer session.

7. (c) Technical Session III:

The post lunch session was the Technical Session III which was the panel discussion delved into the

Contd. on page..... 34



Awareness Program on Key year end compliances on GST

A very highly informative awareness cum interactive session was conducted by FOSMI on Key Year end Compliances on GST, which was held at FOSMI conference hall on 19th March 2024. The session was conducted in association with the Directorate of Commercial Tax, Govt. of West Bengal. The entire session was conducted in two parts, namely, to start with a session on Profession Tax, conducted by Smt. Saswati Banerjee, Deputy Commissioner of Revenue, Govt. of W.B, followed by the GST session, conducted by Shri Sukanta Ray, Deputy Commissioner of Revenue, Govt. of W.B.

Smt. Banerjee very elaborately covered various important sections of Profession Tax audits applicability. She in detail covered the areas of enrolment and registration process and when a person become liable to pay Profession Tax. She also explained the schedule of rates, callings and employments under the prescribed section under "Schedule" in the West Bengal State Tax on Profession. She in her deliberation gave a vivid illustration of applicable Rate of Tax based on monthly earnings on account salary or wages also individual engaged in any profession or calling.

Smt. Banerjee in her session took various questions from the participants and replied to their queries and assured to extend all support whoever is needed.

Followed by the session of Smt. Banerjee, Shri Sukanta Ray took the session on important compliances of GST. In his opening note, Shri Ray said that under the general provisions of the GST laws, such as issuing invoices, maintaining records etc. are to be continually followed throughout the year and hence, there is no specific compliance needed at the year end but every tax payer should be compliant of all the required provisions of the GST law. He said that 30th November of a year is more special date in GST calendar on which return compliances related to previous financial year like availing of missed out ITC, reporting of Credit Notes etc get time barred.

Shri Ray through power point presentation covered various important areas of GST like, compliances related to returns/statements/ undertaking etc. He covered in detail about the eligibility to file return under (QRMP) system. He said that QRMP system is Quarter Returns with Monthly Payment (QRMP) Scheme is for eligible taxpayers to file their Form GSTR-1 and Form GSTR-3B returns on quarterly

basis, while paying their tax dues on monthly basis through a challan.

While explaining compliances related e-invoicing, Shri Ray briefly explained e-invoicing and said that e-invoicing under GST denotes electronic invoicing defined by the GST law. Under which, GST-registered business uses an e-way bill while transporting goods from one place to another like, certain notified GST-registered businesses must generate e-invoice for Business-to-Business (B2B) transactions. He further added that, ever since the introduction of the e-invoicing system, there have been significant changes in the threshold from time to time.

Shri Ray in his session covered certain general compliances like, reporting of missed out outward invoices/debit notes.

Contd on page...34





Utilization, Input Tax Credit-Matching of Claims, Input Tax Credit -Reversal and Special provisions under Input Tax Credit. He well defined the concept of RCM (Reverse Charge Mechanism) and explained the basics of RCM for easy understanding of the subject by the participants. Shri Ray covered in depth about RCM applicability in different services and defined relevant sections which have RCM applicability on notified goods and other important provisions of RCM with defined suppliers' responsibilities for availing RCM introspect to the maintenance of records and documents.

Due to paucity of time, Shri Ray could not cover a detail on discussion about the various changes took place in GST

Awareness Program on GST & GeM



An awareness program on GST and GeM was held on 12th of December 2023 at Calcutta Club Ltd. After the welcome address of President FOSMI Shri Biswanath Bhattacharya, Shri Saubhik Datta, Additional Commissioner, State Tax, Govt. of West Bengal gave his opening remark about the importance of the session. After the address of Shri Datta, Shri Sukanta Ray, Asst. Commissioner, State Tax, Govt. of West Bengal made a very useful power point presentation on ITC (Input Tax Credit) and RCM (Reverse Charge Mechanism). Shri Ray in his deliberation, started with the basics of ITC which all tax payers need to know and

then very clearly defined about the conditions those are need to be satisfied by the tax payers to become eligible for ITC. Shri Ray also very vividly defined the input tax avilment structure and defined how the auto population from GSTR 2B to 3B takes place and editing values of GSTR 3B.

The Input Tax utilisation is another area for the tax payers which was clearly explained by Shri Ray. Also, the special provisions of reversal of ITC are the few more important aspects of ITC was defined and explained by him in very clear way by citing examples.

Shri Ray also covered in detail the areas like, Input Tax Credit

in the recent past, however, some important changes were defined and explained before the participants and handed over a highly informative PPT for circulation among the members. GST session was found to be highly informative and productive.

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Going Global Partnership Industry Academia Collaborative Project

We are glad to inform that FOSMI was the Lead Partner among the India Industry Partners in the Going Global Partnership Industry Academia Collaborative Project Titled: Circular Economy (CE) in Small and Medium sized Enterprises (SMEs) approved by the British Council, UK. The other partners were Aston University, Birmingham, UK as the Lead UK partner and Jadavpur University was the Lead Partner among the India Industry Partners.



The project ran for one year since January 2023 under the theme: “Sustainability Management, Low Carbon Economy and Businesses” to encourage and improve the resource efficiency and implementation of Circular Economy Principal by reducing Carbon Footprint on different processes in selected Small & Medium Scale Enterprises (SMEs) in India and UK.

On completion of the project, a dissemination workshop on the Going Global Project was held in the 13th International Conference on Sustainable Waste Management and Circular Economy and IPLA Global Forum 2023 which was held in the month of November – December 2023 at K J Somaiya Institute of Management, Mumbai, India in partnership with International Society of Waste Management,

Air and Water (ISWMAW) with the support of a number of organizations worldwide including the United Nations Centre for Regional Development, Japan, SINTEF, Norway, APPCB, MSPCB, IMA, UD Departments, FOSMI and many other organizations. The event had more than 140 publications across the globe.

It gives us immense pride to inform that, in the said conference FOSMI was approached to nominate few SMEs and industry leaders to take part in the 13th International Conference on Sustainable Waste Management and Circular Economy and IPLA Global Forum 2023 to spearhead this revolution of Waste Management and Circular Economy.

In the said conference cum workshop, FOSMI nominated Mr. Abhijeet Mukherjee – Founder and Director of Neo Enterprise, one of our esteemed members who was deeply involved with the various activities of the project to represent FOSMI.

Mr. Mukherjee attended the conference and also mentored two research scholars from Jadavpur University with technical and practical sessions at his factory and co-wrote and presented a research paper. He presented a research paper on waste management and circular economy at the esteem conference. The research paper was later adjudged as the best paper presented in the respective field.

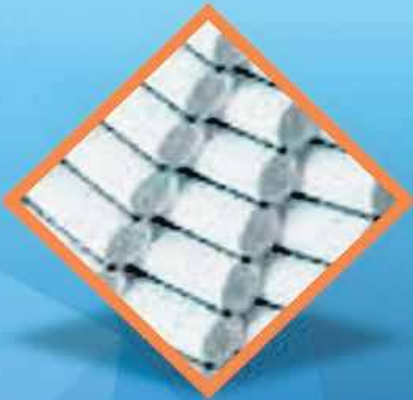
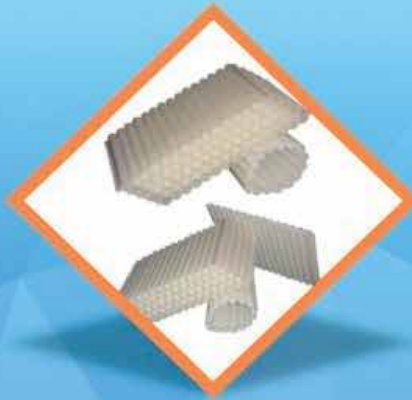
We would like to congratulate Mr. Abhijeet Mukherjee on this feat and representing FOSMI at the global forum. ■



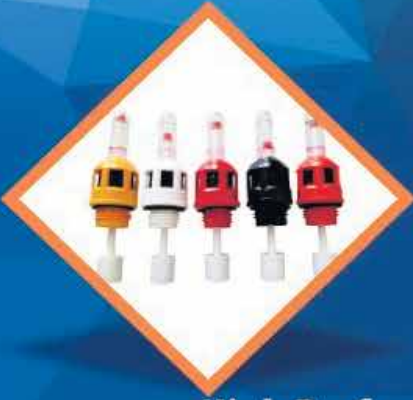
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Section 43B essentially provides a list of expenses allowed as deduction under the head 'Income from business and profession' only in the year of actual payment instead of the year when it was incurred as an expense.

45-day MSME payment rule effective from 1st April'24

How buyers will be taxed on delayed payments

The government in last year's budget had proposed an amendment to Section 43B of the Income Tax Act to insert a new clause (h) as an additional measure to address the challenge of delayed payments faced by MSMEs in the country. The government in last year's budget had proposed an amendment to Section 43B of the Income Tax Act to insert a new clause (h) as an additional measure to address the challenge of delayed payments faced by MSMEs in the country, hindering the flow of working capital and overall business growth.

The clause (h), which will come into effect on April 1, 2024 with 2024-25 as the assessment year (that is financial year 2023-24), aims to address the issue of delayed payments by disallowing expenses to buyers on invoices from MSEs unless paid within 45 days (where agreement exists) and within 15 days if there is no agreement. Section 43B essentially provides a list of expenses allowed as deduction under the head 'Income from business and profession' only in the year of actual payment instead of the year when it was incurred as an expense.

Similarly, in case of payment due to the MSME, the clause (h) maintains that the amount to be paid to the MSME beyond the time limit specified (45 days or 15 days) in the MSME Development Act to be allowed as a deduction for the buyer only in the year in which the payment was made.

This means that first, invoices issued before April 1, 2023, as well as outstanding dues as of March 31, 2023, remain unaffected by the amendment and second, no check or consequences apply to delays in payment to MSEs during the financial year, provided the payment is made by March 31, 2024. This implies that if an invoice raised on April 1, 2023, is paid on March 31, 2024 (after a full year), the expense will be permissible.

Importantly, wholesale and retail traders registered with the MSME Ministry's Udyam registration portal are eligible for only credit benefits from financial institutions under the priority sector lending norms. Hence, clause (h) doesn't apply to payment delayed to such traders.

Other than the current measure, buyers failing to pay MSMEs on time need to submit a half-yearly return to the Ministry of Corporate Affairs stating the amount of payments due and the reasons for the delay.

Moreover, according to the MSME Samadhaan, the buyer has to pay compound interest with the monthly rests to the MSME on the amount at 3x of the bank rate notified by the Reserve Bank of India in case the payment is not made within 45/15 days. *Source : HT*

Invoice date	Credit period	Actual Payment date	Total days	Deduction
March 15, 2024	up to 15 days	March 30, 2024	15 days	Allowed in FY24
February 16, 2024	up to 45 days	March 31, 2024	45 days	Allowed in FY24
March 14, 2024	up to 45 days	May 03, 2024	50 days	Allowed in FY25, not FY24
March 31, 2024	up to 15 days	April 10, 2024	10 days	Allowed in FY24
March 25, 2024	up to 15 days	April 15, 2025	21 days	Allowed in FY25, not FY24

Steps To Running A Successful Franchise



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o run a franchise, and for good reason. You have your own business, but you're also buying a business system — one that you know works.

Instead of starting a business that could bomb in a few months or years, you're buying a business that has worked elsewhere and presumably will work in your community.

But obviously, just because you buy a franchise doesn't mean you'll be successful. Franchise owners can fail especially, I believe, if they become too confident and think the system is going to do all the work for them. The franchise owner has to bring something to the table, too.

As co-founder of a medical spa franchise, I'd like to think that I might have some helpful advice for any prospective owner wondering if he or she has what it takes to run a franchise. So if you're thinking of franchising a business or just starting out, keep these universal key steps in mind.

Be Passionate About Your Product Or Service

That may sound like a given, but we've all met

don't seem all that excited about what they're doing. It's certainly possible to run a successful company and be more interested in the mechanics, such as infrastructure and inventory numbers and profit margins, than what type of business you run. But if you're passionate about your clients — say you love pets, and you run a pet care service — I think that energy and enthusiasm you'll naturally bring is always going to translate into a better product or service for your clients and customers.

Find Out Whether Your Community Needs This Franchise

We all know that franchising is hard, and it's important to do your due diligence and so on. But still, you don't know what you don't know. Your community may not have enough people that fit the target demographic to support whatever franchise you're interested in. Or maybe there are too many restaurants or automobile service garages or whatever you're thinking of buying.

Make Sure You Have Plenty Of Capital

You'll need enough money for startup costs, and you'll need to nail down a budget that will keep you in

business for six months or longer. How much money should you expect to invest? That can run the gamut. Some franchises are pretty cheap, and you may only need several thousand dollars to get started. Others might require anywhere between \$600,000 and \$1 million depending on the market. Whatever you need, just make sure you have it.

Hire The Right Team

This is critical. You'll want an experienced and trustworthy manager, especially if you plan on being an absentee or semi-absentee owner. And you'll also need to arrange for your staff to receive training, both initial and ongoing.

Pay Attention To Your Customer Service And Reputation

You can't cut corners in any franchise or in any industry. Even getting the little things right, like finding a consistently friendly receptionist, is very important. Customer reviews on Yelp and other social media sites can make or break a business.

Be Prepared To Do A Lot Of Marketing And Advertising

You'll want to use your marketing budget to get the word out about your business in every way you can, from social media advertising to direct mailers and billboards. You may have the best-run franchise in the world, but if people don't know your business exists, and especially if you don't have a brand name that the world recognizes (such as McDonald's or Burger King), they won't pay you a visit.

Focus On Customer Retention

The follow-up is very important, especially if you don't have a franchise that is an international sensation. Emails, phone calls, offering more specials — it's all important. Set up a loyalty membership program, too. Ask for referrals to add to your database and offer your current customers a valuable gift for sharing that information. Especially with businesses that don't rely on foot traffic, such as a gas station or those on a busy street corner, it's generally always easier to keep customers and build through referrals versus relying solely on cold calling and other, less direct sales efforts.

And finally, just remember to be thorough and patient before launching. Franchise systems are complex systems and require plenty of time to explore to make an effective decision, so it's important to take your time with the due diligence process. The more time you invest, the more return you'll likely see on that investment.

✍️ *Devin Haman, Forbes Councils Member*

Change in IT Act yet to benefit MSMEs

An intervention introduced in the Union Budget last year to ensure timely payments to micro and small-scale units in the manufacturing and service sectors is also hurting a section of the industry.

Section 43 b (h) of the Income Tax Act says payments due to UDYAM-registered micro and small-scale industries would be allowed as deduction only if the actual payment was made within the time stipulated in the MSME Act. Otherwise, the payment would be treated as income and taxed accordingly.

If a micro or small-scale unit had a written agreement with a medium or large scale industry for supply of components, spares, or any other product or service, the payment should be made by the buyer within 45 days. If there was no agreement, the payment should be made within 15 days.

According to Anil Bhardwaj, secretary general of the Federation of Indian Micro and Small & Medium Enterprises, MSMEs would only benefit from this in the long run as they would get payments on time.

However, B. Kandavel, organising secretary of the Federation of Tamil Nadu Powerlooms Associations, said the risk for the micro units was that the buyers would prefer to source from suppliers who were not UDYAM-registered. For instance, weavers in Tamil Nadu supplying textile products to large-scale retailers or wholesale traders got the payments once in three months or so. Many of them were now either reducing the payment as the credit period had come down or preferred to source from unregistered suppliers, he said.

V. Thirugnanam, president of the Coimbatore District Small Industries Association, said the intervention would aid the MSMEs though it would take time for the system to settle down and would also temporarily have an impact on the working capital of the buyers.

*M. Soundariya Preetha
The Hindu*



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We must make insolvency pre-packs work for MSMEs



Business distress quickly devalues enterprise value, which can lead promoters to suppress negative information.

These offer a good way of settling distress cases, although some policy tweaks are needed for their success.

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re-packaged insolvency resolution processes, or pre-packs, were introduced to India's Insolvency and Bankruptcy Code (IBC) in April 2021 with the goal

of giving micro, small and medium enterprises (MSMEs) a fast, cost-efficient and effective way to resolve financial stress.

Debtors and creditors are expected to put an early effort into resolving a troubled MSME's liquidity problems quickly. The pre-insolvency regime is especially important for MSMEs, which have simple business structures and can't absorb sudden disruptions. Pre-packs were introduced with covid having paralysed the sector. Their performance so far,

however, has been abysmal.

The present scheme of pre-packs is daunting. The pre-admission stage needs 11 sub-processes to be ticked, and if the debtor is admitted, there are myriad process flows to be adhered to. Such a complex process is difficult to execute for financially sound businesses, let alone those in distress. This has led to today's state of affairs, with just 17 cases underway (as of 2 February 2024) even after nearly three years of being introduced. A review of cases reveals that only four plans have been approved of the nine admissions. The cases that were admitted took an average of 483 days in the insolvency process.

The pre-insolvency process faces several challenges. There is a stigma associated with insolvency. Also, a vast number of MSMEs are non-



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corporates, beyond the purview of the legislation. The pre-pack pre-supposes that debtor businesses are sophisticated enough to undertake the processes envisioned. This is not the reality for a vast majority of insolvent MSMEs.

A systemic problem has been low awareness. Creditor passivity hampers the process. Banks are keen to restructure loans under prudential guidelines or the government's credit guarantee scheme. Else, they always have the recovery option under the Sarfaesi Act. Time and costs are critical denominators, considering the size of the businesses and internal procedures.

Then there is the 'trust' in a creditordebtor relationship that erodes when businesses face distress. Some businesses, it seems, proposed the process only to evade legal demands, leading to wastage of judicial time. Finally, it may be wishful to expect a business owner to initiate the process, given the possibility faced of losing ownership to an alternate party with a better plan.

The valuation of businesses often fails to include intangibles such as promoter goodwill capital. Business distress quickly devalues enterprise value, which can lead promoters to suppress negative information. This is complicated by the fear of having to vest management elsewhere, avoidance actions and their repercussions. There are attendant risks with litigation costs if the process ends without resolution.

The objective of a prepack is meant to be resolution that is "fast, cost-efficient and effective," and not always value maximization.

In essence, pre-packs are hybrid, as they combine informal workouts with formal proceedings. As their aim is to help economic activity continue, the process needs to be simple. Stigma should be addressed by rechristening the process so that 'insolvency' is not mentioned, with a narrative focused on giving entrepreneurs a chance to make a fresh start. We also need more education on the concept through MSME associations and professional platforms.

Costs also need to be rationalized to reduce hesitancy. Illustratively, the resolution professional's fee could be a mix of fixed and performance-oriented components and the requirement of authorized representatives could be dispensed with. Insolvency costs could be covered by a centralized fund to incentivize MSMEs to take the risk of pre-pack failure.

Pre-packs need not mirror the usual insolvency resolution processes. We can do away with third-party plans, the need to vest management apart or make selfdeclarations of avoidance transactions. A failure to restructure debt does not infringe the creditor's right to alternate remedial actions.

The role of resolution professionals should be

expanded. They can act as mediators, debt-counsellors and restructuring and turnaround specialists. The focus should be on

"identifying and reacting to the debtor's financial distress and on taking immediate action to stabilize the enterprise."

Businesses in distress need operational solutions along with reworked debt. Insolvency professionals are bound by codified covenants of independence and impartiality. They must act as 'friends of the stakeholders' and so their appointment should require the mutual consent of debtors and creditors.

Debtor-friendly insolvency laws for MSMEs would provide a safety net for entrepreneurs. If MSME debtors are granted concessions, entrepreneurs are less likely to be deterred from pursuing business ventures by the fear of insolvency, knowing that they could quickly recover from their mistakes or market reversals and re-enter the marketplace. An inherent advantage of a pre-pack is that personal guarantees cannot be invoked and a creditor takes a haircut now in the expectation of future benefits once the business is operational.

As other measures to promote pre-packs, the central bank may allow relaxed provisioning for financial institutions. Government rescue grants, subsidies or corrective action plans could also be routed through pre-packs. We need a formal, well targeted and professional mechanism.

Vivek Parti, registered insolvency professional and co-author of 'Handbook on the Insolvency Resolution Process'. ■

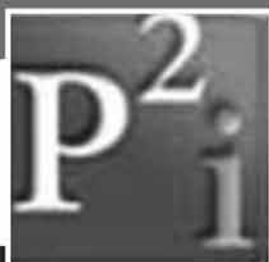
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Awareness Program on...

After the GST session, Tata Power Renewable Energy made a brief presentation about various products those are to be offered to MSMEs to help the sectors for reduction in power cost and they also defined the services offered by the company for installation of rooftop solar panels. It was further explained about the financial support offered

Sellers, product categories and service categories. Shri Sarkar said that as on 31st March 2023, 290+ services available on GeM under service sectors and explained few such services which can be availed through GeM.

While explaining the Make India Concept under Atmanirbhar Bharat-GeM, he said that the concept is to promote self-reliant India and push country's Make in India-Government e-marketplace(GeM). It has

said that it is the measure offered for MSMEs, in respect to refund of Forfeited Performance Security, Refund of Forfeited Bid Security, Refund of LD, Refund of risk purchase recovery and revocation of Banking orders. These relief measures only can be availed by registered MSME units only.

Shri Sarkar touched upon GeM SAHAY loan scheme during the session and said that, the SAHAY scheme is an initiative launched by the Government e-Marketplace to facilitate and support the growth of Small & Medium Sized enterprises(SMEs) in India. It aims to provide financial assistance to the eligible sellers on the GeM platform, enabling them to overcome financial barriers and expand their business operations. He explained in detail about the features of the SAHAY Loan scheme.

Shri Biswajit Sarkar also touched upon the available features and functionalities on GeM and new features and functionalities enabled on GeM and the key advantages. Quadrant Policy is one of the most important management systems was defined during the session under which altogether Six quadrants like Q1 to Q6 and policies covered under these quadrants were too explained during the session.

There are few other important aspects like, timeline to respond to incident by sellers, provisions to Sellers/ Service providers to rectify the deviation after escalation of incident was clearly explained by Shri Sarkar. He said that, for the suppliers to GeM, the vendor assessment is another area which is looked after by Quality Council of India(QCI) and he briefed the range of benefits after vendor assessment done at GeM. There are various other important aspects of GeM also been covered during the session. The session was found very attractive and there was a very fruitful QA session pertaining to the issues raised by participants. ■

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by SIDBI to the MSMEs who are interested for installation of rooftop solar panels. The landmark achievements of Tata Power Renewable Energy were also briefed during the session. Shri Soumyajit Ghosh, State Head, moderated the session.

Followed by the session of Tata Power Renewable Energy, there was the most important session on GeM (Government e-Marketplace) conducted by Shri Biswajit Sarkar, GeM Facilitator and Master Trainer, GeM - West Bengal. Shri Sarkar, at the very outset, revealed the figure of consistent growth in buyer/seller ecosystem of GeM and coverage by GeM with growth trajectory of goods and services from FY 17 to FY 23 and presented the key statistics under GeM transactions pertaining to the areas of Buyers,

been informed that under GeM, it is now mandatory for sellers to mention country of origin on products they wish to sell through the GeM platform.

While explaining the Atmanirbhar Bharat-GeM, Shri Sarkar said that, there is roll out of Government e-Marketplace (GeM) services through service centres and India Post will encourage local procurement and advance the Goal of Atmanirbhar Bharat under GeM Alliance India Post - CSC integration. The integration of India's postal system, India Post and Common Service Centre (CSC) with the GeM is operational across the country. This allows India Post to provide logistics service into the remotest parts of the country to sellers and buyers transacting via GeM.

While explaining the Vivad Se Viswas-1 concept, Shri Sarkar

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International Conference on ...

"Role of Circular Economy in Sustainable Business & Innovation in Adoption of Circular Economy by MSMEs," featuring insights from experts worldwide who joined virtually with other Four foreign speakers who were physically present in the conference. The session was moderated by Session Chair, Prof. (Dr.) Sadhan Kumar Ghosh.

Norway's Dr. Christian J. Engelsen highlighted the effective management of construction and demolition waste (CDW) in advancing circular economy principles. Recycling CDW not only minimizes landfill waste but also stimulates economic activities and reduces construction costs.

Dr. Gustavo Rafael Collere Possetti from Brazil's SANEPAR discussed their journey towards a circular economy in sanitation, focusing on sustainable wastewater treatment processes.

Decentralized treatment showcased benefits in enhancing water quality, using energy wisely, and preserving green spaces.

Ms. Miho Hayashi, representing IGES in Japan, emphasized the expansive nature of the circular economy beyond recycling. She advocated for a shift in production and consumption approaches, focusing on reuse, repair, remanufacturing, and recycling to minimize waste and maximize resource efficiency.

Dr. R. V. Berkel from Thailand highlighted the escalating global waste problem and the importance of innovative waste management strategies. Technologies like smart waste bins, AI recycling robots and circular economy principles aim to enhance efficiency and reduce environmental pollution.

Dr. David O. Olukanni from Nigeria's Covenant University presented insights on the role of circular economy in sustainable business and innovation. He showcased the university's case of utilizing waste, involving professors, students and administration in a small business.

Ms. Valerie C. Koech from the Environment Institute of Kenya addressed challenges in Kenya, emphasizing the potential benefits of circular economy initiatives for business and environmental sustainability.

Mr. Tony Wong from Hong Kong shared the city's roadmap to carbon neutrality, green community initiatives, waste charging schemes, and a ban on single-use plastics. The goal is to reduce carbon emissions by 50% in 2035 and achieve carbon neutrality by 2050.

Dr. Francesco Di-Maria from Italy's LAR5 Laboratory discussed the Embraced project on post-consumer absorbent hygiene products (AHP) waste in the circular economy. The project aims for total

recovery of AHP waste materials, aligning with EU waste management policy goals.

Overall, in the panel discussions, the panellists highlighted diverse approaches to circular economy adoption, ranging from waste management and sanitation to carbon neutrality and post-consumer waste recovery. The emphasis on innovation, sustainability and the broader scope of circular economy principles was evident across presentations, showcasing a global commitment to fostering a more sustainable and innovative business landscape.

At the end of Panel discussion, there was a highly informative Q&A session. The conference ended with the concluding remark and Vote of thanks by Mr. A. K. Sengupta, Secretary, FOSMI.

8. Conclusion :

The International Conference on MSMEs: Embracing to Circular Economy was organised by Federation off Small and Medium Industries, West Bengal (FOSMI), was a resounding success, bringing together over 150 participants from different segments of MSMEs. The conference also witnessed the participation of good numbers of Women Entrepreneurs. The vibrancy of the event was amplified by engaging discussions and lively Q&A session. The Oath-taking ceremony served as a unifying force, aligning diverse stakeholders in the MSME sector towards a common goal of embracing circular economy principles. The esteemed speakers who contributed to the conference on MSMEs, with focus on MSMEs: Embracing to Circular Economy, played an instrumental role in elevating the discourse and impact of the event. Their insights, expertise and thought enriched the conference session, providing invaluable perspectives on the integration of Circular Economy Principle within the MSME sector. The skilful guidance and adept handling of discussions by the Session Chair Prof. (Dr.) Sadhan Kumar Ghosh, ensured a seamless flow of ideas and his commitment to maintaining conducive and organized environment greatly contributed to the success of the conference. The conference served as a catalyst for innovation, with its success echoing beyond the venue, influencing the discourse on sustainable growth in MSMEs. ■ ■ ■

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Awareness Program on key

Credit notes etc. and said that it is dire necessary that every tax payer must ensure that there should not be any mismatch between GSTR-1 and GSTR 3B. Also, all missed out liabilities need to be reported. He covered all important aspects of needed GST compliance to the extent it was possible within limited time. The session was found highly informative and useful for the participants. All questions raised by the participants, were properly redressed by Shri Ray. ■

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