

## Press Release

### **UP industry raps Mayawati govt for utter neglect, tall promises**

**New Delhi, February 4:** Perhaps for the first time in democratic India, India Inc has sharply criticized an incumbent government ahead of a crucial state-level election for making tall promises and utter neglect of a vital cog of the economy.

“We feel like the abandoned and battered orphan Baby Falak as the all-powerful Chief Minister of Uttar Pradesh could not find time even once during her five year long tenure to meet representatives of the 3 million micro, small and medium enterprises in the state that provide direct employment to more than 6 million people and livelihoods to over 30 million people,” said Mr V.K. Agarwal, president of the Delhi-based Federation of Indian Micro and Small & Medium Enterprises (FISME), an industrial lobby representing the nearly 30 million strong MSME sector which provides direct employment to more than 70 million people, the second-largest employment provider in the country after agriculture.

“With just a few good officers remaining in the state, but acting apathetically in the absence of any political direction, the small and medium industry in the state just does not know what to do next,” Mr Agarwal said.

“Industries that could afford it, have already moved out of UP and many are likely to follow suit as they are increasingly becoming

unviable in many sectors due to such utter negligence and complete indifference towards the needs of industry,” he said.

“The state PSUs such as Uttar Pradesh Power Corporation Limited (UPPCL) and others take pride in closing their doors to state industries and prefer sourcing goods and services from across the UP borders. While the National Rural Health Mission (NRHM) scam has come to light, there are similar skeletons in the cupboard of many departments including power, industry, education and urban development,” he said.

For example, capital goods like machinery, transformers and several industrial inputs like duplex board etc. have to suffer VAT @13.5% against CST @ 0 to 2% in other States.

“In comparison, states in India such as Rajasthan, Tamil Nadu, Gujarat among others, have erected barriers to protect and promote their own manufacturing base,” he said.

“Despite a lot of lip service by successive governments both at the centre and the states and enactment of special legislation such as the MSMED Act, 2006, the ground reality is that the status of the Indian MSME sector is worse than that of an abandoned orphan,” Agarwal said.

“Even at the centre, the finance minister has discontinued the practice of meeting representatives of MSMEs in pre-budget consultations although if India has to achieve a contribution of 25% from the manufacturing sector in its GDP, as is the government’s

stated goal, it simply cannot be done by ignoring the MSME sector,” he said.

“We keep comparing ourselves to China but that country has become a manufacturing powerhouse only because of the importance that their government accords to the small and medium sector,” Mr Agarwal said.

He said FISME is of the view that political parties despite their tall promises have not really addressed the question of from where the ‘promised’ jobs will come. “It seems their idle utterances are based on the premise that like all their earlier promises, the electorate in due course will forget the present promises as well,” he said.

The politicians, however, are failing to recognize the frustration that the people of Uttar Pradesh have started feeling as the gap widens between the socio-economic levels in UP and the fast developing states like Gujarat, AP, Tamil Nadu etc. The stark contrast on all socio-economic parameters with their fellow citizens in emerging states like Bihar is only adding insult to injury, Mr Agarwal said.

FISME members in UP are watching with their fingers crossed if the new government and the upcoming breed of some young and educated leaders in different political parties will remain as distant to small industries as their predecessors.

Perhaps the leaders in different political parties need to fast appreciate that ‘demographic dividend’ in the coming decade can turn into ‘demographic disaster’ when the millions of young people

being added to the workforce find themselves without jobs that can provide them livelihoods.

There is just one choice and one choice alone before the country to meet the grave challenge of employment and that is to make sure that the manufacturing sector develops in adequate measure in line with the recommendations of every economic forum including the Planning Commission that finds manufacturing to be the fountain-head of new jobs in the coming decades. If this is to happen, FISME feels the next government in Uttar Pradesh has to actively engage with manufacturing MSMEs on an ongoing basis.

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#### **About FISME**

The Federation of Indian Micro and Small & Medium Enterprises (FISME), traces its origin to 1967 when the National Alliance of Young Entrepreneurs (NAYE) was established to promote small industries. In the post-liberalisation era, NAYE along with eight state level associations formed FISME in 1995 to lead Indian SMEs into the refurbished economic environment

FISME is the progressive face of Indian MSMEs and is regarded as such by the Government of India. FISME is a member of the National MSME Board formed under the MSME Act 2006. FISME is well represented in and consulted by SME policy making set-up of the country and also works in close cooperation with major multilateral and bilateral bodies in India such as UNIDO, ILO, UNCTAD, DFID, GTZ etc. Currently, under the multilateral project Strategies and Preparedness for Trade and Globalization in India supported by UNCTAD, DFID and Ministry of Commerce & Industry, FISME, as a Tier-I partner, is leading 22 provincial SME bodies in 18 states.

In UP, 31,13,316 MSMEs were recorded (187522 registered and 2925794 unregistered) providing direct employment to over 60 lac people during last MSME Census (2006-07).

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