

Contribution of SMPs to Profession and the Country – The Way Ahead

Generally, the large firms might be garnering a substantive part of the accounting and advisory services in India with their inter-continental presence. However, this not at all undermines the crucial importance of Small and Medium Practitioners (SMPs). Actually, it is these SMPs located across the length and breadth of the country, who serve maximum number of enterprise and individuals, when it comes to small and mofussil towns. Even in metro cities and large towns, SMPs come as saviours to provide services at low costs to the small businesses, what we call as MSME (Micro, Small & Medium Enterprises). In perspective, the SMPs and large firms have their own strengths and niches. The efforts of each segment may be supplemented by each one's proactive participation in delivering value add to service recipients at reasonable and optimum costs. Read on...



The SMPs

As on 1st April 2018, there were 71228 accounting firms registered with the Institute of which 49392 were proprietorships while 21831 were partnerships. These registered firms, though have their 19573 branch offices enlisted separately in the List of Firms of ICAI, however, these branch outfits seem to be part of aggregate data of 71228 firms. Therefore, 70% of the firms are individual member driven practicing outfits. Barring a few, a significant part of these could be termed as tiny practicing units. Another data available in the public domain, approximately 200 firms donned the partners numbering more than 10. Thus, the majority of the members are practicing either as sole proprietors or in smaller partnerships firms.

Growth of any profession depends upon the quality of its constituents, besides numbers, their outreach and their level of knowledge,



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training and skill as contemporaneous as is warranted by the ever-changing economic conditions in the country. The members of ICAI growing year on year basis, imbued by their current knowledge, trained through hard work and endeavouring to hone skills that are the requirements of the day, show their zeal and zest to contribute to the development and growth of the country they live in and love. The best part is that this zeal is observed in members both, young and old. The transition to GST is just one example to cite. The GST success came with ICAI members' untiring dedication to serve the economy by providing services to enterprises, unmindful of enterprises' ethnicity or promoters background; and, for which the compensation they get is supplementary. Service with best ethical standards pre-empts the commercial considerations.

Canvas of MSME in India

Micro, Small and Medium Enterprises are primarily served by the members practising as SMPs only. The service spread of SMPs to these MSME may range from basics of setting up an enterprise through incorporation or otherwise to higher level of quality services in financial discipline and risk management. MSME

sector plays very crucial role in the economic development and social well-being of citizens. The importance of MSME sector can be gauged from the sheer fact that around 30% part of Gross Domestic Product comes from the contribution of MSME sector.

Contribution of MSMEs in Country's Economy at Current Price

(Extracted from Annual Report – 2017-18, Ministry of MSME, Government of India)³

(Figures in Rs. Crores adjusted for FISIM ³ at current prices)						
Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2583263	-	8106946	31.86	8736329	29.57
2012-13	2977623	15.27	9202692	32.36	9944013	29.94
2013-14	3343009	12.27	10363153	32.26	11233522	29.76
2014-15	3658196	9.43	11481794	31.86	12445128	29.39
2015-16	3936788	7.62	12458642	31.60	13682035	28.77

Source: Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation

India Unincorporated

In 2015-16 as per the 73rd round of survey on Unincorporated Non-Agricultural Enterprises (excluding construction) conducted in 2015-16 by National Sample Survey Office, Ministry of Statistics & Programme Implementation, there were 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities. 51% of such enterprises were in rural India. While 196.64 lakh MSME units were engaged in Manufacturing, 230.35 lakh units were in Trade and 206.84 lakh in Other Services respectively. Out of 633.88 lakh MSMEs, 608.41 lakh (95.98%) MSMEs were proprietary enterprises.

MSME sector has been able to create 11.10 crore jobs (360.41 lakh in Manufacturing, 387.18 lakh in Trade and 362.82 lakh in Other Services. Almost 45% of these jobs were housed in Rural India. The interesting statistic is that Micro sector (the investment in plant & machinery

is less than Rs. 25 Lakhs) with 630.52 lakh estimated enterprises provides employment to 1076.19 lakh persons, which accounts for around 97% of total employment in the sector.

Outreach of SMPs

When it comes to the extreme importance of MSME sector in the country as reflected in the data provided by Annual Report (2017-18) of Ministry of Micro, Small and Medium Enterprises, the contribution of SMPs to

this sector, spreading across small towns in providing quality service with competitive costs in the growth of MSME sector, cannot be undermined. With the kind of compliances warranted under various laws, including GST with exemption limits Rs. 20/40 Lakhs and with not so encouraging technological penetration in the country, quite many MSMEs need various professional services rendered by our members.

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Advantage SMPs

By their sheer nature of ownership, there is extreme flexibility and adaptation with SMPs in line with the character of the smallness of an enterprise. Flexibility doesn't mean compromising the standards of service, here.

Adaptation to rapid change in economy or legal framework, which is bereft of perceived bureaucratic processes of any large firm, is possible with immediate decision making by SMPs. Cost consideration is yet another factor that goes into the favour of SMPs. With lower overheads, SMPs cater to MSME Sector at considerably low fee scales. Of late, due to higher fee scales levied by bigger accounting firms, the large enterprises have started entrusting certain professional assignments to SMPs, especially to those SMPs who demonstrate possibility of providing contemporary services with equally good quality. Bigger accounting firms have also started tying up with the SMPs to enlarge their outreach in terms of geographic spread and scope of services. Certain SMPs specialising in Forensic Audits, FEMA, FCRA, GST, IFRS conversion, Ind-AS implementation, Trade policy & EXIM processes, IT Solutions, IT Audit & Security are being entrusted with assignment from large enterprises and bigger accounting firms. These SMPs while retaining character of independence in disposition, carry forward their growth aspirations at the same time. And the outcome of this quad is a satisfied professional, who has the potential to contribute more with his creativity and ingenuity in the interest of country's economic growth.

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Serving through Opportunities

Higher level of compliances by the entrepreneurs sometimes is seen as a stumbling block in ease of doing business, but we must appreciate that compliance with the legal and regulatory framework is one of the most important building blocks of the nation building. Compliances bring with them, the professional opportunities too. Over the years SMPs though majorly resolve to carry traditional area of practice, of late have

started considering exploring the new terrains. The practitioners who had almost shelved the practice area of Sales Tax or VAT, with the advent of GST have geared themselves to pick this up, as one of their niche practice areas. Similarly, with Insolvency & Bankruptcy Code ushering in new opportunities, many members have found this as a satisfying practice area. With the kind of business knowledge and its related risk profile, which as an auditor one gains, a member in SMP is the best suited to manage the vagaries of insolvency resolution process expected of him in IBC. Quite a few members from SMPs have gone in to become

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Registered Valuers for valuation of Securities and Financial Assets in accordance with The Companies (Registered Valuers and Valuation) Rules, 2017 promulgated under section 247 of the Companies Act, 2013. Valuation is such a subject, where varied and in-depth business knowledge imbibed by a member as an auditor comes handy with his financial acumen and skills to assign a defensible value to a financial asset in a given value premise, then be it going concern or liquidation. While new practice areas create professional opportunities for SMPs, seen in a larger context, the objective of rolling out legislation like GST or IBC successfully, is certainly dependent upon the dexterity with which professionals like our members discharge their professional responsibilities.

SMPs and Public Sector Enterprises, Development sector, External Aid Agencies

No one can deny that India's public sector has had an extremely important role in the economic development over the years. In last decade, the number of bank branches all across the country

has almost doubled to 1.45 Lakhs in September 2018. With 91000 branches of Public sector banks including SBI and its associates, around 55000 branches happen to be in rural and semi-urban areas. The way financial inclusion has happened in the country over the past couple of years, no wonder that the growth in banking sector is going to be in leaps. When it comes to providing audit, inspection or such other services to public sector banks, role of SMP needs to be appreciated. These are the practitioners of smaller firms who travel to inaccessible areas too, to provide such services. Similarly, a large chunk of public sector undertakings, be it central or state enterprises, SMPs all over the country pitch in their effort with equal eagerness.

Over the years, after independence, international aid for the development sector through institutions like World Bank, US-Aid, French AFD, German KfW, UNICEF, etc. had been flowing in. Though in recent years, there has been a declining trend in such aid, thanks to enhanced global recognition of our country. Nevertheless, these aid agencies rely considerably on SMPs for external audit and review of aid deployment to the implementing agencies and beneficiaries. SMPs that have the adequate capacities to deliver such services are reasonably provided opportunities to serve such institutions.

Similarly, large number of SMPs is engaged in providing audit, taxation, consulting services to NGOs on non-commercial terms. NGO sector plays an important part in social inclusion. With CSR becoming a statutory obligation for certain enterprises, quite a few SMPs are now engaged in providing strategic direction and structural dimension to CSR initiatives that go beyond mere statutory compliances.

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Handholding

Standards of practice warrant our members to own the assignment in right earnest. Therefore, when entrusted any assignment by an enterprise, it is largely experienced that our member takes full responsibility to discharge the role expected of him or her. Then be it digging out the relevant details from the clients records to assist the revenue authorities in making right and just assessments in direct or indirect taxes, or complying with the requirements of relevant accounting framework in financial accounting. Especially for smaller enterprise, this holds true where knowledge gap on client's end is more prevalent. SMPs, therefore, come to the rescue of MSME in adversities by standing by their side of so-called knowledge distress. Our members in SMP have to be lauded in supplementing the exchequer's efforts in revenue generation by encouraging clients all the times to comply with law in right spirit. Complying with Tax Deduction at Source may be cited as one such example. In author's own experience, roughly three-four decades ago, TDS was one such provision where compliance levels were not so encouraging. So much so, except for TDS on salaries, number of businesses was not even aware of such kind of tax provisions. Then, as our members educated them on this, compliance levels started rising.

SMPs play crucial role in supplementing the business processes of an enterprise, especially MSMEs. One may easily find them engaged in activities like consultancy on strategies and business operations, capital structuring, financial planning and working capital management, internal control and risk assessment, IT and Management System design, HR policies, etc. In early stage setup, the constraints of hiring expensive resource can be made do with the involvement of independent practitioner from an SMP, who brings with him rich knowledge base and appropriate skills to stabilise the business processes. In handholding and guiding entrepreneurs, SMPs need to keep eyes and ears open on day to day basis, to let their clients reap the benefits of schemes promoted by government, like Start-up India, Government E-Market Place (GEM), plethora of incentives provided by Trade Policy (like, MEIS), MUDRA Yojna, so on and so forth.

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• Handholding for Social & Financial Inclusion

According to the Annual Report 2017-18 of Ministry of MSME, the socially backward groups owned almost 66.27% of MSMEs, though bulk of that can be attributed to OBCs owning in 49.72%. The representation of SC and ST owners in MSME sector was low at 12.45% and 4.10% respectively. One of most coveted duties and social obligations for SMPs is to professionally help the small entrepreneurs, who don't have wherewithal to comply the law or establish appropriate financial discipline. These entrepreneurs are the ultimate saviours of our large workforce, which no employment generation scheme of the government can guarantee on sustained basis. Financial inclusion and societal inclusion go hand in hand for a harmonious co-existence in the country, which again propels growth to a higher trajectory.

SMPs – The Way Forward

By one estimate, it is projected that Indian economy shall be worth US\$ 5.9 trillion by the year 2030 from the present \$ 2.8 trillion. For a nation, 10 years is not a very long period. This kind of growth, which for that matter, we as professionals have seen in the past three decades, brings with it complexity of operations in businesses, mammoth and voluminous transactions, higher reliance on technology, enhanced regulatory intervention in the interest of all stakeholders within the economy and also at geo-political level, the sensitive global trade. Artificial intelligence with Disruptive technologies shall change the manner and modalities with which the business is transacted. However, in view of the relevance of MSME sector in our country, SMPs shall continue to stay. With extreme changes in business environment, there shall be

challenges galore for smaller accounting firms. Formalisation of our economy with major push to its digitalisation coupled with technological advancement, there is bound to be sustained development and growth bringing in more opportunities for SMPs. Therefore, we should be ready to work hard with alacrity to achieve higher, than just plucking the low hanging fruits provided by traditional areas of practice.

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SMPs need to keep themselves abreast with the latest legal and regulatory challenges posed by the hugely responsive regulator of businesses and profession. They also need to gear up with the technology that can assist them to deliver rightly, what is expected of them. With higher risk proposition coming with the complexities of businesses, enhanced cross border transactions and a hawk-eyed regulator, SMPs have no choice but to focus on their capacity building at all levels. One way to do so is, to graduate to the next level by encompassing multiskilling by adding more professionals as partners or work on networking amongst independent professionals. Both of these propositions essentially warrant shedding of ego, individual names that we revere the most and sacrificing in the larger interest of common objective with sharing of resources. The initiative needs to come from within the SMPs. ■

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