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- News**
- Policy & Regulations
- Food Processing
- Beverages
- Dairy Products
- Agriculture
- Snacks & Confectionery
- Fruit & Vegetable
- Meat & Seafood
- Sugar
- Oils & Fats
- Ingredients/Flavours
- Spices
- Retail
- Bakery / Biscuits
- Poultry
- International
- Company Report
- New launches
- Nutrition
- Hotels & Hospitality
- Features**
- Edit
- Column
- Special Reports
- Interview
- Issues
- In Focus
- Analysis
- Budget
- Festival
- F&B Projects
- Marketing**
- Brand news
- Marketing
- People
- Books
- Events
- Allied Sector**
- Technology
- Equipment
- Packaging

[WideView](#)

[+ Increase font](#) - [Decrease font](#)

Top News

Action committee for formal finance set up to support small businesses

Monday, August 11, 2014 08:00 IST
Our Bureau, New Delhi

In a bid to develop a viable financial architecture for non-corporate small businesses across the country, prominent stakeholders in the Indian economy have forged an alliance under the banner of 'Action Committee for Formal Finance for Non-Corporate Small Business (ACFF)'. Recently, it launched a nationwide advocacy campaign in New Delhi to support the government to achieve the declared policy of formation of a separate financial architecture for non-corporate small businesses.

The Action Committee was formed in the wake of finance minister Arun Jaitley's announcement on this subject in his Budget speech. Para 102 of his speech called for the constitution of a special committee of officials from the finance ministry, micro-, small and medium enterprises (MSME) ministry and the Reserve Bank of India (RBI) to develop new financial architecture to support small business finance.

The constituents of the alliance included the Confederation of All India Traders (CAIT), the All India Motor Transport Congress, the All India Confederation of Goods Vehicle Owners' Association, the All India Transport Welfare Association, the Federation of Indian Small and Micro Enterprises, the National Hawkers' Federation, Bhartiya Kisan Morcha and other leading organisations. It represents nearly six crore small business enterprises, 1.25 crore transporters, four crore hawkers and crores of other self-employed groups, women entrepreneurs, labourers and self-help groups.

"The financial needs of the non-corporate small business sector have been ignored by all previous governments. Yet this is the crying need and has the potential to transform the country's economy and the welfare of the people," said Praveen Khandelwal, secretary general, CAIT, and national coordinator of the Action Committee. He added that small businesses were really big business in India.

The leaders of the Action Committee said, "The housing sector has housing finance companies, and the infrastructure sector has infrastructure finance companies. Likewise, small businesses require small business finance companies. This is the kind of new thinking we need in the country." Non-corporate small businesses comprise 5.7 crore enterprises and include other constituents. The sector employs 490 million people and generates 90 per cent of the employment of the country.

Despite contributing 45 per cent of the national gross domestic product (GDP), which is three times the corporate sector. Only four per cent of this sector gets any kind of institutional finance support. However, the corporate sector, which has enjoyed foreign direct investment (FDI) and disproportionate share of bank credit, has only added 2.2 million jobs in two decades, and increased its share in the GDP by just three per cent during this period.

Between 1991 and 2011, the corporate sector has received FDI of nearly \$317



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- [Past](#)

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billion, of which \$176 billion was through the stock market and \$141 billion was direct investment. These facts and figures are sufficient to question the economic thought process of successive governments that have exclusively focused on the corporate sector.

ACFF's leaders would carry out a national public advocacy campaign to muster public opinion and support for small business finance. The Action Committee would be holding workshops, seminars and public hearings, beginning with one in Mumbai, which would commence on August 11, 2014, and continue for the next two months.

Memorandums would be submitted to the prime minister, the finance minister, the commerce minister, the MSME minister, senior leaders of different political parties, chief ministers of all states in the country and all Members of both Houses of Parliament (Lok Sabha and Rajya Sabha). Ten Round Table Conferences would be held in major cities with banking and financial experts, economists and stakeholders.

About 30 public hearings would be held in different parts of the country, where people would be asked to submit their experience in obtaining finances from their existing sources and their views on formal financial architecture for non-corporate small businesses, and subsequently, a White Paper would be prepared.

ACFF will make optimum use of social media and shall be interacting through its website. It has also planned a well-defined publicity campaign all over India to make people aware of the factual position.



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