



## **Yojana Summary November 2017**

### **1. Empowering India's MSME Sector**

- The MSME sector has been recognized globally as a major contributor to Gross Domestic Product (GDP) and stimulator for economic growth.
- The sector plays a crucial role in providing employment opportunities to masses, foster entrepreneurship and growth led by innovation.
- The sector also complements large business and ancillary units in fulfilling their business requirements and needs, thereby contributing to the socio economic development and inclusive growth of the country.

#### **Indian Perspective:**

- The sector occupies a position of strategic importance. Nearly 90 percent of the industrial units belong to this sector, employing 40 percent of India's workforce. The sector produces more than 8000 products ranging from traditional to high-tech precision items.

#### **Strengthening MSMEs**

- In spite of the sector's inherent potential, there exists certain challenges like timely access to credit, infrastructural gaps, technological obsolescence, sub-optimal access to market and skilled manpower.
- With increasing competition from neighboring countries like China, Indonesia, Philippines and Thailand, it has become imperative for the sector to adopt robust strategies to become globally competitive.
- Host of initiatives like 'Make in India', 'Start up India', and 'Skill India' have been taken up for the holistic growth of the sector.
- Measures are also underway to enhance the overall contribution of the manufacturing sector in India's GDP to 25 percent vis-à-vis current 16-17 percent and to create 100 million more jobs by 2022.

#### **Financing SMEs**

- In order to address the issue of credit availability to SMEs, the Government has augmented coverage under Credit Guarantee Fund Scheme.
- The units falling under Micro and Small Enterprises can now avail collateral free loans up to Rs. 2 crore from the earlier limit of Rs. 1 crore through select financial institutions.

#### **Prime Minister's Employment Generation Programme (PMEGP)**

- It is a flagship scheme of the ministry whereby Micro enterprises are set up every year creating employment opportunities across the country.
- The major objective is to generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures/ projects/ micro enterprises.

#### **Khadi and Village Industries:**

- Khadi and village industries are two important National Heritage sectors of India.



- Ministry of Micro, Small and Medium enterprises has a host of schemes for the Khadi and Village industry sector to provide gainful employment at the doorsteps of the rural unemployed, especially youth and women.

### **Focus on Technology**

- In the era of global competition, technological sophistication has become immensely important.
- The ministry focusing is focusing on high-end skilling and technical support through 18 tool rooms and Technology development Centres across the country and establish 15 new Technology Centres (TCs) under Technology Centre System Project (TCSP).
- Additionally, a Credit Linked Capital Subsidy Scheme (CLCSS) is also operational for upgradation of technology for micro and small enterprises.
- Government has recently launched the scheme for Financial Support to MSMEs in Zero defect Zero effect (ZED) certification. This scheme is an extensive drive to create awareness amongst MSMEs about ZED manufacturing and motivate them for assessment of their enterprise for ZED and support them.

### **Strengthening Infrastructure**

- Government has adopted a cluster-based approach for the development of MSMEs. As a whole, the approach encourages co-operative behavior, yet infuses a sense of competition amongst the firms present at the cluster level for doing business.
- The Ministry of Micro, Small and Medium Enterprises (M/o MSME) has prepared comprehensive guidelines for schemes such as Micro Small enterprises- Cluster Development Programme (MSE-CDP) and Scheme for Upgradation of Rural and Traditional Clusters (SFURTI) to undertake more and more clusters for further interventions.

### **Access to New Markets**

- To enlarge the existing market size of MSMEs and to build enduring interdependent relationships, an overall goal has been set up by the Government.
- It was proposed that Ministries and Departments of Central Government and Central Public Sector Enterprises, shall procure 20 percent of goods and services from Micro and Small Enterprises (MSEs), as part of public procurement policy, MSE order 2012.
- This policy not only focuses on MSEs, but also encourages MSEs owned by Scheduled Caste (SC) and Scheduled Tribe (ST) entrepreneurs to participate in the public procurement market. Therefore, a sub-target of 4 percent has also been set aside for procurement from MSMEs owned by SC-ST enterprises.
- To achieve this target and to promote entrepreneurship culture for SC-STs, a National SC-ST hub (NSSH) has been launched. The objective of NSSH is to provide professional support to SC-ST enterprises.

### **Human Capital**

- Keeping in view the growing number of individuals joining the job market every year, focus on skill based training and Entrepreneurship Development Programmes (EDPs) has become a necessity to make the workforce job ready.



**Conclusion:**

- Working in tandem with the larger goal of pushing the economic growth and comprehending the significance of the sector, the Government is firming up the existing policies/ programmes and taking numerous other initiatives as well.
- For instance, as part of 'Ease of doing business' and to formalize the sector, UdyogAadhar Memorandum (UAM) has also been notified in september 2015. The system offers one- page single point registration, thereby avoiding delays and replacing heterogeneity in the existing system.
- This is path-breaking initiative taken to offer ease to Indian MSMEs in terms of registering their businesses. More than 35 lakh units have been registered under UdyogAadhar Memorandum (UAM) since its inception. Furthermore, with 'One Nation One Tax' approach under GST, MSMEs are likely to unleash its true potential.

**2. Promotional Avenues for MSMEs**

- The primary responsibility of promotion and development of MSME sector lies with the State Governments. However, Gol also recognizes its importance and formulates policies for the smooth development of this sector.
- Govt. passed the Micro, Small and Medium Enterprises Development Act, 2006. A separate ministry of Micro, Small and Medium Enterprises was formed in 2007 by the merger of erstwhile Small Scale Industry (SSI) and Agro Rural Industries.
- Gol has taken a number of steps for promoting development of Micro, Small and Medium Enterprises. These include availability of credit, schemes for technological upgradation etc.
- MUDRA, Stand up India, increased coverage of Credit Guarantee Fund for Micro and Small Enterprises and higher credit limits provided by the banks to MSMEs have improved the credit support to them.
- The Ministry of MSME is tasked with the promotion of Khadi, Coir and Village Industries. Khadi and Village Industries Commission (KVIC) not only serves the basic needs of the processed goods of the vast rural sector but also provides sustainable employment to approximately 150 lakh persons in rural India.
- It is a matter of pride that the Ministry of MSME has been the first to be awarded ISO 9001-2008 certification, demonstrating the ministry's mission of promoting the growth and development of MSME sector.
- Ministry inaugurated two Schemes namely, National Schedule Caste/Schedule Tribe Hub and Zero Defect Zero Effect (ZeD) scheme. The govt. has announced increased credit facilities for MSMEs and increased corpus for Credit Guarantee Fund Trust for Micro and Small enterprises (CGTMSE).
- The ministry is implementing credit linked subsidy scheme, namely, Prime Minister's Employment Generation Programme (PMEGP) for assisting the young entrepreneurs to set up new micro enterprises in the manufacturing as well as the services sector.
- A scheme for Promoting Innovation and Rural Entrepreneurship (ASPIRE) was launched to set up a network of technology centres and incubation centres to accelerate entrepreneurship and start-ups for innovation and entrepreneurship in agro-industry.
- The Ministry has notified UdyogAdhar Memorandum in September, 2015. This UdyogAdhaar memorandum is basically for making registration process easy for the entrepreneurs.



- For enhanced support to the MSMEs in participating in Government procurement, govt. has announced Public Procurement policy for MSEs.
- For enhancing competitiveness, National Manufacturing Competitiveness Programme has been taken up. This scheme aims to enhance the entire value chain of the MSME sector to make it more competitive.

Role of National Institute for Micro, Small and Medium Enterprises (ni-msme):

- ni-msme was originally set up as Central Industrial Extension Training Institute (CIETI) in New Delhi in 1960 as a department under Ministry of Industry and Commerce.
- Later after attaining the national level the name had been changed to ni-siet and after 2007 the name changed to ni-msme, the nodal training, research and consultancy wing under the aegis of Ministry of MSME.
- Its main role are: Capacity building, Information Dissemination and Knowledge Management, Research & Policy Advocacy, International Cooperation in MSME, Networking, Mapping of Clusters and Livelihood Business Incubation.
- Thus, the institute is playing a pioneer role in the development of MSME sector.

### **3. Enhancing Competitiveness through Technology Upgradation**

- In the current globalized world, it is imperative to enable MSMEs to adapt and thrive in a more open environment and participate more actively in the digital transformation, to boost economic growth and deliver a more inclusive globalization.
- MSME entrepreneurs have relatively inadequate ability to manage technology as a strategic weapon as they have limited human resources and weak financial standing.
- Therefore, MSMEs rely more often on external technologies as part of their technology development strategy. This holds good for industrialized as well as industrializing countries.
- In 2014/15, MSMEs accounted for 30.74 percent of the Gross Domestic Product (GDP): of which, manufacturing sector MSMEs accounted for 6.11 percent of the GDP, and services sector MSMEs accounted for 24.63 percent of the GDP (ministry of MSMEs, 2017).
- The MSMEs sector in India, with some exceptions, is characterized by low technology levels, which acts as a handicap in the emerging global market.
- Also, given their scale of operations, it is difficult for Indian MSMEs not only to invest in Research and Development (R&D) activities but even to acquire advanced manufacturing technologies available in the market, on their own, due to high costs.

#### **Technology Transfer: Meaning and Importance**

- Technology transfer is an alternative to internal technology development. Therefore, the decision to develop technology and innovation capabilities internally or acquire them via external means is a central component of any technology strategy.

#### **Transfer: Objectives, Achievements**

- MSMEs, particularly in industrializing countries, go for acquiring external technologies to overcome their technological obsolescence. This is because they are not able to cope with the technological changes that occur in the international market.



- Policy support for technology upgradation and modernization is invariably extended in various forms to MSMEs.
- While the transfer of machinery and equipment is, in most cases, a necessary first step, what is more important is the transfer of information and skills to the employees of the technology receiving firm, which constitutes the second step.
- MSMEs with a better absorptive capacity will be able to adapt externally acquired technology efficiently and successfully.
- In the global context, contractual mode in Technology Transfers is the relevant and the dominant one for MSMEs. However, how effective is this Technology Transfer would depend on various factors, the most important of them all being the involvement of the partners.
- MSMEs usually lack awareness about the value of Technology Transfer, sources of technology, they are diffident about enabling services, and therefore rely on co-operation with others.

#### **Achievements of Technology Transfer**

- Increase in productivity.
- Reduction in costs.
- Expansion of scale of production (scale economies).
- Diversified product range (scope economies).
- New product development.
- New design products.
- Better quality of products.
- Penetration of international markets.
- Increase in sales and market share.

#### **Conclusion:**

- To conclude, technology upgradation (through diverse sources and channels of Technology Transfer) is desired by MSMEs to achieve multiple objectives such as overcoming technological obsolescence, scale/scope expansion, and/or entering the international market.

#### **4. Challenges and opportunities for MSMEs**

- The founding fathers of the Republic of India visualized a comprehensive nation-building role for the country's small enterprises.

#### **Global Investment and Enterprise Scene Today**

- A dynamic mix of re-shoring, intra regional trade and Hubanomics, form the global business model today. Large knowledge companies like Google, Apple, Facebook, and Amazon have created a technology wave and competitive landscape, which forms the next evolution of the Industrial Revolution.
- The experience as we have in 2017, is one where every business has a tendency of operation based on a hub, which produces the latest concept of 'Hubanomics'.
- India's industrialization perspective, since independence, has been focused on two-prolonged approach: 1) providing employment opportunities; and 2). Taking such opportunities, to the extent possible, to the villages, as a regional development tool.



This kind of approach has significantly contributed to the growth of a large number of semi-urban centres that provides a significant space for MSMEs in the country.

#### Challenges and opportunities

- The planning at various levels has led to the co-existence of Departments that cater to modern small-scale industries, on the one hand, and others catering to village enterprises (eg: consider the various Departments under Ministries of MSMEs and textiles).
- There have been constant attempts to ensure a synergic co-existence of the two, but such attempts have often not yielded the desired results.
- There are both vertical and horizontal problems. On the one hand, the aspirations of the people at the local level is a mix of co-operation and conflict. While some of the aspirations such as local infrastructure are less prone to conflicts, in the case of most of the goods and services produced, there is a conflict of interests.
- Human welfare has three ingredients: a).economic; b).social; c) environmental.
- A local Economic Development Policy should translate the three into economic activities in a participative manner. It is important that any such policy that may be articulated, should ensure an economic bottom-line that satisfies the majority of the local population.
- It is also important to ensure that this bottom-line does not conflict with some of the accepted social parameters.
- Besides, there need to be a focus on environment, in such a way that the initiatives of local economic development are sustainable.
- While the national interests and goals are as above, globally, capital has vertical interests. Therefore, shaping a development agenda, at the regional level is a hard choice.

#### Need for an Integrated Development Approach

- Considering the emerging complexities of the economy, there is need for an integrated development approach on MSMEs. New research and evidences should lead to a review and restatement of existing policies, with a thrust on the following:
  - *Political and Administrative powers:*
    - In India's bottom-heavy industrial structure, a large number of small and tiny enterprises, often located in small towns and villages, contribute to the small enterprise output of the country.
    - This also implies that the breeding of entrepreneurship and shaping of entrepreneurship resources in the country is a local phenomenon.
    - However, paradoxical enough, the local governments are either ignorant or reluctant to exercise their powers; or that these powers are usurped by the higher tiers of the government.
  - *Capabilities:*
    - It is also important to understand, whether these lower tiers of government, and their administrative machinery are objectively, capable of exercising such powers.



- However, beyond the so-called “administration”, the focus needs to be on specific functional areas as follows: a). Identification of project ideas and business opportunities; b). Provision of general information and guidance; c). Onward support services; and d). documentation, networking.
  - Governments will have to increasingly play a catalytic role in helping SMEs to tap the emerging benefits of the ‘new economy’.
  - On the side of threats, knowledge remains too difficult to be accessed by the SMEs. Technologies become increasingly disruptive so that, by the time a new technology is adapted, it becomes obsolete.
- *Resources:*
- Under the existing formula of resource sharing between the State governments and the Local governments, the necessary resources for coordinating several of the base level promotion activities relating to enterprise development are available with the local governments which needs to be consolidated.
- *Development of Synergies:*
- Enterprise development is a subject area where synergies and networking are critical.
  - Making synergies for enterprise development, demand both vertical and horizontal strengthening of the constituency, would imply that, every tier of government, from the Union, down to the Local government, are clear about their relative roles and functions, and are able to function responsibly.

#### Recent Initiatives:

- The Government of India, since 2014, has taken several steps to deal with the related aspects of skills, entrepreneurship development, and promotion of manufacturing.
- This integrated approach gets reflected in two major forms; a). development of a policy framework; and 2). Introduction of specially structured programmes that deal with these related aspects.
- For transforming India into manufacturing hub, ‘Make in India’ was announced as a flagship programme. Skill India was announced in order to mitigate the critical problems of skill gap.
- In order to have a proper integration of the skilling agenda, with that of the entrepreneurship promotion, a separate programme called ‘Start up India’ was announced.
- In order to address the problem of social exclusion and its reflections on the investment front, a specialized programme called ‘Stand up India’ was announced.
- The introduction of MUDRA as a specialized window, meant for targeting micro enterprises, can be described as a major intervention for broad basing finance.

#### Policy initiatives: Implications

- Informalism is a major characteristic of the MSME sector of the country. In this context there is a critical policy question regarding the further course of action.
- The Government of India has chosen the path of accelerating innovation in the MSME sector.



- Having chosen a path of innovation, it is necessary to consider the short term and long term implications of such a change.
- MSMEs have a dual character of significant vulnerability on the one hand, and the substantial inherent strength which can be used to reduce the pains of a radical change.
- The results of a group of major policy initiatives, including GST, demonetization etc. have been widely debated.
- While the total effect of all the measures taken by the Government is enhanced formalization of the enterprise system, the next step should be a five pronged strategy for sustaining such results. These are:
  - 1) Detailed sub sectoral understanding of MSME dominant sub sectors
  - 2) A reinterpretation of the functioning of the economy on the basis of clear functional criteria, rather than on the basis of old criteria such as , rural-urban, male-female etc.
  - 3) A rationalization of the role institutions, on the basis of detailed studies
  - 4) A re interpretation of the role of finance, and a restructuring of the relationship between finance and the real sector
  - 5) Planning for Entrepreneurship as a critical resource.

#### **5. Accessing Finance: Challenge to the MSMEs**

- The MSMEs are considered the backbone of most economies globally. At the same time, however, there is a consensus that MSMEs face enormous hurdles in accessing finance everywhere.
- The IFC/Mckinsey has estimated the credit gap for formal and informal MSMEs worldwide at around \$ 3.9 trillion, of which \$ 2.1 trillion is in emerging markets.
- In India, MSMEs are defined on the basis of investment in plant and machinery (excluding land and building) as opposed to turnover/ employment based criteria in most other countries.
- Based on 4<sup>th</sup> MSME census (2006-07) and sixth Economic Census (2013), the Annual Report (2016-17) by Union Ministry of MSME estimates that the number of MSMEs in India stands at 5.13 crore employing 11.1 crore people.
- Almost 90 percent of MSMEs are dependent on informal sources for funding.
- It is obvious that with current financial architecture, a very large segment of MSME has not been reached.

#### Supply side constraints

- Public sector banks control more than 70 percent of the banking system assets under direct control of the Government.
- The Governments in India have long been accused that they corner the deposits in the Banks (through government securities and bonds) to make up for budget deficits, finance political schemes and influence flow of funds to the projects/ promoters of their linking.
- Tight control of Government on PSU Banks, results in subdued competition and sub-optimal outcomes both for the owners and the customers of the banks.





- Secondly, the banks (both domestic and commercial banks and foreign banks having more than 20 branches) are required to lend 40 percent of their total advances to 'priority sector'.
- The priority sector constitutes of Agriculture-having a sub-target of 18 percent and the rest of sectors such as MSMEs, Education, Housing, Export Credit and others.
- What is clear is that there is no specific sub-target for MSMEs within the priority sector-lending target.
- Thirdly, industrial financing envisages two specific requirements from financial institutions-ability to lend for longer period-as project gestations are longer and technical knowledge of sectors to understand business cycles and technology.
- But banks have a problem: they take relatively short term deposits and therefore they hesitate to lend for longer periods as it makes their asset-liability condition precarious. Further, they lack the technical expertise necessary to appreciate sectoral complexities.
- For MSMEs, where promoters could be non-descript and a first generation entrepreneurs, bankers try to minimize their risks by insisting on asset based collateral securities.
- Further, India's adoption of Basel-2 norms-an international banking standard, made lending to MSMEs even more difficult. Following Basel-2, RBI requires financial institutions to maintain 'enough' cash reserves to cover risks incurred by operations.
- It also asked banks to get their exposure above Rs. 5 crore to be rated through Credit Rating Agencies.
- Not only that, RBI also mandated Banks to adopt an early warning system-Special Mention Account (SMA), where even a 30 day deviation on payment against principal of interest needs to be reported through their payments cycles which are usually of 90 plus days. It is the MSMEs that bore the brunt of all these measures.

#### Demand side constraints

- The MSMEs are a heterogeneous sector comprising of Micro, small and medium enterprise segments with each having very distinct needs and different challenges.
- Almost all of them are proprietorship/partnership firms are not companies exposing them to unlimited liabilities. This segment faces financial inclusion challenges owing to its informal nature, lack of information needed by banks and documents.
- Their major problems are difficulties in raising risk capital to start new business, lack of sufficient collateral and high working capital needs as their payments are routinely delayed by their large buyers.
- Globally, it is the Medium segment within the MSMEs sector-the Mittlestand, which is considered most robust and promising as it operates at right scale and can compete internationally.
- Unfortunately, it is the tiniest segment in India as most Small enterprises fail to grow to the scale. Often the phenomenon in India is termed as the 'missing middle'.
- Besides lack of quality of bank assistance, a few key constraints faced by the segments are: banks' requirements of additional collateral securities, access to equity/mezzanine capital, foreign currency loans including external commercial borrowing (ECBs) and to



competitively priced non-fund based bank facilities (like Bank guarantees, performance guarantees).

#### Policy Response

- There has been a massive financial inclusion programme with policies like Pradhan Mantri Jan Dhan Yojna (PMJDY). The top down push has nudged the banking sector and banks reached out to the informal sector and the unbanked like never before.
- Credit Guarantee Trust for MSEs (CGTMSE) has been created to enable MSEs to access loans without collateral securities.
- To help MSMEs monetize the movable assets, the Central Registry of Securitisation Asset Reconstruction and Security Interest (CERSAI) has created a movable asset registry which allows the movable assets to be pledged to obtain bank financing.
- To enable MSMEs to have access to equity for green field or scaling up existing ones, both BSE and NSE have been allowed to create dedicated SME exchanges.
- Further, in order to solve the problem of delayed payments to MSMEs, RBI has licensed three entities for operating the Trade Receivable Discounting system (TReDS)
- Finally, one of the most critical institutional reforms is enactment of Indian Bankruptcy and Insolvency code, 2016. Under the code, Board has already started functioning.

#### Way ahead

- There is a need to create a revolution similar to telecom in the banking sector creating conditions where the service providers chase the clients.
- The Government will have to exit from banking and cede space to private sector to create massive competition.
- The traditional role of intermediation of banks is being challenged by new entities such as telecom companies and digital financial platforms and Fintech companies. We need to increase the speed of our policy response to these emerging technologies.
- Finally, the push for digitalization post demonetization and imposition of GST will fundamentally transform the conduct of business as the commercial transactions get illuminated leaving a verifiable trail.
- The massive amount of information which is likely to be generated through GSTN should make information based collaterals more lucrative than asset based ones turning the traditional banking on its head.

#### **6. Quality Certification: Trigger Force for Competitiveness**

- MSMEs have potential for flexible adaptation to global challenges in changing market conditions and competition. India has a major cluster of MSME segment where talent and technology can be unleashed backed by proactive policies to enhance the economic and social fabric of our nation.
- Quality certification is becoming extremely significant in competitive markets for gaining strong foothold in exports. Quality and technology upgradation are important factors for enhancing competitiveness in MSMEs.



- MSMEs have limited resources and access to funds and hence, they find difficulty in upgrading themselves. Thus, many of them are unable to grow beyond a certain point in the global value chain.
- Following are the benefits of certification for an organization
  - a) Recognition and brand reputation.
  - b) Continual improvement
  - c) Maintain focus
  - d) Confidence
  - e) Staff satisfaction and engagement

Various schemes for quality certification of Govt. of India are as follows:

- *National manufacturing competitiveness programme (NMCP)* –this programme enables the manufacturing sector to be competitive through quality management standard & quality tech. tools (QMS/QTT).
- *Technology and quality upgradation support to MSMEs*-this scheme advocates the use of energy efficient technologies in manufacturing units for reducing the cost of production.
- *Financial support to MSMEs in ZED (zero defect zero effect) Certification scheme*-this scheme envisages to develop an Ecosystem for Zero Defect Manufacturing in MSMEs by promoting adaptation of Quality tools and energy efficient manufacturing. This scheme also supports Make in India campaign. Under this scheme, MSMEs will have to compete to bag gold, silver, or bronze quality certification in order to get contracts.
- *Quality certification- ISO certification assistance*-it helps organizations to meet the expectations and needs of their customers and stakeholders, amongst other benefits.

Way forward

- If India has to sustain growth rate of 8-10 percent for the next decade, it requires a strong and vibrant MSME sector who can withstand global challenges.
- Indian MSMEs have the potential to become global enterprises. To manifest this, MSMEs need to invest in quality certifications and R&D. The needs and challenges of industry can be met foundation on creating sustainable solutions by globally competitive MSMEs.

#### **7. Role of MSMEs in New India**

- As far as the MSMEs and India's growth opportunity is concerned , MSMEs can be the backbone for the existing and future high growth businesses with both domestic and foreign companies investing in the 'Making in India' initiative and make significant impact in the area of indigenization.
- The 'Digital India' revolution also provides a great opportunity to promote MSME participation in the Information, Communication and Telecommunication (ICT) sector.
- It is equally important that the MSME segment develop in all areas of agriculture, manufacturing and services sectors because each of these sectors will continue to be very relevant to the overall GDP growth as well as employment generation.



- With around 36.1 million units throughout the geographical expanse of the country, MSMEs contribute around 6.11 percent of the manufacturing GDP and 24.63 percent of the GDP from services activities as well as 33.4 percent of India's manufacturing output.
- They have been able to provide employment to around 120 million persons and contribute around 45 percent of the overall exports from India.

#### *Role of MSMEs*

- The labour to capital ratio in MSMEs and the overall growth in the sector is much higher than that in the large industries.
- The geographic distribution of the MSMEs is also more even. Thus, MSMEs are important for meeting the national objectives of growth with equity and inclusion.

#### *Diversified characteristics*

- The MSME sector in India is highly heterogeneous in terms of size of enterprises, variety of products and services produced, and the levels of technology employed.
- MSME sector is characterized by low investment requirement, operational flexibility and location wise mobility. As per the quick estimate of 4th All India census of MSMEs, the number of enterprises is estimated to be about 26 million and these provide employment to an estimated 69 million persons.
- Of the 26 million MSMEs, only 1.5 million are in the registered segment while the remaining 24.5 million (94 percent) are in the unregistered segment. The state wise distribution of MSMEs shows that more than 55 percent of these enterprises are in 6 states.

#### *Major new schemes of the Government*

- Scheme of Fund for Regeneration of Traditional Industries (SFURTI)
- Stand-Up India scheme
- Scheme for the Development and promotion of Women Entrepreneurs
- Trade related Entrepreneurship assistance and development scheme-TREAD

Following are the opportunity areas which are vital for the future of MSMEs

- "Come Make in India" to attract foreign companies
- Digital India
- Export Contribution by supporting globally competitive MSMEs
- Public procurement Policy- promote an ecosystem for suppliers to defence and public sector enterprises so as to achieve at least 25 percent portion of total procurement by defence and Public sector enterprises from MSME
- Promote Indigenization
- Traditional and Heritage Industries.
- Performance Incentives
- Skill India to create a skilled workforce



### **8. Encouraging Environment for Small Enterprises**

- For more than two decades, Small Enterprises sector has been in a crisis. Closure of a large number of small enterprises has not only become a stumbling block in the creation of jobs, growth and development of the economy is also getting hurt.

#### *Impact of Liberalization and Globalization*

- Small Scale Industries were allowed to operate in the consumer goods sector and even many items were reserved for SSIs.
- Before the advent of the new economic policy in 1991, 812 items were reserved for production in the Small Scale sector. The New Economic Policy (NEP) storm mercilessly killed this policy of reservation.
- Slowly, these concessions to SSIs vanished in the name of promoting competition. It was said that reservation policy for SSIs comes in way of development of technology and kills competition. NEP's arguments took precedence over arguments of employment, decentralization and equity favouring concessions to SSIs.
- Small Scale sector in general faced extinction especially due to import flood from China. Huge import surge from China, not only caused huge burden of foreign exchange payment on the country due to heavy imports of toys, power equipment etc. our industry and businesses were also destroyed, causing widespread unemployment.

#### *How to encourage Make in India?*

- In India, costly electricity, outdated labour laws, complicated tax system, high rates of taxes, problems in getting finance, lack of infrastructure, laws inhibiting start of enterprise, inspector raj and perverted environment laws are some of the problems which have been coming in the way of healthy development of Small Scale Sector. We need to overcome these hurdles.
- *Need for Separate Labour Laws*
  - Though, policy of unjustified 'hire and fire' policy is no good and we need to protect workers' interest. However, one can't justify same laws for big and small enterprises. Hence, there is need to have a separate labour laws for small enterprises.
- *Finance*
  - Small enterprises get loans at higher interest rates, whereas big borrowers get loan at much cheaper rates and on more easy terms, without hassles. To address this, government has launched MUDRA scheme.
- *Restricting Flooding and Dumping of Imports through imposing anti-dumping duties.*
- *Preference in Government Procurement to protect and promote small enterprises.*
  - It is expected that preferential procurement of domestic goods would go a long way in encouraging domestic industry in general and Small Scale Industry in particular.
- *Ending Inspector Raj*
  - There are more than 40 laws applicable on SSIs and more than 50 Inspector visit their factories, and many of them have wide ranging powers to penalize.



- There are many such laws which have lost utility in modern times, and there are many others which come in way of healthy functioning of the economy in general and industry in particular. There is a dire need to end this.
- So far 1200 acts have been repealed and 1824 more such Acts have been identified for repealing.
- There is a need to facilitate new entrepreneurs by single window clearances of all types.
- **Building Infrastructure**
  - It is almost impossible to start and run small Enterprises in a remote area due to lack of infrastructure.
  - There is need to develop infrastructure of various kind, especially in rural areas.
  - Despite improvement in the recent years, we are still at 130<sup>th</sup> rank internationally, so far as 'Ease of Doing Business' is concerned. Much has been done by the government and much more is expected.

**9. Enabling Ease of Access to MSME Products**

- Manufacturing of product is important, but equally important is the market access. MSMEs have very limited resource and they find it difficult to access the market.

What do we mean by MSME?

- In accordance with the provision of Micro, Small and Medium Enterprises Development Act, 2006, MSMEs have been classified into two groups:
  - Manufacturing Enterprises – The enterprises engaged in the manufacture or production of goods or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise is defined in terms of investment in Plant and Machinery.
  - Micro- Up to Rs. 25 lakhs; Small – Rs 25 lakhs to Rs 5 crore; Medium – Rs 5 crore to Rs 10 crore
  - Service Enterprises – The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.
  - Micro – Up to Rs 10 lakhs; Small – Rs 10 lakhs to Rs 2 crore; Medium – Rs 2 crore to Rs 5 crore

Schemes of Government to help MSMEs in market access:

Market Assistance Scheme (MAS)	<ul style="list-style-type: none"> <li>● Aims to help MSMEs to participate domestic and international exhibitions/trade fairs etc.</li> <li>● Implemented through National Small Industries Corporation (NSIC).</li> <li>● Apart from organizing international exhibitions, NSIC also facilitates participation of Indian MSMEs in select international exhibitions and trade fairs. Participation in such events exposes MSMEs to international practices and enhance business prowess.</li> </ul>
Vendor Development Programme	<ul style="list-style-type: none"> <li>● To bring buyers and sellers together for business</li> </ul>



(VDP)	promotion.
Marketing Development Assistance (MDA)	<ul style="list-style-type: none"> <li>To encourage Small and Micro exporters in their efforts at tapping and developing overseas market.</li> <li>It also facilitates effort to popularize the adoption of Bar Coding on a large scale</li> </ul>
Providing Market through Preferential Procurement	<ul style="list-style-type: none"> <li>The Govt has introduced Public Procurement Policy for MSEs. Under this Policy, every Central Government and Public Undertaking shall procure a minimum of 20% of their annual value of goods or services from MSEs.</li> </ul>
Ensuring Quality for Better Market Access	<ul style="list-style-type: none"> <li></li> </ul>
Bar Code	<ul style="list-style-type: none"> <li>Keeping the importance of Bar Code in mind, the Govt., through MSME – Development Institutes, provides financial assistance to MSMEs to enhance their marketing competitiveness.</li> <li>Under the scheme, 75% of one time registration fee and annual recurring fee paid by MSEs get reimbursed.</li> <li>GSI India, formerly EAN India, an autonomous body under Ministry of Commerce is authorized for granting registration for use of Bar Codes.</li> </ul>
Revised Marketing Assistance and Technology Up-gradation (MATU) Scheme	<b>Domestic Market:</b> <ul style="list-style-type: none"> <li>Here financial support is provided to participate in State/District level local exhibition/trade fairs.</li> <li>MSME Development Institute (MSME – DI) is responsible to implement the scheme.</li> </ul>
	<b>International Market</b> <ul style="list-style-type: none"> <li>The scheme also aims to encourage manufacturing MSEs in their efforts of tapping and developing overseas markets.</li> </ul>

- In 2015, the govt. did move a bill in Parliament to amend the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. The existing limits under this act were fixed almost 11 years ago.
- Since then, there has been a significant increase in the price index and cost of inputs.
- There is need to get it passed early to help MSMEs to get strength. This revision along with various marketing schemes will take MSMEs to new high.