

# Exit barriers for MSMEs not given much attention, says EDII director

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EVEN AS rising number of sick Micro Small and Medium Enterprises (MSME) units continue to plague Gujarat, the Entrepreneurship Development Institute of India (EDII) in Ahmedabad is reportedly working in 'policy formation' for MSMEs at both the state- and central-level to counter this through policy interventions. In 2016, close to 42,500 MSME units reported sick in the state, the number second only to Uttar Pradesh (UP) and Maharashtra.

Commenting on this, EDII Director Sunil Shukla said, "We have been involved with both the centre and the state governments in evolving and strengthening an MSME policy and also working with the SMEs in Rajkot, Vadodara, Jamnagar in Gujarat. There are three kinds of barriers for MSMEs and basically one is entry barrier: why people don't come, which is where entrepreneurship comes into place and once they come then there is a growth barrier; in which there are issues of taxation and incentives. The third and the most crucial point in which not a lot of attention is given is 'exit barrier'. Even today to shut down a company is not that easy. It takes at least five years to close down a company. Entrepreneurs should have the freedom and flexibility that if a business is no more

viable then they should be able to close it and start another unit."

Adding that intervention in this issue by EDII would also mean students managing 'sick' units in the state, Shukla pointed out Mumbai-based alumni Rajesh Pandey, a serial entrepreneur and current student Ruhi Pradhan who revived a sick textile unit in Vapi last year.

Shukla added, "There is a stigma attached to failure, people are not differentiating that failure of an enterprise is not the failure of an entrepreneur- both are two different things. In developed nations, if someone fails there then he declares himself 'bankrupt' and then he or she can go to a financial institution and start another enterprise. So all this should be encompassed in a policy for MSMEs and a large number of our MSMEs are from the 'micro segment'. Our alumni from the first batch Rajesh Pandey is a 'serial entrepreneur' based in Mumbai who has been buying only sick enterprises that are on the verge of closing down, turning it around and then he moves on to the next project."

Ruhi Pradhan who revived and took over a sick textile unit in Vapi told the paper, "In just three months since I took over, we bagged three big work orders from e-commerce players of manufacturing 45,000 units and now have a staff of 51 people, including 10 odd people who had lost their jobs earlier."