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Micro, Small and Medium Enterprises



Empowering India's MSME Sector
Arun Kumar Panda

Promotional Avenues for MSMEs
Chandrasekhar Reddy, Dibyendu Choudhury

**Quality Certification:
Trigger Force for Competitiveness**
Jitendra Singh

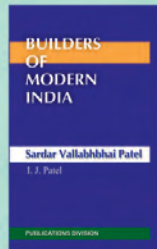
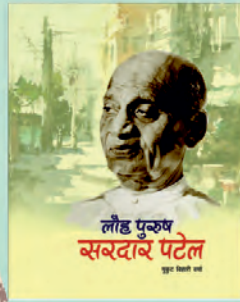
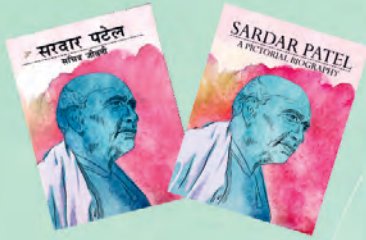
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YE-729/2017



Small Sector with Big Potential

Building a strong industrial sector is always on top of the agenda for policy makers and those governing the country. Industries not only provide goods for internal consumption and exports but also have highest role in offering employment to the youth of the country. While the big industries like iron & steel, cars, electronic items, etc are in focus while discussing GDP and economic growth, there is a small industrial sector that plays an important role in both manufacturing products and employment generation but is hidden from view of economists and policy makers. This is the micro, medium and small industries sector.

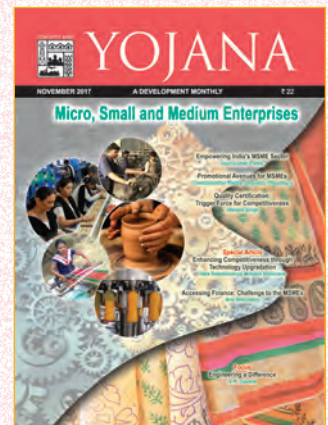
In India, the MSME sector employs nearly 11 crore people and contributes to around 17% Percentage of the GDP. Products ranging from the khadi kurta one wears for occasions, cottage products like honey and coir to the many ancillary items used in industrial production, are all manufactured in this sector. The sector, however, faces many challenges like timely access to credit, lack of infrastructure, inability to resource technology for upgradation as also skilled manpower, access to marketing facilities, etc. The sector also faces competition from neighbouring countries, notably china, whose 'dumping' of products has resulted in loss for many indigenous units.

Getting adequate funds is a problem for the units in the small and medium sector mostly because funding agencies are not sufficiently convinced about the viability of these units. In order to address this concern the government has augmented coverage of the sector under the Credit Gurantee fund Scheme with limit of loan being doubled from Rs 1 crore to Rs 2 crores. Upgraded technology has become crucial for the msme to maintain competitiveness in the global markets. Again, due to their poor financial standing and limited human resources, the units in this sector find it difficult to get access to advanced technology. While technology transfer is one solution, the government, on its part, is offering high end skilling and technical support through tool rooms and technology development centres throughout the country.

Good infrastructural facilities are necessary for any enterprise to run its operations successfully. Most MSMEs however work with very minimal infrastructural facilities. The Cluster Development Programme of the government aims to create assets like Common Facility Centres to access latest tools, technology, designs, etc. Above all, skilled human resource is the most fundamental component for achieving success in msme sector. Attracting and retaining the available work force as also developing the new talent is even more crucial. Recognizing this, the Government has started many capacity building programmes. The Entrepreneurship Development programmes and Vocational Training Programmes of the government seek to address this issue.

Micro, Small and Medium Enterprise0s have a strategic role to play in the economy of every country. They help to generate employment in the unskilled, semi-skilled and skilled genre, that too at a low capital cost as these units are basically labour intensive. They also sustain rural economies as many of these products are developed indigenously in rural areas. The products are usually so unique that they offer great potential for export thus generating revenue in international currency. Due to low production costs and cottage industry like work environment, they can hold themselves up even during economic instability.

MSME sector possesses enough potential and possibilities to give Indian economy a big leap forward. With a little support from the government and financial institutions, these units can are on way to becoming the pillars of growth.



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YE-712/2/2017

Empowering India's MSME Sector

Arun Kumar Panda



The possibilities and potential for job creation and wealth formation are immense in the MSME sector. All the Stake holders including the State Governments, the Industry associations, the incubators, the technology providers, the Financial institutions and various Ministries of Government of India would have to join hands to attain the common goal and shared vision of high growth and employment. MSME sector with its vast spectrum of enterprises, let's remember, holds the key to achieving the Demographic Dividend

The Micro, Small or Medium Enterprise sector, or the MSME sector as it is called, 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, fosters entrepreneurship and growth led by innovation. The sector also complements large businesses as ancillary units in fulfilling their business requirements and needs, thereby contributing to the socio-economic development and inclusive growth of the country.

Indian Perspective

From the Indian economic perspective, the sector occupies a position of strategic importance. Nearly, 90 per cent of the industrial units belong to this sector, employing 40 per cent of India's workforce. The sector produces more than 8000 products ranging from traditional to high-tech precision items. With Indian economy on the fulcrum of the ever-rising growth curve, which is likely to become a \$5 trillion economy by 2025, the development of the sector has become all the more critical. Thus, devising innovative policies, programmes, and schemes that can strengthen the entire MSME ecosystem has become a priority for the Government. The same is apparent with

an upsurge in the budgetary allocation of Rs 6482 crore to Ministry of Micro, Small and Medium Enterprises, an all-time high as compared with previous year allocation of Rs 3465 crore.

Strengthening MSMEs

In spite of the sector's inherent potential to grow, there exist many challenges as well. For instance, timely access to credit, infrastructural gaps, technological obsolescence, sub-optimal access to market and skilled manpower are some of the challenges which the sector faces. Moreover, with increasing competition from neighboring countries like China,



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Indonesia, Philippines, and Thailand, it has become imperative for the sector to adopt robust strategies to become globally competitive. The Government does realize these constraints and acknowledges the urgency to rejuvenate the sector for enhanced level of economic activity. And so, a host of initiatives like 'Make in India', 'Digital 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 per cent vis-à-vis current 16-17 per cent and to create 100 million more jobs by 2022.

Financing SMEs

It is necessary to keep in mind that the MSME sector is not homogeneous and hence, there exist different priorities for different enterprises. And so are the challenges. For example, timely access to adequate credit is a priority for micro and small enterprises and remains a challenge. Typically, the problem is not so accentuated for medium and large enterprises. In order to address this concern, coverage under Credit Guarantee Fund Scheme has been augmented by the Government. The units falling under Micro and Small Enterprises can now avail collateral free loans upto Rs 2.00 crore from the earlier limit of Rs 1.00 crore through select financial institutions. Besides, new innovative models are also coming up in the market to address burgeoning financial complexities and credit related gaps in the sector. Various start-ups in the working capital space are trying to



make it convenient for SMEs to access credit easily. With the advent of these financing and lending players in the ecosystem, the SMEs are more likely to become financially secure.

Prime Minister's Employment Generation Programme (PMEGP)

Prime Minister's Employment Generation Programme (PMEGP) 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. The programme has tremendous potential for job creation.

Khadi and Village Industries

Khadi and Village Industries are two important National Heritage sectors of India. The Khadi and Village Industries sector plays a very vital role in providing employment opportunities in rural areas at low per capita investment especially to people belonging to weaker sections of the society. 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 door steps of the rural unemployed, especially youth and women.



Focus on Technology

Today, global value chains are competing at the global level. In order to become a preferred supplier, an enterprise needs to adopt best practices and follow international standards to go forward not just in terms of offering innovative solutions, but offer greater value to their partners. It is in this context that technological sophistication has become immensely important. The Ministry is focussing on high end skilling and technical support through 18 Tool Rooms and Technology Development Centres across the country. In addition the Ministry of Micro, Small and Medium Enterprises has allocated Rs 2200 crore with funding support from the World Bank to upgrade some of the existing centers and establish 15 new Technology Centers (TCs) under Technology Center Systems Project (TCSP) to improve the overall productivity of MSMEs. The TCs will support MSMEs by providing access to state-of-the-art manufacturing technologies, skilled manpower and business advisory support to entrepreneurs. Additionally, a Credit Linked Capital Subsidy Scheme (CLCSS) is also operational for upgradation of technology for Micro and Small Enterprises. The Scheme facilitates modernization of plant and machinery by providing an up-front subsidy of 15 per cent subject to a maximum of Rs 15.00 lakhs. As on June 2017, a total amount of Rs 78.68 crore has been released, benefitting 1293 MSEs.

Hon'ble Prime Minister 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

Availability of infrastructure such as access to utilities, market, skilled manpower, and latest technology etc. is a must for any enterprise to run its operations successfully in the market. In this context, the 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.

Due to lack of capital, the Micro and Small Enterprises are generally not in a position to get access to latest tools and techniques, thereby compromising on the quality of their end product. Therefore, the Cluster Development Programme aims at the creation of tangible assets like Common Facility Centers (CFC), getting access to latest tools, technology, designs, testing facilities etc. for such enterprises. Several clusters across the country have benefited through these and various other cluster development initiatives taken by the Government. 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 per cent of goods and services from Micro and Small Enterprises (MSEs), as a 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 per cent has also been set aside for procurement from MSMEs owned by SC-ST entrepreneurs. Furthermore, analysis of the MSME sector in terms of social group reveals that the enterprises owned by SC-ST entrepreneurs have their own set of constraints. To achieve this target and to promote entrepreneurship culture for SC-STs, a National SC-ST Hub (NSSH) has been launched by the Hon'ble Prime Minister on October 18, 2016 with an outlay of Rs. 490 crore (2016 – 2020). The objective of NSSH is to provide professional support to SC-ST enterprises. The Hub is currently operational from National Small Industries Corporation (NSIC), a Central Public Sector Enterprise (CPSE) under M/o MSME, GoI. A Special Credit Linked Capital Subsidy Scheme (SCLCSS) has also been formed under the hub to facilitate the purchase of Plant and Machinery by existing as well new SC-ST enterprises. The scheme envisages the upfront capital subsidy amount of 25 per cent.

Human Capital

Attracting and retaining new talent has become an important factor for the growth of MSMEs. Even with a population of more than 1.25 billion individuals, skilled manpower is still cited as scarce. MSME sector holds the key for skilling our workforce,



especially at a time when 65 per cent of our population is below the age of 35. 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. Several EDPs and Vocational Training Programmes have been conducted by Ministry of Micro, Small and Medium Enterprises through the office of Development Commissioner (MSME) in various sectors and trades.

Concluding Remarks

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, Udyog Aadhaar 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 of Entrepreneurship Memorandum (EM) Part I and II. This is a 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 Udyog Aadhaar Memorandum (UAM) since its inception. Furthermore, with ‘One Nation One Tax’ approach under GST, MSMEs are likely to unleash its true potential.

To sum it all, with progressive changes in the Indian MSME sector, several policy interventions along with innovation and entrepreneurship will continue to play a dynamic role in creating a business – friendly ecosystem. The possibilities and potential for job creation and wealth formation are immense in the MSME sector. All the Stake holders including the State Governments, the Industry associations, the incubators, the technology providers, the Financial institutions and various Ministries of Government of India would have to join hands to attain the common goal and shared vision of high growth and employment. MSME sector with its vast spectrum of enterprises, let’s remember, holds the key to achieving the Demographic Dividend.

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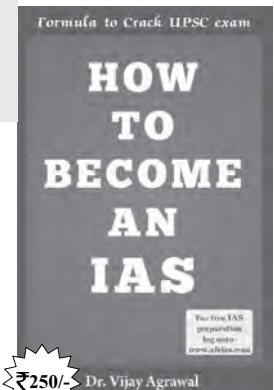
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YE-654/6/2017

Promotional Avenues for MSMEs

*Chandrasekar Reddy
Dibyendu Choudhury*



Government of India has taken a number of steps for promoting development of Micro, Small and Medium Enterprises. These include availability of credit, schemes for technological up gradation, quality improvement and marketing support. 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 credit support to them

The primary responsibility of promotion and development of the Micro, Small and Medium Enterprises sector lies with the State Governments. The Government of India also recognizes the importance and potential of the Micro, Small and Medium Enterprises sector for the growth and development of the national economy and for generation of employment. It also perceives the need for an all-India framework for policies and measures for the development and promotion of Micro, Small and Medium Enterprises and has taken an active interest to supplement the efforts of the State Governments in different ways. The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 is also a result of the same. After the enactment of this Act, a separate Ministry of Micro, Small and Medium Enterprises was formed on 9.5.2007 by the merger of erstwhile Small Scale Industry (SSI) and Agro Rural Industries (ARI). The sector comprises of 45.3 million units (as per 6th Economic Census, 2013) and provides employment to over 117 million persons. It produces 45 per cent of the total manufacturing output and provides 40 per cent to the exports from the country.

Government of India has taken a number of steps for promoting development of Micro, Small and Medium Enterprises. These include availability of credit, schemes for technological up gradation, quality improvement and marketing support. 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 credit support to them.

The Ministry of Micro, Small and Medium Enterprises 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 of the country but also provides sustainable employment to approximately 150 lakh persons in rural areas. Khadi and Village Industries Sector represent an exquisite heritage product, which is ethnic as well as ethical. The sector has a potentially strong clientele among the middle and upper echelons of the society.

The Ministry has been tasked with the promotion of coir industry, which has extended its base from Kerala to various other States including Tamil Nadu, Andhra Pradesh, Karnataka,

Chandrasekar Reddy is Director General in the National Institute for Micro, Small and Medium Enterprises, Hyderabad, Telegana. He has extended support in formulation of cluster development schemes of various Ministries of Government of India and several State Governments. Mr. Reddy has several publications to his credit.

Dibyendu Choudhury is Faculty Member- (SEM) & (SEIC i/c), National Institute For Micro, Small and Medium Enterprises (ni-msme)

Goa, Odisha, Maharashtra and Gujarat as well as other States. This industry provides employment to more than 7 lakh persons and has contributed significantly in increasing amount of exports over the years. Use of coir has witnessed surge due to its environment - friendly nature. There is a great potential for value addition in coir products through technological interventions and diversification into products like coir geo-textile.

It is a matter of pride that the Ministry of Micro, Small and Medium Enterprises has been the first to be awarded ISO 9001-2008 certification, demonstrating the Ministry's mission of promoting the growth and development of Micro, Small and Medium Enterprises with dedication and commitment. Implementation of ISO standards would enable the Ministry to identify areas for improvement and also bring in transparency and accountability in its functioning. KVIC, Coir Board, NSIC and NIMSME, the other wings of the Ministry, have also adopted ISO standards and have obtained certification.

It was indeed an honour for the Ministry of Micro, Small and Medium Enterprises that inaugurated two Schemes of the Ministry namely, National Scheduled Caste / Scheduled Tribe Hub and Zero Defect Zero Effect (ZeD) Scheme on 18th October, 2016. The MSMEs also came into focus when the Prime Minister made a special mention about the same in his address to the Nation on 31st December, 2016. He announced increased credit facilities for MSMEs and increased corpus for Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). It also happened for the first time that MSMEs were segregated for special focus in the Union Budget presented on 1st February, 2017 where the Corporate Tax for the MSMEs having a turn-over of less than Rs.50 cr. was brought down from 30 per cent to 25 per cent.



Role of Ministry of MSME

The role of the M/o MSME and its organizations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario. The schemes/ programmes undertaken by the Ministry and its organizations seek to facilitate/provide: i) adequate flow of credit from financial institutions/banks; ii) support for technology upgradation and modernization; iii) integrated infrastructural facilities; iv) modern testing facilities and quality certification; v) access to modern management practices; vi) entrepreneurship development and skill upgradation through appropriate training facilities; vii) support for product development, design intervention and packaging; viii) welfare of artisans and workers; ix) assistance for better access to domestic and export markets and x) cluster-wise measures to promote capacity-building and empowerment of the units and their collectives.

There are several schemes which have been introduced to promote MSME Sector by the Ministry as given below under different departments

SME Division Schemes

1. International Cooperation
2. Assistance to Training Institutions (ATI)
3. Marketing Assistance

Development Commissioner (DC-MSME) Schemes

1. Credit Guarantee
2. Credit Linked Capital Subsidy for Technology Upgradation
3. ISO 9000/ISO 14001 Certification Reimbursements
4. Micro & Small Enterprises Cluster Development Programme
5. Micro Finance Programme
6. MSME Market Development Assistance (MDA)
7. National Awards (Individual MSEs)
8. National Manufacturing Competitiveness Programme (NMCP)
 - i. Marketing Support/Assistance to MSMEs (Bar Code)
 - ii. Entrepreneurial and Managerial Development of SMEs through Incubators
 - iii. Enabling Manufacturing Sector to be Competitive through QMS & QTT
 - iv. Building Awareness on Intellectual Property Rights (IPR)
 - v. Lean Manufacturing Competitiveness for MSMEs
 - vi. Design Clinic for Design Expertise to MSMEs Manufacturing Sector (DESIGN)
 - vii. Marketing Assistance & Technology Upgradation
 - viii. Technology and Quality Upgradation Support to MSMEs

NSIC Schemes

1. Performance and Credit Rating
2. Bank Credit Facilitation
3. Raw Material Assistance
4. Single Point Registration
5. Infomediary Services
6. Marketing Intelligence Services Lease
7. Bill Discounting
8. NSIC Infrastructure
 - i. Exhibition Hall, Hyderabad
 - ii. IT Incubator
 - iii. Exhibition-cum-Marketing Development Business Park
 - iv. Software Technology and Business Parks
 - v. Exhibition Grounds, New Delhi

ARI Division Schemes

1. Prime Minister's Employment Generation Programme (PMEGP)
2. Janshree Bima Yojana for Khadi Artisans
3. Market Development Assistance (MDA)
4. Science and Technology Scheme
5. Coir Udyami Yojan
6. Coir Vikas Yojana
 - i. Export Market Promotion
 - ii. Skill Upgradation & and Mahila Coir Yojana
- iii. Development of Production Infrastructure (DPI)
- iv. Personal Accident Insurance Scheme for Coir workers
- v. Trade and Industry Related Functional Support Services (TIRFSS)
- vi. Domestic Market Promotion Scheme
7. Aspire (Scheme for promotion of innovation entrepreneurship and agro-industry)
8. Revamped Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

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. During 2014-16 (till 8th March, 2016) 1,12,883 projects have been approved, which generated total employment of 8,71,000. A Scheme for Promoting Innovation and Rural Entrepreneurship (ASPIRE) was launched by the Ministry on 2015. The scheme was formulated to set up a network of technology centres and incubation centers to accelerate entrepreneurship and start-ups for innovation and entrepreneurship in agro-industry. The planned outcomes of ASPIRE are setting up Technology Business Incubators (TBI), Livelihood Business Incubators (LBI) and creation of a Fund of funds for such initiatives with SIDBI.

Ministry of MSME & SIDBI launched the scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises with an objective to have availability of bank credit without the hassles of collaterals / third party guarantees to the first generation entrepreneurs to realize their dream of setting up a unit of their own.

The Ministry has notified Udyog Adhaar Memorandum in September, 2015. This Udyog Adhaar memorandum is basically for making registration process easy for the entrepreneurs. The Udyog Adhaar Memorandum can be filed online

at Udyog Adhaar Portal maintained by the Ministry of MSME at <http://udyogaadhaar.gov.in>. There is no fee for filling the Udyog Adhaar Memorandum and there is no restriction on filing more than one Udyog Adhaar Memorandum. The memorandum can be filed on self-declaration basis etc. More than 4.17 lakh MSMEs have been registered so far.

Marketing is one of the critical areas where MSMEs face problems. World over public procurement is a major market for the MSMEs. Towards enhanced support to the Micro and Small Enterprises in participating in Government procurement, Government has announced Public Procurement Policy for MSEs which have become effective from 1st April 2012. Under the policy 20 per cent of the total procurement of any Government Ministry/Department/Public Sector Enterprises is to be procured from the Micro and Small Enterprises, compulsorily after a period of 3 years. Again, with a focus on inclusivity, the policy announces a separate target of 4 per cent of the total procurement from the Enterprises owned by persons from Scheduled Castes and Scheduled Tribes.

For enhancing competitiveness of the Indian manufacturing industry, 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. Under the QMS/QTT component in total 52 programmes have been

conducted during 2015-16 (till 31st January, 2016) with total expenditure of Rs. 43.15 crore.

Ministry of Micro, Small and Medium Enterprises (MSME) in its endeavor to provide the right stimulus for the growth of the industry in the country – particularly with the objective of helping the micro, small and medium enterprises, has established 18 Technology Centres (TCs). TCs provide invaluable services to the Indian industry by way of precision tooling and providing well trained craftsmen in the area of tool and die making. The main objective of these Technology Centres is to develop human resources for meeting the requirements for transfer of technology in respective products fields. These Centres are also running training courses as per the requirements of the industry.

The Government has been continuously reviving the developments in the MSME sector and taken recently an initiative by issuing a Gazette Notification dated 29.05.2015 on “Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises” to revive and rehabilitate sick MSMEs.

Stand Up India initiative was announced Prime Minister of India on 15th Aug, 2015. This scheme envisages promoting entrepreneurship among SC/ST and Woman Entrepreneurship. This scheme is intended to leverage upon the institutional credit structure to outreach the most underserved sectors of the population by facilitating Bank loans repayable upto 7 years and in-between Rs 10 Lacs to Rs 100 Lacs for Greenfield enterprises set-up by SC/ST/ Women borrowers. Start Up India scheme initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive for the growth of startups. In order to promote start-ups in India Government will exempt the start-ups especially in the manufacturing sectors from the criteria of "prior experience/ turnover without any relaxation in quality

standards or technical parameters". The startups also need to execute the project as per the requirements and should have their own manufacturing facility in India.

Most of the developed world is moving towards a nation of ageing population, India is poised to be one of the youngest countries in the world by 2020. Therefore, it's the time to invest on youth. This young force will be comprised of 63 percent of the total population of India and they require meaningful engagements for their livelihood be it wage employment or through self employment and have the taste of the entire lifecycle of a normal human being. Youth as most vibrant and dynamic segment is the country's most valuable human resource as well as assets. They have tremendous role to play in nation building in future and they require jobs and right grooming to be industry ready.

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

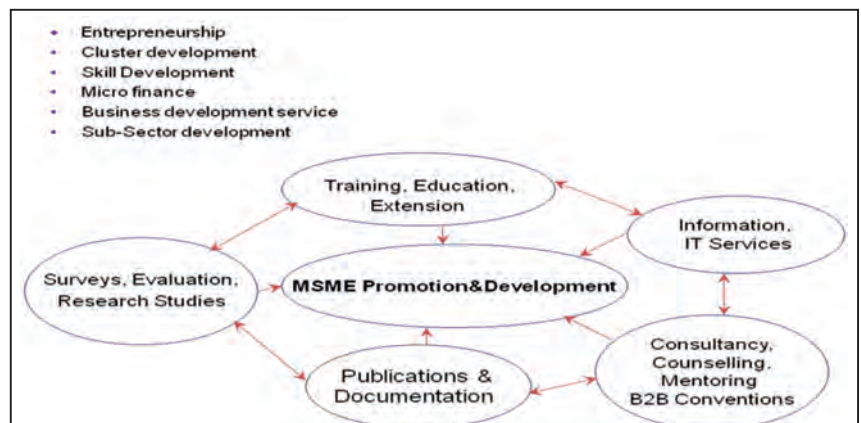
ni-msme was originally set up as Central Industrial Extension Training Institute (CIETI) in New Delhi in 1960 as a Department under the Ministry of Industry and Commerce, Government of India. It was decided to keep it free from the tardy and impeding administrative controls and procedures, so that the Institute can play a pivotal role in the promotion of small enterprises. Therefore, the Institute was shifted to Hyderabad in 1962, and was renamed as Small Industry Extension Training (SIET)

Institute. SIET, as it was fondly known for over two decades is managed by a Governing Council, appointed by the Government of India. 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 Micro, Small and Medium Enterprises. However, being the nodal institute apropos to the mandate **ni-msme** still enjoys autonomy and is self financed.

ni-msme has had profitable interface with several international agencies like CFTC (Commonwealth Fund for Technical Co-operation), UNESCO (United Nations Educational Scientific and Cultural Organisation), UNDP (United Nations Development Programme), Ford Foundation, GTZ of Germany, USAID (United States Agency for International Development), and ILO (International Labour Organisation), to name a few. Engaged in rendering various consultancy services with different State Government and Central Govt. Ministries to develop and promote the MSME Sector, Cross Skilling and Skill Upgradation etc.

Functional Spectrum:

- **Capacity Building:** Developed Resources at National Level to Strengthen MSME Sector (TOT/Master Trainers on Entrepreneurship Development/ Microlab, Enterprise development and Management), provided Capacity building support to



State EDIs. Organizing customized programmes for cluster SPVs on establishment and management of CFCs (MSECDP, SFURTI)

- **Information Dissemination & Knowledge Management:** Managing ISBN Journal SEDME, Offering online courses, disseminating MSME schemes through regular publications (English, Hindi and other Indian official languages). Catering MSME news updates through MSME Info portal, cluster news to all the stake holders. Made online Application (Apps) available in Google Store for MSME Scheme and Project Profiles for the benefits of Entrepreneurs.
- **Research & Policy Advocacy:** Conducted various national level Studies on flagship programmes of MSME Sector. Managing MSME Research Fellowship for Ph.D. Scholars. Suggested several State Government to re-structure and re-engineer their MSME Departments (DI & DIC's) to boost Entrepreneurship in the Nation.
- **International Cooperation in MSME:** Conducted International Courses on non-farm livelihoods, Entrepreneurship Development, MSME sector etc. So far around 10,000 foreign nationals been trained on several dimensions of MSMEs.
- **Networking:** Representing in various committees related MSME Sector at Central and State Governments, Promoting and Strengthening the MSME Associations including COWE, ALEAP, DICCI etc. Also been nominated by RBI to the local SLBC member. Networking with WTC, BMOs, State Governments, Industry Associations and other stake holders.
- **Mapping of Clusters-** to render directions to state governments for cluster initiatives, development, technology up-gradation, creation of CFC's through P-P-P mode. Acting as the nodal agency for creating SPV's in different clusters and monitoring the technology and other partners and their performances to deliver desired results.
- **Livelihood Business Incubation-** had been established with eight trades which leads entrepreneurs towards sustainable livelihood and hand hold them to end to end with bank linkages and financial inclusions.

The institute has trained 4,62,393 participants by organizing 14,034 programmes which includes prospective/existing entrepreneurs and officials from various Ministries of Govt. of India and State Governments till 2015-16. The Institute is implementing ITEC Scheme of the Ministry of External Affairs, Govt. of India since 1976 and trained 9,450 international executives from 142 developing countries and completed 909 research and consultancy projects since inception and would strive hard to continue the legacy. □

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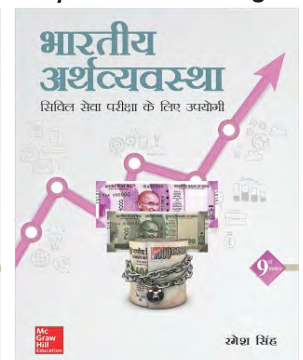
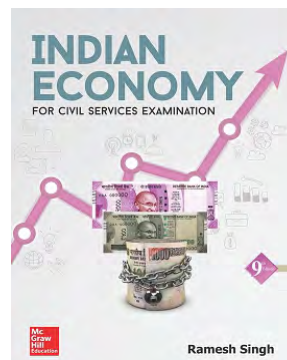
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Enhancing Competitiveness through Technology Upgradation

Bala Subrahmanya Mungila Hillemane



The accomplishment of Technology Transfer would enable MSMEs to realize some or all of their objectives leading to an overall enhancement of economic performance and competitiveness. In the current era, it is imperative to enable an increasing number of MSMEs to realize technology upgradation through Technology Transfer, for the benefit of the sector as much as for Indian economy

Micro, Small and Medium Enterprises (MSMEs) have a strategic appeal globally to policy makers in view of their magnitude in terms of number of enterprises, and contribution in terms of employment, production and exports, among others. They promote inclusive and sustainable economic growth, generate employment, encourage sustainable industrialization, foster innovation, and reduce income inequalities (OECD, 2017). 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 (OECD, 2017).

Among firms of different sizes, MSMEs have unique constraints in managing to achieve technology development for their growth. MSME entrepreneurs have relatively inadequate ability to manage technology as a strategic weapon as they have limited human resources and weak financial standing. All these are constraints for MSMEs to achieve technology development internally (Buratti and Penco, 2001). 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 the global economy, India occupies a unique status in view of its long standing policy for the promotion of MSMEs since its independence in 1947. The general merits as well as constraints observed in the international context are applicable to Indian MSMEs as well. MSMEs contribute significantly to the Indian economy. In 2015/16, the sector comprised more than 51 million enterprises, employed more than 117 million persons and accounted for more than Rs.8492 billion worth of exports (at current prices); produced about Rs.18100 billion worth of output (at constant prices in 2012/13) (RBI, 2017). In 2014/15, MSMEs accounted for 30.74 per cent of the Gross Domestic Product (GDP); of which, manufacturing sector MSMEs accounted for 6.11 per cent of the GDP, and services sector MSMEs accounted for 24.63 per cent of the GDP (Ministry of MSMEs, 2017). Thus, MSME sector has grown to be one of the important pillars of Indian economy.

But, in spite of their varied merits and sustained contribution, MSMEs,

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particularly in the unorganized sector, show weaknesses in technology development and innovation (National Commission for Enterprises in the unorganized sector, 2009). This introduces opportunities for public intervention aimed at sustaining technology development in MSMEs, especially through Technology Transfer processes. The MSME sector in India, with some exceptions, is characterized by low technology levels, which acts as a handicap in the emerging global market (Bala Subrahmanya, 2014). In fact, advanced manufacturing technology is critical for a firm's long term success and growth (Scannell, et.al., 2012). But 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 (Government of India, 2010).

In the light of the above discussion, it is appropriate to examine what are the different options of technology upgradation for MSMEs. Why is Technology Transfer a better option for MSMEs? What are the objectives, sources, channels and achievements which prompt MSMEs to go for Technology Transfer? What kind of public policy support is extended to Indian MSMEs to overcome their technological obsolescence? These issues are thrown light in this article.

Technology Transfer: Meaning and Importance

In the narrowest definition, technology includes patentable blueprints, plans, mechanisms, formulae, and the like (Enos, 1989), and transfer can be limited to the new use of such technology either within a particular firm or by a host country firm after contractual exchange with a foreign firm or organization (Smith, 1980). Technology can perhaps be better defined as the knowledge whereby economic efficiency can be improved. Hence, it includes not only



the “hard,” possibly patentable, aspects of production, like the specifications of goods and the mechanistic details of their manufacture, but also the “soft” aspects of business processes, such as organization, marketing, and other types of managerial knowledge and skills (Stewart 1977).

Technology Transfer is an alternative to internal technology development. Therefore, the decision to develop technology and innovative capabilities internally or acquire them via external means is a central component of any technology strategy (Zahra, et al, 1994). It applies to corporate ventures as much as to MSMEs (Zahra, 1996). Koc and Ceylan (2007) emphasized on the finding that most enterprises in developing countries preferred external sourcing since most of the technologies they use are outside their resource capabilities. Limited resources, expertise and time are the factors that push many firms to acquire technology from a source external to the firm rather than developing it in-house (Stock and Tatikonda, 2004). The process of acquiring technology from external sources can be achieved through what is commonly known as “Technology Transfer”. In its most general meaning, “Technology Transfer” is seen as every process that aims at transferring technological know-how from a donor such as a university, a research centre or R&D

department of firms to a recipient – firms which may either directly use or co-develop the technology (Kim, 1990).

Given the above, “technology” can be defined to include knowledge or ideas as well as physical products and “transfer” is the movement of technology via some type of channel: from person/institution/firm to MSMEs. Thus, Technology Transfer is fundamentally the application of knowledge associated with a new physical hardware used by an MSME as machinery equipment in the production process for generating product/service which is quantitatively as well as qualitatively superior to what it was producing earlier.

Transfer: Objectives, Achievements

The long run competitive position of most individual firms depends on how well they learn to manage and increase their technological asset bases (Lanctot and Swan (2000). The objective of a technology strategy is to guide the firm in acquiring, developing and applying technology for a competitive advantage. A firm's options range from ‘high technological risk decision’ to develop the needed technology internally, to ‘low technology risk decision’ to acquire a fully functioning technology from another firm. It is the high cost of conducting internal R&D that has resulted in a growing trend

towards acquiring new technologies by some other means (Noori, 1990). In general, it is argued that the decision to purchase a fully functioning and a widely used product technology from another firm could result in a superior product quality (Lanctot and Swan, 2000).

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. This is the outcome of negligible or nil R&D orientation and if at all, incremental technological innovations. This, in turn, is due to resource constraints relating to technical knowledge, expertise, skills, and finance. Therefore, policy support for technology up-gradation and modernization is invariably extended in various forms to MSMEs (Romijn, 2001).

There are various sources through which MSMEs can acquire external technologies. Some of them are as follows (Daim and Kocaogh, 2008):

- ❖ Sponsoring a research in a University,
- ❖ Supporting employees' education and thereby assess candidate technologies,
- ❖ Making use of an external R&D centre,
- ❖ Employing consultants to help them assess the new technologies available in the market,
- ❖ Going for licensing, one of the widely utilized methods of technology acquisition,
- ❖ Using technical meetings, technical journals and trade shows for assessing alternative technologies,
- ❖ Purchasing existing technology either through the vendor/supplier or from any commercial channel.

The various forms of Technology



Transfer can be broadly grouped under (i) vertical Technology Transfer and (ii) horizontal Technology Transfer. Vertical Technology Transfer occurs when information is transmitted from basic research to applied research, from applied research to development, and from development to production. Such transfers occur in both directions. And the form of information changes as it moves along this dimension. But horizontal Technology Transfer occurs when technology used in one place, organization or context is transferred and used in another place, organization and context (Enos, 1989). Horizontal Technology Transfer is found to be common among 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. The second step is more important because if the technology acquiring firm has to effectively use the transferred technology, acquisition of necessary information and skills related to the use of the new technology is essential and critical. The personal aspect as against the locational aspect of Technology Transfer covers technology-specific skills and know-how from the lowest level of operators, right up to exclusive technical personnel comprising scientists and engineers.

But an important pre-condition for this second step is the absorptive capacity of employees in the recipient firms (Bischoff, 2001). Therefore, MSMEs with a better absorptive capacity will be able to adapt externally acquired technology efficiently and successfully.

The channels and achievements of Technology Transfer would depend on the source of technology chosen by a firm. Transfer of technologies from the non-commercial to the private sector is increasingly regarded as playing a significant role in tech start-ups, growth of existing businesses, and new job creation (Parker and Zilberman, 1993; Proctor, 1993). The majority of empirical literature describes the process of Technology Transfer as:

- (i) Transfer from universities to private enterprises (Parker and Zilberman, 1993; Proctor, 1993),
- (ii) Transfer from government promoted labs/support agencies to private enterprises (Cole, 1992), and
- (iii) Transfer between and within private enterprises (Chakrabarti, et al, 1993; Palaniswami and Bishop, 1993).

In the global context, contractual mode in Technology Transfers is the relevant and the dominant one for

MSMEs (Venanzi, 1996). However, how effective is this Technology Transfer would depend on various factors, the most important of them all being the involvement of the partners. The gap between the degrees of motivational involvement of the two partners significantly influences both their contractual power and the performance of the transfer. Another aspect connected to the motivational involvement of the transferring firm is the level of completeness of the transferred technology, in terms of quality of the knowledge and experiences transferred.

Technology Transfer channels are of particular importance to MSMEs with little in-house resources and experience to explore the potential of new technologies (Brychan, 2001). 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. Two basic mechanisms available to MSMEs are technology exchange (technology passed from one MSME to another) and technology exploitation (technology transferred to an MSME from an external source). For MSMEs involved in Technology Transfer networks, key mechanisms include information transfer (newsletters and databases), Technology Transfer (R&D audits), skills transfer (training) and specialist support (financial guidance).

The Technology transfer performance of MSMEs will be influenced by a variety of institutional factors which include in-house technical personnel, access to external sources of knowledge (firms and research institutions), the political, legal and administrative environment and the organization of knowledge transfer. However, not all aspects of the institutional setting which surrounds business firms in the field of Technology Transfer are of the same importance for their performance. It generally varies to a large extent

between different countries and industries to a considerable degree.

As far as achievements of Technology Transfer are concerned, (i) increase in number of new products, (ii) shortened product development cycle (iii) increase in productivity due to cost reduction, and (iv) sales increase, are the commonly observed major outcomes (Daim and Kacaoglu, 2008). The empirical studies have brought out a significant and positive relationship between external technology acquisition and firm performance, depending on the degree of internal R&D efforts (Tasi and Wang, 2008). More recently, this has been substantiated in the Indian context with respect to Bangalore based engineering industry MSMEs. Technology Transfers, along with necessary firm-level innovation capability and firm-level competitiveness building, have contributed to the enhancement of their economic performance. Therefore, to accomplish successful Technology Transfers and higher economic performance, MSMEs must have some internal “techno-economic” strength within, as a pre-requisite (Bala Subrahmanya, 2015).

In the light of the above discussion, considering the policy support extended to MSMEs for technology upgradation, a conceptual framework is proposed linking objectives, sources, channels and possible achievements (as given in Figure 1).

Technology Transfer and MSMEs: A Conceptual Framework

Technology development is of paramount importance for Indian MSMEs, if they have to remain competitive in the domestic market and penetrate the international market steadily. This assumes significance because technological obsolescence has been one of the most severe problems identified with the Indian MSME sector time and again. That is why technology development has been considered the foremost factor for

enhancing the global competitiveness of the Indian SME sector (Ministry of MSMEs, 2011; TIFAC, 2017).

Objectives of Technology Transfer: Technology Transfer offers various benefits to MSMEs. In general, Indian MSMEs lack technical expertise needed to develop technology internally through R&D, they lack financial strength to incur expenditure and bear the risk and uncertainties of R&D for technology development; and internal technology development process may consume a long period of time, sometimes involving inordinate delays. Therefore, MSMEs would prefer Technology Transfer to save on time and money, and overcome deficiencies of sufficient in-house technical expertise, to achieve technology upgradation. In some cases, MSMEs which would like to exploit scale economies or scope economies or even to enter the international market might go for Technology Transfer.

Sources and Channels of Technology Transfer: MSMEs have multiple sources for technology upgradation through Technology Transfer, such as:

- (i) Technology information and Technology assistance are provided by means of a Technology Bank maintained by the Development Commission for Micro, Small and Medium Enterprises in the Ministry of MSMEs, Government of India (DCMSMEs, 2017).
- (ii) A university or an engineering institution (such as IITs/NITs/IISc or other engineering colleges), can provide lab developed technologies to MSMEs through contract research or which emerged out of their basic research. TIFAC-MSME Programme facilitates such interactions (TIFAC, 2017).
- (iii) An R&D establishment promoted by the government such as a Technology Research

Centre (TRC), which can enable a MSME to source and acquire a technology either locally or from abroad.

- (iv) National Research Development Corporation (NRDC) which commercializes technologies, developed in Council for Scientific & Industrial Research (CSIR) labs located across the country, primarily helps MSMEs in Technology Transfer.
- (v) Cluster Development Programme of National Manufacturing Competitiveness Programme (NMCP) (DCMSMEs, 2014).
- (vi) A large enterprise (it could be a domestic private enterprise, a public sector enterprise or a Multinational Corporation) with which MSMEs have sub-contracting relationships. To facilitate MSMEs to produce high-quality parts and components, the former will provide technical information, assistance and core technology to the latter.
- (vii) A professional technical consultant (registered with Department of Scientific and Industrial Research (DSIR), Government of India) might help

to identify and access to acquire an appropriate technology from within the country or abroad.

- (viii) Sponsor technical education and training of personnel in higher education and research institutes within the country for developing in-house technology expertise and thereby assess and access appropriate external technologies.
- (ix) Participation in technology exhibitions, technology conferences and reading of technical journals and internet access for knowing sources and channels of available external technologies.
- (x) Technology licensing: It is a contractual arrangement in which the licensor's patents, trademarks, service marks, copyrights, trade secrets, or other intellectual property may be sold or made available to a licensee for compensation that is negotiated in advance between the parties. This compensation, or royalties, may be a lump sum royalty, a running royalty (royalty that is based on volume of production), or a combination of both. All of the above from (i

to (vii) might facilitate obtaining technology licensing.

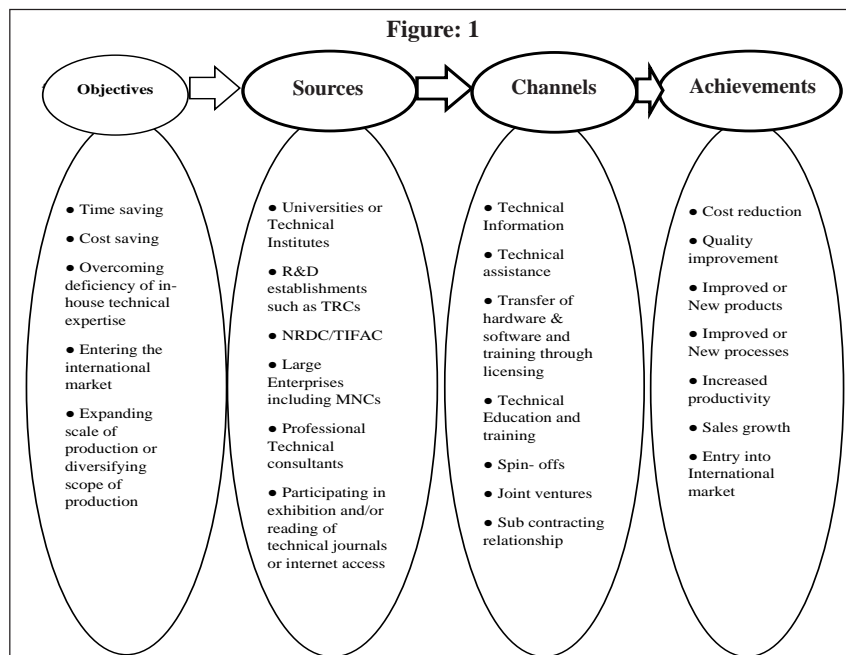
- (xi) Outright purchase of an existing technology from a vendor/supplier or any commercial channel. APCTT (a New Delhi based UN organization) periodically facilitates Technology Transfer among MSMEs in the Asia-Pacific region, through periodic events, support mechanisms and capacity building programmes (APCTT, 2017).
- (xii) India SME Technology Services Limited provides a platform where Micro, Small and Medium Enterprises (MSMEs) can tap opportunities at the global level for new and emerging technology or establish business collaboration (ISTSL, 2017).

Achievements of Technology Transfer: MSMEs generally are able to accomplish multiple outcomes through Technology Transfer. Some of them are:

- ❖ 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.

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. To achieve technology upgradation, MSMEs go for Technology Transfer by scouting for alternative sources. Once a certain

Figure: 1



source is identified, the channel of Technology Transfer is finalized and pursued. The accomplishment of Technology Transfer would enable MSMEs to realize some or all of their objectives leading to an overall enhancement of economic performance and competitiveness. In the current era, it is imperative to enable an increasing number of MSMEs to realize technology upgradation through Technology Transfer, for the benefit of the sector as much as for Indian economy.

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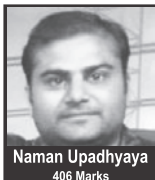
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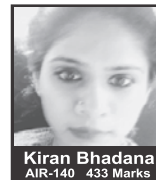
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Relief for Small and Medium Enterprises by GST Council

The GST Council, in its 22nd Meeting which was held on October 6, 2017 has recommended the following facilitative changes to ease the burden of compliance on small and medium businesses:

Composition Scheme

The composition scheme shall be made available to taxpayers having annual aggregate turnover of up to Rs. 1 crore as compared to the current turnover threshold of Rs. 75 lakh. This threshold of turnover for special category States, except Jammu and Kashmir and Uttarakhand, shall be increased to Rs. 75 lakh from Rs. 50 lakh. The turnover threshold for Jammu and Kashmir and Uttarakhand shall be Rs. 1 crore. The facility of availing composition under the increased threshold shall be available to both migrated and new taxpayers up to 31.03.2018. The option once exercised shall become operational from the first day of the month immediately succeeding the month in which the option to avail the composition scheme is exercised. New entrants to this scheme shall have to file the return in FORM GSTR-4 only for that portion of the quarter from when the scheme becomes operational and shall file returns as a normal taxpayer for the preceding tax period. The increase in the turnover threshold will make it possible for greater number of taxpayers to avail the benefit of easier compliance under the composition scheme and is expected to greatly benefit the MSME sector.

Persons who are otherwise eligible for composition scheme but are providing any exempt service (such as extending deposits to banks for which interest is being received) were being considered ineligible for the said scheme. It has been decided that such persons who are otherwise eligible for availing the composition scheme and are providing any exempt service, shall be eligible for the composition scheme.

A Group of Ministers (GoM) shall be constituted to examine measures to make the composition scheme more attractive.

Facilitating Ease of Doing Business

Presently, anyone making inter-state taxable supplies, except inter-State job worker, is compulsorily required to register, irrespective of turnover. It has now been decided to exempt those service providers whose annual aggregate turnover is less than Rs. 20 lakh (Rs. 10 lakh in special category states except J and K) from obtaining registration even if they are making inter-State taxable supplies of services. This measure is expected to significantly reduce the compliance cost of small service providers.

To facilitate the ease of payment and return filing for small and medium businesses with annual aggregate turnover up to Rs. 1.5 crores, it has been decided that such taxpayers shall be required to file quarterly returns in FORM GSTR-1, 2 & 3 and **pay taxes only on a quarterly basis**, starting from the Third Quarter of this Financial Year i.e. October-December, 2017. The registered buyers from such small taxpayers would be eligible to avail ITC on a monthly basis. Meanwhile, all taxpayers will be required to file FORM GSTR-3B on a monthly basis till December, 2017. The reverse charge mechanism under sub-section (4) of section 9 of the CGST Act, 2017 and under sub-section (4) of section 5 of the IGST Act, 2017 shall be suspended till 31.03.2018 and will be reviewed by a committee of experts. This will benefit small businesses and substantially reduce compliance costs.

The requirement to pay GST on advances received is also proving to be burdensome for small dealers and manufacturers. In order to mitigate their inconvenience on this account, it has been decided that taxpayers having annual aggregate turnover up to Rs. 1.5 crores shall not be required to pay GST at the time of receipt of advances on account of supply of goods. The GST on such supplies shall be payable only when the supply of goods is made.

It has come to light that Goods Transport Agencies (GTAs) are not willing to provide services to unregistered persons. In order to remove the hardship being faced by small unregistered businesses on this account, the services provided by a GTA to an unregistered person shall be exempted from GST.

Other Facilitation Measures

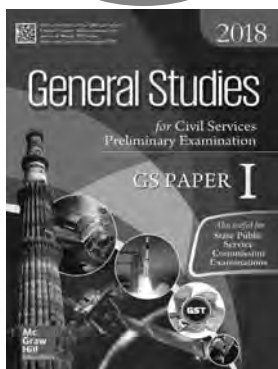
After assessing the readiness of the trade, industry and Government departments, it has been decided that registration and operationalization of TDS/TCS provisions shall be postponed till 31.03.2018.

The e-way bill system shall be introduced in a staggered manner with effect from 01.01.2018 and shall be rolled out nationwide with effect from 01.04.2018. This is in order to give trade and industry more time to acclimatize itself with the GST regime.

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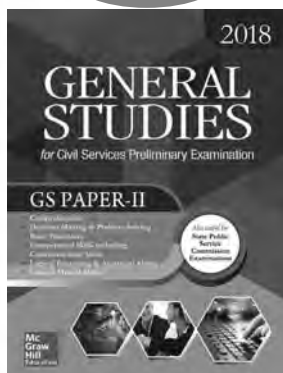


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PM on MSMEs

- ❖ I want to incorporate new technology, make new innovations in the SME sector and ensure a skilled work force for the SME sector:
- ❖ We want an economy with mass production and production by masses. The SME sector can help in generating substantial employment for the youth: "It is difficult for Individual businesses to make their place in the world. We need to come together and build a credible brand on the lines of 'Made in Japan' brand:
- ❖ As far as the economy is concerned, hundreds of families start making Rakhis in small household units, many months before the festival of Rakhi. A variety of Rakhis are made in a whole range of materials, from 'khadi' to silken threads. People prefer homemade Rakhis these days. Rakhi makers and their sellers, sweets shops vendors – the professions of hundreds, thousands flourish on the occasion of a festival." ... "The households of our poor brethren and their families are dependent in a way on these activities.
- ❖ When we light a 'diya', an earthen lamp on Deepawali, it is not merely a festival of lights, a festival that illuminates the entire house; it is directly connected with those poor families who make small 'dijas' or earthen lamps. ...
- ❖ This will surely benefit our poor artisans, and artists, and provide employment to those who make idols. The poor will be able to earn a living and feed themselves.
- ❖ Come, let us link our festivities with the economic welfare of the poor, let the joys of our festivals connect with the households of the underprivileged, bringing monetary happiness to the have-nots. This should be the endeavor of all of us.



DO YOU KNOW?

UDYOG AADHAR MEMORANDUM [UAM]

The micro, small and medium enterprises need to be registered under MSME for enjoying the benefits provided under various government schemes to the industry. A large chunk of enterprises in India are simply not registered due to the cumbersome paperwork involved in the process and, therefore, can't tap the government schemes for them. The KV Kamath panel on financing the MSME sector, had recommended that the registration should be universalized. The concept of Udyog Aadhaar and ease of registration have thus originated to ensure wider coverage of MSMEs to avail the benefits under various Schemes of Central/ State governments.

Udyog Aadhaar Memorandum [UAM] is a one-page registration form for the Micro, Small and Medium Enterprises to get registered under MSME. Udyog Aadhaar registration is replacement of the previous system [EM-1 & EM-2 Forms] where lot of documents and details were needed. It constitutes a self-declaration format under which the MSME will self-certify its existence and other minimum information required.

The salient features of the Udyog Aadhaar Memorandum (UAM) are as under:

- Single Page Online Registration-Mobile friendly
- Self-Certification
- File more than one Udyog Aadhaar
- No documents required
- No fees for Udyog Aadhaar

The Ministry of MSME has set up the infrastructure i.e. the Udyog Aadhaar (UA) Portal (<http://udyogaadhaar.gov.in>) for online filing of Udyog Aadhaar Memorandum (UAM) by enterprises located anywhere in the country. The UA portal is also accessible on mobile devices. Udyog Aadhaar registration has enabled the units/enterprises to seek information and apply online about various services being offered by all Ministries and Departments simply by using Udyog Aadhaar Number.

The new system of Udyog Aadhaar offers a single system of registration. The system is capable of delivering assured ease of doing business since 92 per cent of the country's adult population is already registered under AADHAR. This initiative of maintaining the data on MSMEs with Ministry of MSME is likely to save cost in the long run since States/ UTs would no longer be requiring maintaining the same.

The Government has received very good response with the simplified Aadhaar based registration system for MSME sector. So far 3,629,754 Enterprises have already registered themselves with the Udyog Aadhaar Number [as on October 10 2017]. It is expected that Udyog Aadhaar shall unlock the potential of MSMEs, besides improving our international ranking in Doing Business Index.

Challenges and Opportunities for MSMEs

P M Mathew



The importance of SMEs in local economic development, as also the need for local economic development, are indisputable today. However, the policy perception and the details of a strategic approach needs much more clarity. However, while shaping a new approach in this area, it can, by no means, be a partial approach

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

Over time, this sector has grown into a highly diversified base of the country's manufacturing system. While the global economy changes rapidly, with the hegemonic role of disruptive technologies, the MSME role in India needs a more broad based and realistic understanding. This is because, MSMEs constitute the basic form of entrepreneurship. Entrepreneurship often sprouts at the grass root level, as a realization of the employment aspirations of the people. It is important to understand scientifically, such aspirations, and to nurture such grass root level impulses. Therefore, a discussion on MSMEs need to be part and parcel of the agenda of economic growth in general, and of employment promotion in specific.

Global Investment and Enterprise Scene Today

Public policy, in any country, is influenced by global developments, so are public public programmes. An understanding of this emerging scene is critical for policy making in India today. A dynamic mix of re-shoring, intra-regional trade and Hubanomics, form

the emerging 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 a two-pronged 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 an 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. The urban space is inhabited by both the rich and the poor, having their specific approaches and perspectives on income opportunities. The self employed have a potential for contributing to the local economy incrementally. Public policy should be capable of ensuring connectivity between the urban and rural areas.

'Make in India' is a highly visible

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national campaign- mode initiative which needs to be translated into action at two levels: First, there is need for attracting large foreign and domestic investments. Secondly, these large enterprises also need MSMEs for subcontracting linkages and service delivery. It is important to have a prior knowledge of the MSMEs and their capabilities, in order to foster such linkages.

Challenges and Opportunities

Since Independence, under the Planning era, several experiments were initiated to lay down the building blocks of a strategy as indicated above. However, under Planning, it was necessary to set up centralized institutional structures and policy instruments, even in areas where decisions affecting the local economy were to be taken. It is this rationale that forms 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 MSME 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. This demands the need for a fresh look into the relevance of the various public programmes, relating to their impact on the local people and their livelihoods.

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. Therefore, the term ‘development’ in the local context, cannot be a ‘one- stitch- for all’. This demands a new approach to defining and practicing ‘development’. The purpose of ‘development’ is to ensure and maximize human welfare. Even the concept of ‘welfare’ is not a uniform pack. Therefore, it is necessary to have concrete steps on the following lines : 1) Placing man at the centre stage of ‘development’; and 2) Defining ‘welfare’ in relation to some bottom- line criteria.

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, and are acceptable to a future generation. However, development strategists and governments often take the short-cut of dividing the human ecosystem into arbitrary criteria and components, such as rural- urban ,women- men,



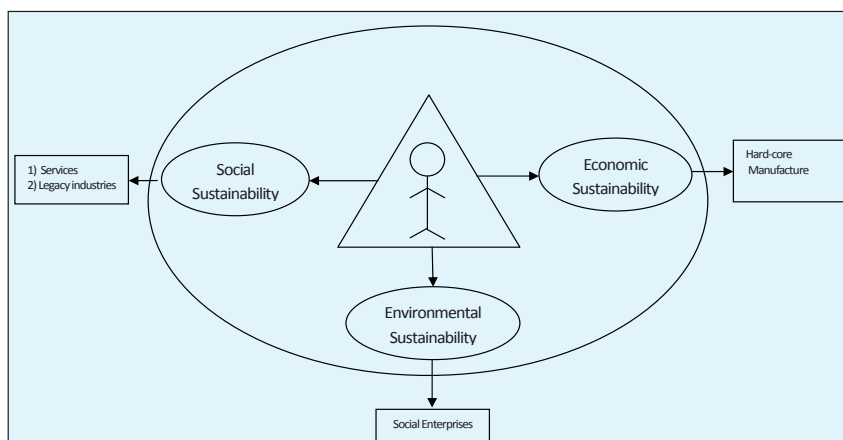
young-old etc.

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. Without a proper evidence-base, India cannot pull on with its present day programmes for MSME development.

Need for an Integrated Development Approach

Considering the emerging complexities of the economy, there is need for an integrated development approach on MSMEs. The various opportunities and critical constraints need to be pin-pointed. New research and evidences should lead to a review and restatement of existing policies, with a thrust on the following :

Political and Administrative Powers : Under the 56th Amendment of the Constitution, village and small scale industries is a subject of the Local Governments. 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 are reluctant to exercise their powers; or that these powers are usurped by the higher tiers of the government. Even in some of the States, where particular panchayats are show-cased as “success stories”, it would be instructive to analyze the success factors. “Success” is often explained in terms of implementation of popular and politically sensitive



National and State level programs, such as sanitation, water supply, elementary health services, primary schooling etc. People's participation in programme design and implementation, is often negligible.

Capabilities: It is also important to understand, whether these lower tiers of government, and their administrative machinery are objectively, capable of exercising such powers. In the case of local economic development programs, and especially enterprise development programs, the current state of these capabilities need to be examined. The component that is often missing is advisory services at various stages of planning and execution of an entrepreneurial activity (which is today lacking both at the local and State level.). By the term 'capability', the priority should go to such services, rather than the array of administrative tiers from the district down to the panchayat level. In fact, it is necessary to have a coordinating and hand holding mechanism at the level of local governments. 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, net working and creating ground for synergies. These functions can best be performed by competent BDS providers.

Governments will have to increasingly play a catalytic role in helping SMEs to tap the emerging benefits of the 'new economy'. Strengthening business development services, and creation of a social capital base can help to improve the situation.



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. While some of the promotional activities being performed by the District industries Centers today can be handed over to the Local governments, the corresponding funds also should flow along with that. This will also help to equip the local governments with the necessary financial resources.

Development of Synergies: Enterprise development is a subject area where synergies and networking are critical. Today, these synergies need to be ensured, primarily between the Center and the State, on the one hand, and the State and the District Administration, on the other. In fact, it is the Office of the District Collector

that ensures such synergies through the mechanism of various Committees, of course, with the lead role of the line Department. This implies a limit to professionalism.

Making synergies for enterprise development, demands both vertical and horizontal strengthening of the constituency of 'enterprise' is vital. Horizontally, there is need for an understanding of enterprise as a specialised subject, across the various line departments. This necessitates an Enterprise Resource Policy. The existence of clarity and 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. In the absence of such a perspective, each tier of government will identify some program and scheme of their imagination, and will try to thrust them upon the lower tier of government. This leads to a wide gulf between schemes and people's needs and aspirations.

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 : 1) 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. As a corollary of this major programme, several other programmes were announced.



Skill India was announced in order to mitigate the critical problem of skill gap. The question of skills was again defined in terms of both technical and managerial skills. It was visualized that, such an integrated approach to skills will, on the one hand, meet the needs of the corporate sector, and will arrest rural-urban migration on the other. Thus, skills were identified as the nutrient for entrepreneurship development.

In order to have a proper integration of the skilling agenda, with that of entrepreneurship promotion, a separate programme called 'Start-up India' was announced. This programme visualizes and tries to take advantage of India's opportunities relating to the 'new economy'.

It is natural that, with a major focus on large programmes, the likely benefits are concentrated in a few beneficiaries. 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. This programme has a dual approach of reducing exclusion, and to ensure the resources of the banking sector in an equitable manner.

The introduction of MUDRA as a specialised window, meant for targeting micro enterprises, can be described as a major intervention for broad basing finance. MUDRA loans today can be considered as a significantly broad based financial structure, with a stronger "bottom of the pyramid".

Promotion of ancillarisation is a major initiative, and also a remarkable achievement. This is clear in the case of defense equipments sector. However,

at the subsectoral level, lot more need to be done in order to use MSMEs as a powerful handmaid of manufacture in the country.

Policy Initiatives: Implications

Against the background of the above discussion, there is need for a critical examination of the recent policy initiatives of the Government of India, in relation to their impact on MSMEs. The Government of India has, through the above various programmes, given a direction and way forward for the MSME sector. 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. Should the MSME sector of the country remain largely informal as in the past, or should we move forward with careful strategies towards formalization. The term formalization involves a variety of steps including infusion of better technology, better organization, better managerial practices and more advanced development programmes. 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. In most countries of the world, such radical policy decisions have contributed to short term shocks in the

economy. While we wish the long term benefits to offset the short term shocks, public policy cannot remain passive. There is need for a Special Package for MSMEs in order to supplement the formalization attempts that are in progress.

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. There is need for a three pronged approach : 1) Detailed **Subsectoral understanding of MSME** dominant sub sectors; 2) A re interpretation 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 of 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.

Conclusion

The importance of SMEs in local economic development, as also the need for local economic development, are indisputable today. However, the policy perception and the details of a strategic approach needs much more clarity. However, while shaping a new approach in this area, it can, by no means, be a partial approach. It is important to focus on the macroeconomic policy in general, as also an understanding of the context in which regional diversity of the country is treated as a potential setting for enterprise development. □

(E-mail: director@isedonline.org.)

CARA Launches Monthly "Jan Sampark" Program to Facilitate Adoption

The Central Adoption Resource Authority (CARA) of the Ministry of Women & Child Development has started a monthly "Jan Sampark" program to enable the public to have interaction with its officials and staff for seeking information related to Adoption as well as flagging their concerns. The first of its kind programme was held in New Delhi recently. Nearly 150 Prospective Adoptive Parents (PAPs), Adoptive Parents and representatives of agencies participated in the session, which lasted for more than four hours.

Details pertaining to Immediate Placement and Special Needs Adoption Module of Child Adoption Resource Information & Guidance System (CARINGS) as well as the newly launched Grievance/Query portal were shared with all the stakeholders. Also many of the PAPs were counselled and motivated to go for adopting older children. The event will now be a regular feature every month apart from the quarterly Facebook live chat by CEO CARA.

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Batch: (6:30-8:30) PM

SRIRAM'S IAS

ADMISSION FORM

- Name (In Block Letters): ANMOL SHER SINGH BEDI
- Enrolment No.:
- Date Of Birth : 22/05/1994
- Address for Communication



Amritsar, Punjab
143001

- Contact No.(In Use): Parents Contact No.:
- E-mail :
- Father's name : Sarbjit Singh Father's occupation : Teaching
- Mother's name : Jaspal Kaur Mother's occupation : House-Wife

Particulars of Examinations Passed

Examinations	Year	Subject	Name of the School/College/Institution
Class 12 th	2012		Spring Dale Senior School, Amritsar
Graduation	2016		BITS Pilani, Jaipur/Juvelo Rajasthan
Post Graduation			



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YE-642/6/2017

Accessing Finance: Challenge to the MSMEs

Anil Bharadwaj



In last couple of years there has been a massive financial inclusion programme with policies like Pradhan Mantri Jan-Dhan Yojana (PMJDY). The top down push has nudged the banking sector and banks reached out to the informal sector and the unbanked like never before

The Micro, Small and Medium Enterprises (MSMEs) are considered the backbone of most economies globally.

Everybody acknowledges their immense contribution which cuts across socio-economic, political and technological dimensions in a society. At the same time, however, there is a consensus that MSMEs face enormous hurdles in accessing finance everywhere. Though, the degree of their suffering may differ from a developed country to a poor developing country, yet all MSMEs face shortage of funds. The IFC/Mckinsey has estimated the credit gap for formal and informal MSMEs worldwide at around \$ 3.9 trillion, of which \$2.1 to 2.6 trillion is in emerging markets¹.

Quick Review

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 4th 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.

Further, the 4th MSME census brought out that almost 90 per cent of MSMEs are dependent on informal sources for funding.

No matter what Data Set we select, it is apparent that there is a huge unmet demand for credit for MSMEs². There is a total finance requirement of Rs. 32.5 lakh crore (\$650 billion) in the MSME sector. Of which the debt demand is of Rs. 26 lakh crore (\$ 520 Billion) and equity demand of Rs. 6.5 lakh crore (\$130 Billion).

The aggregate outstanding bank credit to MSMEs which was estimated to 10.34 lakh crore (Table), has been estimated to rise to Rs. 11 lakh crore (March 2016) in around 2 Crore loan accounts. Contrast this to the estimated need of Rs. 26 lakh crore and number of MSMEs at 5 crore³.

It is obvious that with current financial architecture, a very large segment of MSMEs has not been reached.

What are the constraints because of which so many MSMEs remain outside Institutional Financial System? I posit these are both at the ends of the supply side as well as the demand side.

Supply Side Constraints

The Indian banking system consists of 27 public sector banks, 26 private

The author is the Secretary General of the Federation of Indian Micro and Small & Medium Enterprises (FISME), New Delhi. For over two decades, he has worked on industrial and trade issues and promotional & regulatory environment related to MSMEs. He has served on a number of high profile committees at the Centre formed for promotion of SMEs. He has been advisor to several SME development projects supported by World Bank, UNIDO, ILO, UNCTAD, DFID and GTZ.

Table-1: Definition of MSMEs

Categories	Manufacturing (in Rs) (Investment in plant and machinery)	Services (in Rs) (Investment in equipment)
Micro	Does not exceed 25 Lakh	Does not exceed 10 Lakh
Small	More than 25 lakh but does not exceed 5 crore	More than 10 lakh but does not exceed 2 crore
Medium	More than 5 crore but does not exceed 10 crore	More than 2 crore but does not exceed 5 crore

sector banks, 46 foreign banks, 56 regional rural banks, 1,574 urban cooperative banks and 93,913 rural cooperative banks, in addition to cooperative credit institutions. Public-sector banks control more than 70 per cent 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 liking.

Firstly, tight control of Government on PSU Banks- the most powerful players in banking system, results in subdued competition and sub-optimal outcomes both for the owners and the customers of the banks.

Secondly, the banks (both domestic commercial banks and foreign banks having more than 20 branches) are required to lend 40 per cent of their total advances to 'Priority Sector'. The Priority sector constitutes of Agriculture- having a sub-target of 18 per cent 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. The MSMEs are bracketed with the sectors which bankers find more lucrative and easier to lend such as housing and education.

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. A number of specialized institutions were created in 1950s and 60s such as IDBI, ICICI etc to cater to the industrial needs. Prior to 1991, projects were financed by industrial development financing institutions (for long term) and banks provided working capital (short term). Similar institutions existed in the States also where the State Financial Corporations (SFCs) provided project finance to MSMEs. Post liberalization, the development financing institutions gave way to commercial banks- either they merged

or morphed into commercial banks and most SFCs folded.

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. Therefore, instinctively bankers perceive industrial projects risky unless promoters are established and decisions of approving projects are taken in a manner that individual bank officials would not be hounded for failure such as through Committee route or through Consortium lending. Naturally, known business families and large corporates pass through the test. For MSMEs, where promoters could be non-descript and a first generation entrepreneur, bankers try to minimize their risks by insisting on asset based collateral securities for lending. Potential MSME promoters not having asset based collateral are excluded. And when a few do bring collateral securities, most of the time those would not be commensurate with loan size leading to further downsizing of project to a sub-optimal scale.

Table-2: The contribution of MSMEs in India's manufacturing output and MSME Gross Value Add is as follows:

Manufacturing Output at current price			Share of MSME GVA to GVA\GDP at constant price for base year 2011-12 (%)					
Year	MSME Manufacturing Output 1 (Rs. In crore)	Share of Manufacturing Output in total Manufacturing Output (%)	MSME Manufacturing Sector		MSME Services Sector		Total	
			IN GVA	In GDP	IN GVA	In GDP	IN GVA	In GDP
2011-12	2167110	33.12	6.64	6.16	25.66	23.81	32.29	29.97
2012-13	2385248	33.22	6.77	6.27	26.05	24.13	32.89	30.40
2013-14	2653329	33.27	6.79	6.27	26.40	24.37	33.19	30.64
2014-15	2783433	33.40	6.63	6.11	26.72	24.63	33.34	30.74

Further, India's adoption of Basel-II norms- an international banking standard, made lending to MSMEs even more difficult. Following Basel-II, RBI requires financial institutions to maintain 'enough' cash reserves to cover risks incurred by operations. As lending to large corporate sectors is not asset based, it has resulted in adding further premium on asset based lending to MSMEs. 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 or interest needs to be reported though their payment cycles which are usually of 90 plus days. It is the MSMEs that bore the brunt of all these measures.

Finally, till recently, in case of failure of a financed business entity, bankers find it extremely difficult to take possession of stressed assets (unlike a car or a house) in spite of a number of legislative remedies available on paper. The legal process would be



long, arduous and expensive making bankers even more risk averse.

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. The Micro enterprises are largely 'informal' and 'unorganized'⁴. Almost all of them are proprietorship/partnership firms and not companies

exposing them to unlimited liabilities. Vast majority of them work from unauthorized/ unapproved place of work as either approved commercial spaces are just not available or are unaffordable to most. This segment faces financial inclusion challenges owing to its informal nature, lack of information needed by banks and documents.

The Small segment is relatively better organized and operates largely in

Table-3: Aggregate Bank Credit Flow to MSMEs (outstanding credit in Rs Crore)

Year (last reporting Friday)	Public Sector Banks	Private Sector Banks	Foreign Banks	All Scheduled Commercial Banks
March 2012	5,33,279.29	1,24,725.66	23,300.71	6,81,305.66
March 2013	6,43,525.02 (20.7%)	1,82,247.82 (46.1%)	43,251.30 (85.6%)	8,69,024.14 (27.6%)
March 2014 (Provisional)	7,54,391.07 (17.2%)	2,46,025.76 (35.0%)	34,359.17 (-20.6%)	10,34,775.99 (19.1%)

Source: RBI

Note: Figures in brackets indicate year on year % growth/decline

**Table-4: Gross non-performing assets (NPAs) for MSMEs
(Outstanding gross NPA amount in Rs. Crore and NPAs in %)**

Year (last reporting Friday)	Public Sector Banks	Private Sector Banks	Foreign Banks	All Scheduled Commercial Banks
March 2012	24,272.44 (6.1%)	1,880.73 (1.7%)	159.83 (0.7%)	26,312.99 (5.0%)
March 2013	28,575.29 (5.7%)	2,506.44 (1.6%)	396.23 (1.3%)	31,477.96 (4.6%)
March 2014 (Provisional)	38,949.80 (6.3%)	3,021.63 (1.5%)	457.36 (1.5%)	42,428.79 (5.0%)

Source: RBI

Note: Figures in brackets indicate NPA percentages

B2B segments. 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. In a universe of 5 crore MSMEs, there are not even 25000 companies that would qualify to be in the Mittlestand club. 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’ requirement 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

Policy makers are seized to most of these challenges and have responded to addressing them also. In the last couple of years there has been a massive financial inclusion programme with policies like Pradhan Mantri Jan-Dhan Yojana (PMJDY). The top down push has nudged the banking sector and banks reached out to the informal sector and the unbanked like never before.

To provide additional comfort to bankers, Credit Guarantee Trust for MSEs (CGTMSE) has been created to enable MSEs to access loans without collateral securities. The Fund provides insurance against default of loans up to 75 per cent of loan amount to Banks. The CGTMSE has recorded a cumulative 23,23,673 loan guarantees amounting to Rs. 1,08,991 crore till the end of FY 2015-16.

Four Credit Information Bureaus namely CIBIL, Equifax, Experian and

Highmark have evolved to address the issue of high information asymmetry in India in MSME space which results into ‘over due diligence’.

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 payment to MSMEs, RBI has licensed three entities for operating the Trade Receivables Discounting System (TReDS). These platforms act like Electronic Bill Factoring Exchanges where invoices/ bills of MSMEs could be traded electronically.

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. The rules and regulations for the Corporate entities (governed by Companies Act) have been notified and the rules for individuals having business (notably MSMEs) are being finalized. The IBIC is set to revolutionize the resolution of sickness. The stressed assets could be quickly re-possessed and re-deployed by financiers thus creating financial discipline and trust in the financial system. It should have saluting effect in resolution of NPAs.

Way Ahead

The creation of these institutions fills important needs of a modern financial system. However, these are necessary but not sufficient measures. Like a patient who is suffering from cancer, vitamins, healthy food and exercise regime may be necessary but cannot save him unless cancer cells are targeted and destroyed.

Facing a challenge of creating employment opportunities for one crore

people every year, there has never been a greater need in India to deepen and broaden reforms in the Indian banking and financial system. 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. Secondly, the traditional role of intermediation by 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 responses to these emerging technologies. (We are debating P2P platforms for over 5 years still reaching nowhere). 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.

Endnotes

- 1 ABCD of MSME Credit, Mr. S. S. Mundra, Deputy Governor (August 23, 2016) https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1018
- 2 Micro, Small and Medium Enterprise Finance in India’, IFC, World Bank Group, November 2012
- 3 ABCD of MSME Credit, Mr. S. S. Mundra, Deputy Governor (August 23, 2016) https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1018
- 4 ‘Informal’ and ‘unorganized’ are terms used interchangeably but are distinct. Informal unit is a business entity not registered with relevant state authorities (such as under Shops & Establishment Acts or as MSME). Organized sector on the other hand is a term used for Units covered under Factories Act (GoI) and having more than 10 employees. □

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Quality Certification: Trigger Force for Competitiveness

Jatinder Singh



Quality certifications are no longer restricted to large industries, MSMEs are increasingly coming forward to embrace need based quality certification. Competitive advantages for MSMEs reflect in higher productivity and profitability. An enterprise can only develop higher performance and sustainable profitability if the quality standards are in sync with global standards

Global competition is the trigger force for any enterprise. MSMEs have potential for flexible adaptation to global challenges in changing market conditions and competition. MSMEs are the engine of growth for Indian economy as this sector has been spreading entrepreneurial culture in all parts of our country. The contribution of MSME sector is 8 percent of GDP, 45 percent of manufacturing output and 40 percent of exports of the country. Government of India's endeavour for inclusivity in this sector is admired as it has various schemes for entrepreneurs that include women, scheduled castes, scheduled tribes, marginalized communities, people with disabilities etc., for handholding and enabling them in creating enterprises.

The world is in a transition phase that demands global approaches to solving problems of micro and macro economics. 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. From the standpoint of policy makers, development of MSMEs can be vital in creating new jobs besides introducing new services, products, processes and business model innovations. Through quality management systems,

networking and relationships with large enterprises it can refine and mass produce business innovations. Quality certification is becoming extremely significant in competitive markets for gaining strong foothold in exports. Quality certifications are no longer restricted to large industries, MSMEs are increasingly coming forward to embrace need based quality certification. Competitive advantages for MSMEs reflect in higher productivity and profitability. An enterprise can only develop higher performance and sustainable profitability if the quality standards are in sync with global standards.

Quality and technology upgradation are important factors for enhancing competitiveness in MSMEs. Big industrial houses have wherewithal and resources for continuous technology and quality upgradation. While MSMEs have limited resources and access to funds, they find difficulty in upgrading themselves. Thus, many of them are unable to grow beyond a certain point in the global value chain because of their non competitiveness. Realizing the importance of MSMEs for economic development, Ministry of MSME has addressed the quality and technology aspects of manufacturing in MSMEs through various schemes and programmes for enhancing competitiveness of small businesses.

The author is Sr. Secretary and HR Head at PHD Chamber of Commerce and Industry, New Delhi with 18 years of experience in diverse initiatives in Value Creation and Strategy in the domain of Education, Skill Development, CSR, Innovation and Startups. He is the member of Technical Advisory Committee (TAC) for DSIR-A2K, Ministry of Science and Technology, Govt. of India. He has also authored two books.

Following are the benefits to certification for an organization.

- Recognition and brand reputation
- Continual improvement
- Maintain focus
- Confidence
- Staff satisfaction and engagement

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

National Manufacturing Competitiveness Programme (NMCP) – Under this programme ten schemes have been drawn up that includes promotion of ICT, mini tool room, design clinics and marketing support for SMEs. 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 and for adopting clean development mechanism.

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. This scheme aims to handhold MSMEs to deliver top quality products using clean technology. Financial assistance is provided to MSMEs for the activities to be carried out for ZED certification. This includes assessment / rating, gap analysis, handholding and consultancy for improving the rating of MSMEs by consultants. There are 50 parameters for ZED rating and 25 parameters more



for ZED Defence rating under ZED Maturity Assessment Model. Quality Council of India (QCI) is appointed as the National Monitoring and Implementing Unit (NMIU) for implementation of ZED. QCI aims to certify minimum 22,000 MSMEs with the bronze level under the ZED scheme. QCI is set up jointly by the government and industry for

establishing a national accreditation structure and promote standards.

Quality Certifications - ISO Certification Assistance- ISO 9001 is the world’s most widely recognized Quality Management System (QMS). It helps organizations to meet the expectations and needs of their customers and stakeholders, amongst other benefits. An ISO 9001

Financial Support to MSMEs in ZED

Activity	Total Cost*	Support by Govt. of India	Effective cost to applicant after subsidy*
Registration	Free	NA	Free
Online Self-Assessment	Free	NA	Free
Desktop Assessment	Rs. 10,000/-	Micro: 80 per cent	Rs. 2,000/-
		Small: 60 per cent	Rs. 4,000/-
		Medium: 50 per cent	Rs. 5,000/-
Site Assessment	Rs. 80,000/-	Micro: 80 per cent	Rs. 16,000/-
		Small: 60 per cent	Rs. 32,000/-
		Medium: 50 per cent	Rs. 40,000/-
Re-Assessment	Rs. 40,000/-	Micro: 80 per cent	Rs. 8,000/-
		Small: 60 per cent	Rs. 16,000/-
		Medium: 50 per cent	Rs. 20,000/-
Defence Assessment	Rs. 40,000/-	Micro: 80 per cent	Rs. 8,000/-
		Small: 60 per cent	Rs. 16,000/-
		Medium: 50 per cent	Rs. 20,000/-
Gap analysis & Handholding	Rs. 1,90,000/-	Micro: 80 per cent	Rs. 38,000/-
		Small: 60 per cent	Rs. 76,000/-
		Medium: 50 per cent	Rs. 95,000/-

Source: QCI



quality management system helps to continually monitor and manage quality across all operations and outlines ways to achieve consistent performance and service. This is a management tool to promote excellence in all functions for an enterprise. These standards relate to Quality Management Systems (QMS) and are designed to aid organizations to ensure that they meet quality standards for catering to the needs of all stakeholders. ISO international standards help MSMEs to work more efficiently as it has become the standard for most manufacturing companies. Implementing the ISO 9001 standards involves cooperation and feedback from internal and external stakeholders. The organization goes through a thorough assessment before implementing the quality management principles.

Different State Governments are providing varied forms of financial assistance for Quality Certification. The Govt. of Gujarat has formulated the following scheme for MSMEs

Eligible Expenditure

An eligible enterprise incurring expenditure for acquiring quality certificates such as ISI/WHO/GMP/Hallmark Certification and others National and International certification approved by Quality Council of India (QCI) ERP & ISO certification will be eligible for each. (Excluding Renewal charges of certification)

The eligible expenditure will include:

- Fees charged by certification agency
- Enterprise resource planning

(ERP) system services provider approved by Industries Commissionerate.

- Cost of testing equipments as required for certification.
- Calibration charges of equipments
- Consulting fees charges for obtaining ISO certification (excluding travel, hotel & surveillance charges)
- ERP module is installed, shall having certificate for facility of product planning, material purchasing, inventory control, distribution, accounting, marketing, finance services and H.R.(All facility are to be attached by networking with server linkages)

Assistance available

The enterprises would be eligible for assistance under the each scheme mentioned as under collectively or individually.

1. ERP System:-

50 per cent of capital cost for installing ERP system of approved ERP services provided by Industries Commissionerate subject to a maximum amount of Rs. 50,000/-.

2. ISO Certification:-

50 per cent assistance for Consulting fees charges of obtaining ISO certification maximum amount of Rs.50,000/- .

3. National and International certification:-

50 per cent of all charges up to a maximum amount of Rs.5 lakhs paid for the WHO GMP, Hallmark Certification and others national and international certification.

50 per cent of cost of testing equipments and machinery required and purchased before of quality certification totalling up to maximum amount of Rs.10 lakhs enchased up to the date of certification or operative period whichever is earlier.

- 50 per cent of fees payable to recognized international certification authority
- This scheme is supplementary to such scheme of GoI. However, in no case total assistance from GoG and GoI should exceed more than actual expenditure incurred by MSME for said purpose

(Source: Industries Commissionerate, Govt. of Gujarat)

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. MSME sector has shown an average growth of 18 percent over the last five years. Proprietors/entrepreneurs need to develop quality conscious mindsets embedded in the organizational culture. We are a diverse nation in terms of demography. MSME clusters are widespread and not evenly distributed. Sensitization and handholding of MSMEs at different and upgraded level of certification is the need of the hour. 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. □

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Role of MSMEs in New India

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MSME can be the backbone for the existing and future high growth businesses with both domestic and foreign companies investing in the 'Make in India' initiative and make significant impact in the area of indigenisation. 'Make in India with zero defect and zero effect', is a significant opportunity

Worldwide, the Micro and Small Enterprises (MSEs) have been accepted as the engine of economic growth and for promoting equitable development. The MSEs constitute over 90 per cent of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. As far as the Micro, Small and Medium Enterprises (MSME) and India's growth opportunity is concerned, MSME can be the backbone for the existing and future high growth businesses with both domestic and foreign companies investing in the 'Make in India' initiative and make significant impact in the area of indigenisation. 'Make in India with zero defect and zero effect', is a significant opportunity. The new wave MSME should enable the development of a Business Eco System that enables and continuously supports business that are gearing to deliver the right product, the right quality, the right solution and the right service at a competitive price, both in domestic and international markets. The 'Digital India' revolution also provides a great opportunity to promote MSME participation in the Information, Communication and Telecommunication (ICT) sector, in line with the government vision. It

is equally important that the MSME segment develops 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. The MSME sector will act as a catalyst to bring about this socio-economic transformation. India's GDP is expected to touch 8.5 per cent, with the country likely to be a USD 5 trillion economy by 2025. The MSME segment has the potential to emerge as a backbone for this economy and act as an engine for growth, given the right set of support and enabling framework.

The Indian MSME sector is the backbone of the national economic structure and has unremittingly acted as the bulwark for the Indian economy, providing resilience to ward off global economic shocks and adversities. With around 36.1 million units throughout the geographical expanse of the country, MSMEs contribute around 6.11 per cent of the manufacturing GDP and 24.63 per cent of the GDP from service activities as well as 33.4 per cent of India's manufacturing output. They have been able to provide employment to around 120 million persons and contribute around 45 per cent of the overall exports from India. The sector has consistently maintained a growth rate

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of over 10 per cent. About 20 per cent of the MSMEs are based out of rural areas, which indicate the deployment of significant rural workforce in the MSME sector and is an exhibit to the importance of these enterprises in promoting sustainable and inclusive development as well as generating large scale employment, especially in the rural areas.

Role of MSMEs

The role of Micro, Small and Medium Enterprises (MSMEs) in the economic and social development of the country is well established. As per the Report of the Working Group on Micro, Small and Medium Enterprises (MSMEs) Growth for 12th Five Year Plan (2012-2017), the sector accounts for 45 per cent of the manufacturing output and 40 per cent of total exports of the country. The sector provides employment to about 69 million persons through 26 million enterprises throughout the country. Over 6, 000 products ranging from traditional to high-tech items are being manufactured by the MSMEs in the country. 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

Over the years, the Small Scale sector in India has progressed from the production of simple consumer goods to the manufacture of many sophisticated and precision products like electronics control systems, microwave components, electro-medical equipments, etc. The process of economic liberalization and market reforms has further exposed these enterprises to increasing levels of domestic and global competition. The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services produced, and the levels

of technology employed. While one end of the MSME spectrum contains highly innovative and high growth enterprises, more than 94 per cent of MSMEs are unregistered, with a large number established in the informal or unorganized sector. The sector has a high growth potential and performs a critical role in the manufacturing and value chains. Micro, Small and Medium Enterprises (MSME) sector is characterized by low investment requirement, operational flexibility and location-wise mobility. As per the quick estimates 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 per cent) are in the unregistered segment. The State-wise distribution of MSMEs show that more than 55 per cent of these enterprises are in 6 States, namely, Uttar Pradesh, Maharashtra, Tamil Nadu, West Bengal, Andhra Pradesh and Karnataka. Further, about 7 per cent of MSMEs are owned by women and more than 94 per cent of the MSMEs are proprietorships or partnerships. MSMEs in the country manufacture over 6,000 products. Some of the major sub-sectors in terms of manufacturing output are food products (18.97 per cent), textiles and readymade garments (14.05 per cent), basic metal (8.81 per cent), chemical and chemical products (7.55 per cent), metal products (7.52 per cent), machinery and equipments (6.35 per cent), transport equipments (4.5 per cent), rubber and plastic products (3.9 per cent), furniture (2.62 per cent), paper and paper products (2.03 per cent), and leather and leather products (1.98 per cent).

Major Initiatives by the Government

The importance and contribution of the SME sector to the economic growth and prosperity is well established. Towards this, Government's policy initiatives like enactment of the

Micro Small and Medium Enterprises Development (MSMED) Act, 2006; pruning of reserved Small Scale Industries (SSI) list; advising Financial Institutions to increase their flow of credit to the SME sector; etc. are all initiatives towards boosting entrepreneurship, investment and growth. Reservation of items for exclusive manufacture in MSME sector statutorily provided for in the Industries (Development and Regulation) Act, 1951, has been one

SIDBI and its Role in Promoting MSMEs:

Large section of the rural population is dependent on Agriculture sector for income. 54 per cent of the country's population is dependent on Agriculture sector which contributes only 16 per cent to the national income. This is the prime reason for low income levels among those dependent on Agriculture for livelihood. Reduction of poverty in rural areas is directly linked to the ability of rural population, especially the youth to diversify and complement their Agriculture income through off-farm micro and small enterprises.

SIDBI Foundation for Micro Credit (SFMC) was set up with a mission to create a network of strong, viable and sustainable Micro Finance Institutions (MFIs) for providing Micro Finance Services to the economically disadvantaged sections of the society.

Micro Unit Development Refinance Agency Limited (MUDRA) has been set as a wholly owned subsidiary of SIDBI. The main aim of MUDRA limited is to refinance the Micro lending Institutions.

Under ASPIRE – “A Scheme for promotion of innovation, Rural Industry and Entrepreneurship” a fund of fund of Rs.60 Cr has been created by SIDBI. The fund would invest in various venture capital funds with investment focus on start-ups and early stage enterprises in the areas of Rural and Agro industries.”

of the important policy measures for promoting this sector. The President, under Notification dated May 9, 2007, has amended the Government of India (Allocation of Business) Rules, 1961. Pursuant to this amendment, Ministry of Agro and Rural Industries (Krishi Evam Gramin Udyog Mantralaya) and Ministry of Small Scale Industries (Laghu Udyog Mantralaya) were merged into a single Ministry, namely, “Ministry of Micro, Small and Medium Enterprises (Sukshma, Laghu, aur Madhyam Udyam Mantralaya)”.

Major New Schemes of the Government

1. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

The objectives of the scheme is to organize the traditional industries and artisans into clusters to make them competitive and provide support for their long term sustainability, sustained employment, to enhance marketability of products of such clusters, to equip traditional artisans of the associated clusters with the improved skills, to make provision for common facilities and improved tools and equipments for artisans, to strengthen the cluster governance systems with the active participation of the stakeholders, and to build up innovated and traditional skills, improved technologies, advanced processes, market intelligence and new models of public-private partnerships, so as to gradually replicate similar models of cluster-based regenerated traditional

industries. Major achievements so far include:

- The Revamped SFURTI scheme was started on August 1, 2014 with an outlay of Rs. 149.44 crore for developing 71 clusters (including coir) with coverage of about 44500 artisans in the first phase. The guidelines were further revised on June 30, 2015 to streamline the approval process, fund flow and to remove the bottlenecks.
- The nodal Agencies include KVIC, Coir Board, IIE Guwahati, NIMSME Hyderabad, NIESBUD Noida, all MSME DIs and all DICs of State Government.
- 71 clusters have been given in-principle approval by Scheme Steering Committee (SSC) and 32 DPRs have been given Final approval with assistance of Rs. 65.87 crore out of which Rs.30.30 crore has been released. As of now, 30438 artisans have been benefitted.
- Future target for setting up of 800 clusters of Khadi, Village Industries and Coir with an outlay of Rs. 850.00 crore to cover around 4 lakh artisans. Assistance from Multilateral Development Bank like ADB is being explored to carry out the mandate.

2. Stand-Up India scheme

Stand-Up India scheme has been launched by the Prime Minister on April 05, 2016. The objective of the Stand-Up India Scheme is to facilitate bank loans between Rs. 10 lakh to Rs. 100 lakh to at least one

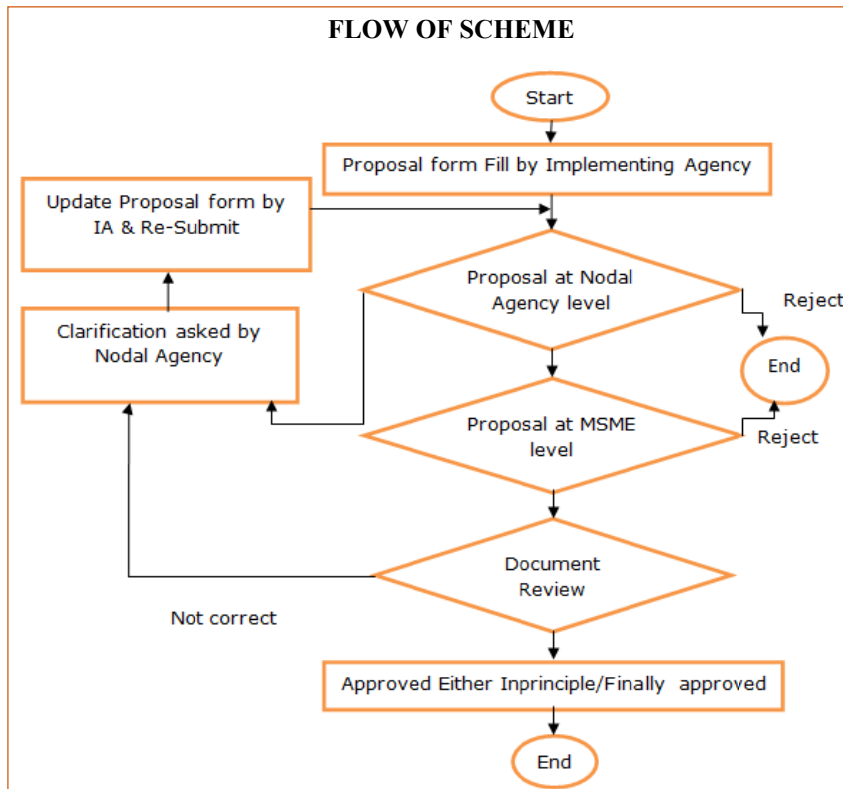
Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one Woman borrower per bank branch of all scheduled commercial banks for setting up a greenfield enterprise. This enterprise may be in manufacturing, services or the trading sector. In case of non-individual enterprises at least 51 per cent of the shareholding and controlling stake should be held by either an SC/ST or Woman entrepreneur. The Stand-Up India scheme is based on recognition of the challenges faced by SC, ST and women entrepreneurs in setting up enterprises, obtaining loans and other support needed from time to time for succeeding in business.

3. Scheme for the Development and Promotion of Women Entrepreneurs

Trade Related Entrepreneurship Assistance and Development Scheme -**TREAD**.

With a view to encourage women in setting up their own ventures, government implements a scheme, namely, “Trade Related Entrepreneurship Assistance and Development (TREAD) during the 11th Plan. The scheme envisages economic empowerment of women through the development of their entrepreneurial skills in non-farm activities. There are three major components of the scheme; (i) Government of India grant upto 30 per cent of the total project cost to the Non-Government Organisations (NGOs) for promoting entrepreneurship among women. The remaining 70 per cent of the project cost is financed

Name of Nodal Agency	DSR approved	DPR approved	Project cost approved	Financial Assistance approved	Funds released as on 29.2.2016	No.of Artisans benefited
KVIC	24	14	2094.40	1753.20	913	6533
Coir Board	34	18	6664	4834.20	1932	23905
IIE Guwahati	5	-	1050*	*945.55	63	2524
NiMSME, Hyderabad	5	-	1085.54*	*885.9	-	2151
IL&FS	3	-	-	-	-	-
Total	71	32	10894*	*8418.80	30.30**	35113



of less than Rs 50 crore to 25 per cent from the existing 30 per cent. He also made an assertion that this benefit covers 96 per cent of the total companies in India that are filing tax returns. Also, in a drive to promote digital way of doing business, a lower rate of 6 per cent from the existing 8 per cent has been proposed to small companies having turnover less than Rs 2 crore to the extent their sale proceeds are realised through banking channels. Similarly, the threshold for mandatory tax audit compliance has been raised to Rs 2 crore, which would ease the compliance burden. All of these measures suggest that with Budget 2017-18, the government has sought to reward those honest and compliant tax payers – whether the common man or MSMEs – to ensure inclusive growth and development.

Future Prospects

A holistic approach has laid the key foundations for strong MSME backbone for the Indian economy. For future growth in Indian economy and GDP increase, the share of MSME contribution would increase from current 8 per cent to 15 per cent by the year 2020. This would be realized by the growth of the new wave MSME led by entrepreneurship focused on innovation and technologies, creating opportunities for women entrepreneurs, and developing skilled resources across the following opportunity areas:

“Come Make in India”

Promote an ecosystem for ‘Make in India’ for foreign companies to invest in manufacturing, service and agricultural and agri processing related segments for meeting the domestic as well as global demand.

Digital India

Promote MSMEs’ manufacturing and service capabilities in the ICT sector in line with the government vision.

Export Contribution

Promote Export contribution by

(Contd.on page 46)

by the lending agency as loan for undertaking activities as envisaged in the project. (ii) Government of India grant upto Rs.1 lakh per programme to training institutions/NGOs for imparting training to the women entrepreneurs, subject to these institutions/NGOs bring their share to the extent of minimum 25 per cent of Government of India grant and 10 per cent in case of NER. (iii) Need-based Government of India grants upto Rs.5 lakh to National Entrepreneurship Development. Institutions and any other institutions of repute for undertaking field surveys, research studies, evaluation studies, designing of training modules etc.

The TREAD Scheme envisages economic empowerment of women through trade related training, information and counselling extension activities related to trades, products and services. Under the scheme financial loans are provided by nationalized banks and grants by government of India at the rate of 30 percent of the loan subject to maximum limit of Rs.30 lakh through NGOs for capacity building and for undertaking self-

employment ventures by women in non-farm activities. Under Mahila Coir Yojana, financial assistance is provided for motorized ratts for spinning coir yarn to women artisans after giving training. The Government provides motorized ratts/motorized traditional ratts at 75 percent cost subsidy subject to a maximum ceiling of Rs.7,500 for motorized ratts and Rs.3,200 for motorized traditional ratts. The remaining 25 percent is raised by the beneficiaries. Fund allocated for these schemes during the current year (2015-16) is Rs.6.70 crore.

MSMEs in Budget 2017-18

With the use of analytics, the Finance Minister made an interesting observation that the effective tax rate of MSME is much higher than that of larger companies. This, in spite of the fact that these companies contribute immensely towards economic growth and employment generation. To give a big boost to the MSMEs to thrive in a competitive environment, the Finance Minister has proposed to reduce the tax rate of MSMEs reporting turnover

Schemes for MSME Sector- A Quick Reference

➤ *National Manufacturing Competitiveness Programme (NMCP)*

The Programme aims to develop global competitiveness among Indian MSMEs by improving their processes, designs, technology and market access. The Programme envisages substantial investments towards enhancing the entire value chain of the MSME sector. All the ten components of NMCP have already been operationalised and are likely to spur innovation and growth in the MSME sector. These include Quality Management Systems and Quality Technology Tools, Design Clinic Scheme, Building Awareness on IPRs, Support for Entrepreneurial and Managerial Development, Marketing Support/Assistance to MSMEs, Setting up of New Mini Tool Room and Lean Manufacturing Competitiveness Scheme. These components seek to introduce the best elements of industrial competitiveness in the MSME sector, which has often been unable to afford such practices and techniques.

➤ *Lean Manufacturing Competitiveness Scheme for MSMEs [NMCP Scheme]*

Under the Lean Manufacturing Programme (LMP), MSMEs are being assisted in reducing their manufacturing costs, through proper personnel management, better space utilization, scientific inventory management, improved process flows, reduced engineering time and so on. LMP also brings improvement in the quality of products and lowers costs, which are essential for competing in national and international markets. The broad activities planned under the LMP include, Total Productive Maintenance (TPM), 5S, Visual Control, Standard Operation Procedures, Just in Time, Kanban System, Cellular Layout, Poka Yoke, TPM, etc.

➤ *Promotion of Information and Communication Tools (ICT) in MSME Sector [NMCP Scheme]*

The main objective of the scheme is to encourage and assist the potential MSME clusters to adopt ICT tools and applications in their production and business processes, with a view to improve their productivity and competitiveness in national and international markets. The broad activities planned under this component includes identifying the potential MSME manufacturing clusters for ICT intervention, setting up of e-readiness centre, developing web portals for clusters, skill development of MSME's employees/staff, preparation of local software solutions for MSMEs to enhance their competitiveness, etc. and networking MSME cluster portals on the National Level Portals in order to outreach MSMEs into global markets. The scheme is being implemented in 100 clusters. The process for selecting the agency to implement the scheme is being expedited.

➤ *Technology Upgradation and Quality Certification Support to MSMEs [NMCP Scheme]*

The objective of this component of NMCP is to sensitize the MSMEs about the benefits that could accrue from usage of energy efficient technologies, reduction in emissions of Green House Gases, improve the acceptance of their products by product Quality Certification, thereby making them globally competitive. The major activities planned under this component include Capacity Building of MSME Clusters for Energy Efficiency/Clean Development Interventions, Implementation of Energy Efficient Technologies in MSME sector, Setting up of Carbon Credit Aggregation centres and encouraging MSMEs to acquire product certification licenses from National / International bodies.

➤ *Support for Entrepreneurial and Managerial Development of SMEs through Incubators [NMCP Scheme]*

This component aims at nurturing innovative business ideas (new/ indigenous technology, process, products, procedures, etc.) which could be commercialized in a year. Under this component various institutions like Engineering Colleges, Management Institutions, Research Laboratories, etc. are provided funds up to Rs. 6.25 lakh for hand holding each new idea/ entrepreneurs. The Incubators provide technology/guidance, workshop and laboratory support and linkage to other agencies for successful launching of the Business and guide the entrepreneur in establishing the enterprise.

➤ *Design Clinic Scheme for MSMEs [NMCP Scheme]*

The main objective of this component is to bring the MSME sector and design expertise on a common platform and to provide expert advice and solutions on real time design problems, resulting in continuous improvement and value- addition for existing products. It also aims at value-added cost effective solutions. The activities under the scheme include to organize seminars, workshops in MSME clusters including design projects of MSME units.

➤ ***Enabling Manufacturing Sector to be Competitive through Quality Management Standards (QMS) and Quality Technology Tools (QTT) [NMCP Scheme]***

The objective of the scheme is, to improve the quality of the products in the MSME sector and inculcate the quality consciousness in enterprises in this sector. The major activities are (i) Introduction of Appropriate Modules for Technical Institutions; (ii) Organizing Awareness Campaigns for MSEs; (iii) Organizing Competition-Watch (C-Watch); (iv) Implementation of Quality Management Standards and Quality Technology Tools in selected MSMEs; (v) Monitoring International Study Missions; and (vi) Impact Studies of application of QMS/ QTT.

➤ ***ISO 9000/14001/HACCP Reimbursement Scheme [NMCP Scheme]***

To enhance the competitive strength of the MSEs, the Government introduced a scheme to provide technological upgradation, quality improvement and better environment management by the MSEs. The scheme reimburses 75 per cent of the fees, subject to a maximum of Rs.75, 000 for acquiring Quality Management System (QMS) ISO 9000/HACCP certification and/or Environment Management System (EMS) ISO 14001 certification by the MSEs. All Micro and Small Enterprises having Entrepreneurial Memorandum (EM) Number are eligible to avail the reimbursement and units can apply for reimbursement under the Scheme only after obtaining ISO-9000/14001/HACCP Certification. The Scheme provides one time reimbursement.

➤ ***Building Awareness on Intellectual Property Rights for the Micro, Small and Medium Enterprises (MSME) [NMCP Scheme]***

Under the NMCP, the component for “Building Awareness on Intellectual Property Rights (IPR) for the Micro, Small and Medium Enterprises (MSME) has been launched to enable Indian MSMEs to attain global leadership position and to empower them in using effectively the tools of Intellectual Property Rights (IPR) of innovative projects. The main features of the scheme are: (i) Awareness/Sensitization Programmes on IPR; (ii) Pilot Studies for Selected Clusters/Groups of Industries; (iii) Interactive Seminars/Workshops; (iv) Specialised Training; (v) Assistance for Grant on Patent/GI Registration; (vi) Setting up of IP Facilitation Centre (IPFC); and (vii) Interaction with International Agencies. These initiatives are being taken a Public-Private Partnership (PPP) mode.

➤ ***Marketing Assistance and Technology Upgradation Scheme for MSMEs [NMCP Scheme]***

The objective of this component is to identify and encourage such clusters of MSMEs, which have quality production and export potential and assist them to achieve competitiveness in the national and international markets through technological Upgradation in packaging, skill upgradation /development of modern marketing techniques, competition studies, participation in local exhibition/fairs, setting up of marketing hubs, etc.

➤ ***Credit Guarantee Scheme for Micro and Small Enterprises***

The objective of the scheme is to make available credit to SSI units, particularly tiny units, for loans up to Rs. 100 lakh without collateral/ third party guarantees. The Scheme covers collateral free credit facility (term loan and/or working capital) extended by eligible lending institutions to new and existing micro and small enterprises up to Rs. 100lakh per borrowing unit. The guarantee cover provided is up to 75 per cent of the credit facility up to Rs.50 lakh with an incremental guarantee of 50 per cent of the credit facility above Rs. 50 lakh and up to Rs.100 lakh. The scheme is being operated by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) set up jointly by the Government of India and SIDBI.

➤ ***Credit Linked Capital Subsidy Scheme (CLCSS)***

CLCSS scheme aims at facilitating technology upgradation of small scale industries, including tiny, agro and rural industrial units, by providing 15 per cent upfront capital subsidy institutional finance availed of by them for induction of well-established and improved technology in specified sub-sectors/products approved under the Scheme. The admissible capital subsidy under the modified scheme is calculated with reference to the purchase price of plant and machinery. The maximum limit of eligible loan for calculation of capital subsidy under this scheme has also been raised from Rs. 40 lakh to Rs. 100 lakh. The modification in the CLCSS guidelines will further facilitate modernization of small scale industries.

➤ ***MSE Cluster Development Programme***

The Micro and Small Enterprises – Cluster Development Programme (M S E - C D P) is being implemented for holistic and integrated development of micro and small enterprises in clusters. The scheme envisages soft

interventions i. e. diagnostic studies, hard interventions i.e. setting up of CFCs and Infrastructure Development in the new/ existing industrial estates.

➤ **Performance and Credit Rating Scheme**

The scheme is being implemented through National Small Industries Corporation (N S I C) Limited. The main objective of the scheme is to provide a trusted third party opinion on the capabilities and credit worthiness of the MSEs so as to create awareness amongst them about the strengths and weakness of their existing operations. Rating under the scheme is being carried out through empanelled rating agencies i.e. CRISIL, CARE, ONICRA, SMERA, ICRA and Brickwork India Ratings. Under this Scheme, rating fee payable by the micro and small enterprises is subsidized for the first year only and that is subject to maximum of 75 per cent of the fee or Rs.40000/-, whichever is less.

➤ **Marketing Assistance Scheme**

The scheme is being implemented through National Small Industries Corporation (NSIC) Limited. The main objectives of the scheme is to enhance the marketing competitiveness of MSMEs; to provide them a platform for interaction with the individual/institutional buyers; to update them with prevalent market scenario and to provide them a form for redressing their problems. MSMEs are supported under the Scheme for capturing the new market opportunities through organising/ participating in various domestic and international exhibitions/ trade fairs, Buyer-Seller meets intensive-campaigns and other marketing events.

➤ **International Cooperation (IC) Scheme**

Technology infusion and/ or upgradation of Indian micro, small and medium enterprises (MSMEs), their modernisation and promotion of their exports are the principal objectives of assistance under the Scheme. The Scheme would cover the following activities: (a) Deputation of MSME business delegations to other countries for exploring new areas of technology infusion/upgradation, facilitating joint ventures, improving market of MSMEs products, foreign collaborations, etc.; (b) Participation by Indian MSMEs in international exhibitions, trade fairs and buyer-seller meets in foreign countries as well as in India, in which there is international participation; (c) Holding international conferences and seminars on topics and themes of interest to the MSME. IC Scheme provides financial assistance towards the airfare and space rent of entrepreneurs. State/Central Government Organisations, Industry/Enterprise Associations and Registered Societies/ Trusts and Organisations associated with the promotion and development of MSMEs are eligible to apply.

➤ **Assistance to Training Institutions Scheme**

The Scheme envisages financial assistance for establishment of new institutions (EDIs), strengthening the infrastructure of the existing EDIs and for supporting entrepreneurship and skill development activities. The assistance shall be provided to these training institutions in the form of capital grant for creation/strengthening of infrastructure and programme support for conducting entrepreneurship development and skill development programmes. Maximum assistance for creation or strengthening of infrastructure will be Rs. 150 lakhs on matching basis, not exceeding 50 per cent of project cost. However, for the North Eastern region (including Sikkim), Andaman and Nicobar and Lakshadweep, the maximum assistance on matching basis would be Rs. 270 lakhs or 90 per cent of project cost, whichever is less. Any State/Union Territory Government, Training Institutions, NGOs and other development agencies can apply for assistance for creation or strengthening of infrastructure. Training Institutions who wish to conduct training programmes under the Scheme will have to enroll themselves with any of the three National Level EDIs of the Ministry viz, NIESBUD, Noida; IIE Guwahati and NIMSME, Hyderabad. Maximum assistance per trainee per hour for entrepreneurship development and skill development programmes is Rs 50 (Rs.60 for NER, A&N and Lakshadweep)

(Contd. from page 43)

supporting and developing MSME segment to be globally competitive and adopt research and development, innovation and global technologies. Provide MSME with global market access by entering into bilateral

trade agreements and set off arrangements.

Public Procurement Policy

Promote an ecosystem for supplies to defence and public sector enterprises so as to achieve at least 25 per cent portion of total procurement by

defence and public sector enterprises from MSME.

Procurement by Large Indian and Foreign Corporate across Industry Sectors from MSMEs Promote an ecosystem, provide incentives for investments and support efforts by large corporate in vendor

development for MSME segment particularly adapting to research and development, innovation and global technologies.

Indigenisation

Incentivise any investments and outputs by large players and their MSME vendors to indigenise and/or enable import substitution particularly adapting to research and development, innovation and global technologies.

Traditional and Heritage Industries

Incentivise and support any stakeholder that invests in development, growth and opening global markets for India's traditional and heritage industries for goods, services and agricultural and natural medicines and therapy related products and services.

Infrastructure

National, regional and sector specific clusters and business centers for MSME in PPP model for state of the art infrastructure comprising physical infra, knowledge infra, e-platforms, B2B access and technology and innovation support for MSME.

Regulatory

One "all India all-purpose"

enactment as MSME regulation to be adopted by all stakeholders in MSME system with one window and one annual return compliance filing coupled with significant direct tax incentives and indirect tax exemptions.

Funding

Open environment and incentives for investments by High Net Worth Individual (HNWI) and funds into MSME business as well incentivize debt funding in MSME segment. Develop MSME equity exchange and "two chance" approach for entrepreneurs, and fast close winding up where necessary.

Performance Incentives

Direct incentives in form for direct taxes rebates and set offs, weighted deductions and reliefs in indirect taxes combined with low cost funding and credit access for stakeholders in MSME eco system who make investments in desired areas and achievement of desired growth results in developing MSME funding and infrastructure skills, technology, innovation, global market access, indigenization, public procurement and vendor development, traditional and heritage industry developments.

Skill India

Rewarding MSME for initiatives towards skill development and employment generation, particularly for women and special classes, by way of direct incentives, weighted deductions and reliefs in indirect taxes combined with low cost funding and credit access for stakeholders.

Thus, as mentioned above, the MSME opportunity for India is mainly to develop entrepreneurship and support growth led by innovation over the next decade by-

- Significantly increasing the share of MSME contribution to GDP from the current 8 per cent to 15 per cent by 2020;
- Generate employment levels to the extent of 50 per cent of the overall employment, more than doubling the current MSME workforce of 106 million across agricultural, manufacturing and services sectors; and
- Increasing the share of MSME contribution across key public and private industry sectors fulfilling increasing domestic demand, growth in exports, indigenisation and import substitution. □

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Electronic Negotiable Warehouse Receipt (e-NWR) System

Web Portal of Warehousing Development and Regulatory Authority (WDRA) & Electronic Negotiable Warehouse Receipt (e-NWR) System were launched in New Delhi, recently. These initiatives are aimed at simplifying the Warehouse Registration Rules, digitizing the entire process of registration, monitoring and surveillance as well as creation and management of Negotiable Warehouse Receipts (NWRs) in electronic form through two repositories.

The e-NWRs would have no chances of any tempering, mutilation, fudging, loss or damage and with no possibility of any multiple financing. Hence, these NWRs will not only facilitate an easy pledge financing by banks and other financial institutions but also smooth trading on various trading centres like commodity exchanges, electronic National Agriculture Markets (e-NAM) and other electronic platforms. These e-NWRs are expected to save expenditure in logistics as the stocks could be traded through multiple buyers without physical movement and can be even split for partial transfer or withdrawal.

These initiatives are aimed at revolutionising the marketing of agricultural commodities and help farmers realize better price for their produce which will be a step towards doubling the farmers' income by 2022 as well as Digital India mission as envisaged by the Prime Minister.

NORTH EAST DIARY

A HIGH LEVEL COMMITTEE FOR PROPER MANAGEMENT OF WATER RESOURCES

The Government has constituted a high-level committee for proper management of the water resources in the North Eastern Region (NER) under the Chairmanship of Vice-Chairman, Niti Aayog. This is a sequel to the Prime Minister's visit to Guwahati in August this year to review the flood situation and relief work in the North Eastern States.

The Committee would facilitate optimising benefits of appropriate water management in the form of hydro-electric power, agriculture, bio-diversity conservation, reduced flood damage erosion, inland water transport, forestry, fishery and eco-tourism. Ministry of Development of North Eastern Region (DoNER) will serve as the coordinating point. The Committee will submit its report, including Plan of Action, by June, 2018.

During the review of the flood situation with the Chief Ministers of Assam, Manipur, Nagaland and Arunachal Pradesh, the Prime Minister had announced constitution of a High-Level Committee for holistic management of water resources in the NER. The meeting noted that the optimum management of water resources is a cross-cutting task which requires multi-sectoral interventions and concerted strategy, including management of catchment areas in upper reaches involving concerned Central Ministries and State Governments.

The Brahmaputra and Barak river systems which account for one-third of India are run off are highly prone to floods. Brahmaputra is one of the largest river systems in the world and causes considerable distress and costs on the region through frequent flooding and erosion.

The terms of reference of the Committee include:

- i) Appraisal of existing mechanism/institutional arrangements for management of water resources of the North Eastern Region.
- ii) Identification of gaps in the existing mechanism/institutional arrangements for optimal management of water resources of the NER.
- iii) Suggest policy interventions required for optimally harnessing the water resources for accelerating development in the NER
- iv) Spelling out of actionable measures required for optimizing the management of water resources in the North-East.
- v) Chalking out a Plan of Action for dovetailing of the schemes/programmes of concerned Union Ministries, their attached offices and autonomous bodies as well as the schemes of the respective North-Eastern State Governments.

SKILL CENTRE IN NORTHEAST

The Government of Singapore will set up a Skill Centre at Guwahati by the year 2019 which will cater to the entire North-Eastern region. The Ministry of Development of North Eastern Region (DoNER), will coordinate in this initiative. A high-level delegation represented by the High Commissioner of Singapore, Mr Lim Thuan Kuan met Minister of State for DoNER, Dr Jitendra Singh recently. After the meeting Dr Singh stated that an MoU has already been formalized between Singapore and the State Government of Assam in this regard.

VARIOUS YOUTH-CENTRIC INITIATIVES

The Central Government has taken various steps to promote the rail, road and air connectivity in North East. Construction of new airport at Itanagar will begin soon. Second Film and Training Institute of India (FTII) will be set up in Arunachal Pradesh, the first being in Pune, Maharashtra. Addressing a group of students from Arunachal Pradesh in recently, the Minister of State for DoNER said that that scheme for NE region namely "North-East Road Sector Development Scheme" (NERSDS) has also been started for maintenance, construction and upgradation of such roads, which remain neglected because of being interconnecting roads between two States as a result of which they remain un-owned and had thus gained the dubious distinction of being described as "orphan roads".



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Guwahati: Building No. 101, Maniram Dewan Road, Silpukhuri, Near SBI evening branch, Kamrup, Assam - 781003, Ph: 8811092481

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Patna: 304, 3rd Floor, above Reliance Trends, Navyug Kamla Business park, East Boring Canal Road, Patna, Bihar-800001, Ph: 8252248158

Pune: Millennium Tower, 4th Floor, Bhandarkar Road, Deccan Gymkhana, Pune 411004, Ph: 9067975862, 9622380843

Ranchi: 1st Floor, Sunrise Form, Near Debuka Nursing Home, Burdhwani Compound, Lalpur, Ranchi-834001, Ph: 9204950999, 9771463546

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Engineering a Difference

V K Saxena



KVIC is on a spree of revival of the glory of Khadi, at the grass root level, taking forward the vision of Mahatma that the essence of development of India is in the essence of promoting village industries and sustainability

Khadi is a national icon and village industries are our historic heritage. We pride ourselves that Khadi is the original symbol of nationalism, celebrated by the father of the nation. Our national leaders in the immediate aftermath of independence too continued to recognize the heritage and national value of Khadi and established nationwide institutions to promote self reliance of rural communities through the production of Khadi and other produce. Khadi and Village Industries Commission (KVIC) too came to existence in such a national context and it helped build a number of initiatives upon the principles of self reliance. However, due to changing geo-political realities, many such institutions and initiatives that had helped provide life support to people at one time were systematically closed as unsustainable.

KVIC took it upon itself to revive such closed institutions and initiatives on the premise that (1) those national icons that once served the society should never be lost from our midst and (2) they can still efficiently serve the same purpose for which they were established, so that the people of the surrounding region could continue to find life support and prosper.

Rejuvenating Sewapuri

Sewapuri, Varanasi Gandhi Ashram was set up in 1946 under the

guidance of the Gandhiji, to promote khadi and provide employment. It was then formally inaugurated by Dr Rajendra Prasad, the first President of India and Gandhiji stayed here for quite some time. Spread over 12 acres of land, more than 500 people worked in this institution and turned it into one of the finest Khadi centers in the country. But, due to financial crunch and lack of proper management, the center was closed in 1990 and made to remain as a dilapidated monument of a glorious past.

KVIC re-started the Center on September 17, i.e on 'Sewa Diwas', restoring its legacy. KVIC roped in Rural Electrification Corporation (REC) to use its CSR funds to kick off Khadi activities. REC sanctioned Rs 5.50 crore for this project. It is the first ever utilization of CSR funds for Khadi activities in which 500 solar Charkhas and 100 solar looms have been distributed.

To impart training on solar charkhas and looms – KVIC has established two training centres at village Jayapur and Kakrahiya in Varanasi district and provided 25 solar charkhas and 5 solar looms each in these villages, which have so far trained more than 500 local women

Reviving Training Center at Pampore

KVIC on August 22, 2017, revived

The author is Chairman, Khadi and Villages Industries Commission, under Ministry of Micro, Small and Medium Enterprises, Government of India.

- First ever unit of 250 solar charkhas and 25 solar loom under a single roof in the country.
- First ever CSR funds sanctioned on Khadi activities in the country.
- First ever Lijjat Papad manufacturing unit in Varanasi district with 170 women employed and 200 Kg papads made daily.
- First ever Apiary with 100 beehives for honey-production and training in Varanasi.
- First ever edible salt manufacturing and packaging unit by any Khadi Institution in the country, in the name – Ashram Salt.
- 500 women and men employed in the campus with many educated women.

its defunct training centre in Pampore, a historic town situated on the eastern side of river Jehlum in Jammu and Kashmir. It is famous worldwide for its Saffron, so known as “Saffron Town of Kashmir. It was destroyed in 1990 during the peak of the militancy in Jammu and Kashmir. In 1947, Gandhiji too had visited this centre.

Historic Training Centre in Pampore has started training courses of spinning and weaving, EDP, Beekeeping and on solar charkhas. A renovated Khadi India outlet was also inaugurated which was destroyed in the militancy.

Besides the above, in the tribal-dominated village of **Vanaj in Gujarat** – KVIC provided 25 charkhas and 5 looms. It had also created sustainable job opportunities for at least 50 tribal women there.

Further, in April this year, KVIC also kicked off a new training-cum-production centre at village **Silimkhawa in the Kaziranga National Park** area, infested with poaching activities. The KVIC gave 25 charkhas, five looms and other accessories to the village artisans. This unit has provided direct job



opportunities to nearly 50 rural families of this area.

Setting Forth a Honey Trail

India has very high potential for producing natural honey, owing to the unique assemble of flora over different landscapes of the sub-continent. Beekeeping has been a very popular village industry in forested, semi-forested and agricultural areas of the country. Making honey has multiple benefits. Besides securing the sweet delicacy, bees are known to increase the chances of pollination, thereby enhancing agricultural productivity. Bee wax, pollen, bee venom are other by-products of immense value to humanity. In recognition of these, KVIC has started ‘Honey Mission’ in the country, in order to provide judicious patronage for honey making practice. Under the Honey Mission, KVIC will distribute one lakh Bee Boxes this year to the farmers.

KVIC started Honey Mission from the Rastrapati Bhawan. Hon’ble President, Shri Ram Nath Kowind, visited the apiary set up by the KVIC inside the Rastrapati Bhawan. KVIC has set up an apiary of 150 Bee boxes in the Rasrtrapati Bhawan and will increase it up to 500 Bee boxes in the next few months producing around 15,000 KG high quality honey in the Rasrtrapati Bhawan.

Sewapuri **Varanasi**, area is an agriculture belt with lots of flora and

fauna, hence an apiary of 100 bee boxes with hives had been set up in the campus, under the ‘Honey Mission’. It is used as beekeeping training-cum-production center for the farmers of the nearby area. It is also the first ever apiary with 100 bee-boxes for honey-production and training in Varanasi district.

100 Bee boxes with bee hives were also installed in the campus of Pampore training Centre in Jammu and Kashmir to impart training on honey cultivation. Bee boxes will be distributed to the local farmers and Bee keepers after training. “Saffron Town of Kashmir, which has flora – fauna in abundance, is the right place for high quality honey production will be linked with ‘Honey Mission’.

Empathy and Empowerment

Women’s emancipation and empowerment is at the core of all developmental activities of KVIC. Be it Sewapuri or Pampore, the emphasis is always on the empowerment of women, since we believe in the fact that empowered women can steadfastly build healthy families, thereby putting the building blocks of nation.

Women Empowerment in Narmada Valley

KVIC through its Sahyog Programme had given 80 Charkhas to tribal women at **Omkareshwar** to

start Khadi activities in the Narmada valley areas of Madhya Pradesh. All the 90 women artisans, after receiving proper training, have virtually become a role model for the other tribal women. Under the Sahayog programme with public participation, over a thousand Charkhas have been distributed to rural communities across the country.

Making a Mark on the Market

Market is a prime focus in the process of enhancing livelihood support to the rural communities as it builds a healthy supply and demand situation. KVIC has constantly concentrated on market because, volumes turned around in a market determine the amount of support we can offer to the rural communities for employment. KVIC has exerted enormous effort in this direction.

Several initiatives have been started in collaboration with corporate houses to reposition and market khadi products like marketing of khadi denim which is expected to not only enhance khadi sales annually by Rs 40 crore but also generate additional 7.5 lakh human days; development of product line called khadi Peter England; and repositioning of khadi as a fabric of choice.

23 Hospitals to Use Only Khadi Products

KVIC has bagged large orders from several public and private sector companies such as ONGC (Rs 45 crores for the supply of Readymade Garments and Village Industries products to its 35,000 employees, Railways (Rs 42 crore for the supply of bed sheets, pillow covers and blankets etc.), Air India (Rs.11.1 Crores for the supply of 35,000 amenity kits for its first class and business class passengers), NTPC (Rs.5 crore for the supply of 23,000 silk jackets), and JK White Cement (Rs. 17 Lakh for the supply of Uniforms).

Further, Ministry of Health, adopting Khadi for hospitals and staff, is a significant symbol because Rs.150

crores worth of purchase from the health ministry will have compounding effect of livelihood support it gives to Khadi. Ministry of Health with its 23 Central Government hospitals and Medical research institutions across the country, will buy Khadi products only.

Orders from Air India

KVIC had bagged repeat orders of nearly Rs 12 crores from Air India. The national carrier Air India had decided to use natural and eco-friendly khadi products on its flights, and had placed an order worth nearly Rs 7.98 crore with KVIC for getting 65,500 units of amenity kits for its first class and business class passengers.

The orders are secured through competitive tendering and quality checks, thus upholding the value for price nature of Khadi and village industries products. In June 2016, it had placed an order worth Rs 8 crore with KVIC to source 1.85 lakh units of amenity kits. Similarly, in December 2015, the Air India placed a trial order worth Rs1.21 crore to the KVIC for the supply of 25,000 units of amenity kits. The kits include Khadi hand sanitiser, Khadi moisturiser lotion, Khadi lemongrass, Khadi handmade soap, Khadi lip balm, Khadi rose face wash and essential oils.

Reaching Out Wide

KVIC believes that it is important for the institution of Khadi and Village Industries to spread the message of indigenous Indian products, as widely as possible in the world. Several ambassadors have visited Khadi outlets and dignitaries from around the world are reaching out and are getting fascinated with Khadi.

US Ambassador wore Khadi Saree

In what comes as a matter of pride for the Khadi – the symbol of Swadeshi, used by Mahatma Gandhi during the Freedom Struggle – the US acting Ambassador and Charge de affairs to India Ms Mary Kay Loss

Carlson visited the 'Khadi India' outlet at Connaught Place and bought sarees to wear for the Independence Day parade on 15 August. She involved the countrymen in selecting the right saree for her for the big day and wore Khadi with pride on Red Fort.

KVIC installed a large stainless steel charkha and a heritage charkha museum in the heart of Delhi

A 2.5 - tonne charkha, made of high-quality chromium nickel stainless steel was installed in Connaught Place, adjacent to a heritage Charkha museum, which have now become a place of attraction in the heart of the city. The stainless steel charkha is 12 feet tall and 25 feet long. This feat was achieved in association with New Delhi Municipal Corporation (NDMC).

Khadi as Uniforms and Kits

To promote Khadi at International level and attract younger generation about this signature and heritage fabric of India, the All India Chess Federation (AICF) has decided that all the Indian Chess players and their supporting staff would use Khadi as their uniforms and kits in all international tournaments.

Conclusion

A true reflection of Khadi reforms is visible in the implementation of Khadi Reforms and Development Project (KRDP), which initially started in 2010-11 and later received an outlay of Rs. 96 crores from ADP during 2013-14. However, till May 2014, not even a Charkha or Loom had been distributed. In the past two years, over 5323 looms have been sanctioned and over 1350 have already been supplied. Similarly, over 27,000 charkhas have been sanctioned and 16,000 have already been supplied.

KVIC is on a spree of revival of the glory of Khadi, at the grass root level, taking forward the vision of Mahatma that the essence of development of India is in the essence of promoting village industries and sustainability. □

(E-mail: chairmankvic2015@gmail.com)

Encouraging Environment for Small Enterprises

Ashwini Mahajan



There is a need to facilitate new entrepreneurs by single window clearances of all types. Some states have initiated this process. As more and more state governments are going online, this process will further accelerate. Under new initiatives for startups, online clearances are already been given

Small Enterprises have always had an important place in the Indian economy, may it be output, employment or exports. Apart from this, they have been vehicles of growth with equity and decentralisation. Therefore, economic policy should rightfully be targeted at promotion and protection of small enterprises. However, for more than two decades, this sector has been in a serious 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

Industrial Policy adopted in the post independence period imposed various restrictions on large scale private industries; and industrial policy at that time became synonymous with 'License and Quota Raj'. While existing industries learned the art of living with this policy, the same policy created barriers for new entrepreneurs.

So far as the Small Scale Industries were concerned, the policy allowed SSIs 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. Similarly, Small Industries were given preference in government procurement as well, both in terms of price and purchase preference. 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. Protection causes inefficiencies and country would not withstand international competition. It was argued that if we continue protecting domestic industry including Small Scale Industries, Foreign Investors would be discouraged and consumers' choices would be also hampered. NEP's arguments took precedence over arguments of employment, decentralization and equity favouring concessions to SSIs.

Policy of open imports in the era of globalization did help us in getting number of goods and sometimes even technology, but at the cost of closure of millions of Small Enterprises, which couldn't face fierce competition from the rest of the world. Though, in some sectors like automobile, we do find some growth in ancillary small scale units; however, Small Scale sector in general faced extinction especially due to import flood from China. Huge import surge from China,

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not only caused huge burden of foreign exchange payment on the country due to heavy imports of toys, power equipment, mobile, computer and other electronics accessories, project goods, power plants etc., our industry and businesses were also destroyed, causing widespread unemployment.

How to Encourage Make in India?

Though, there is hardly any doubt about dumping by China and its ill effects on India's Small Scale sector, this is equally important to understand that Chinese government provides most conducive atmosphere for the development of industry and entrepreneurship in China; and has turned China as manufacturing hub of the world.

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. Thus, we can say that not only the problems arising out of unequal competition from imports, there is a whole plethora of problems faced by them ranging from start of enterprise to the marketing of final produce.

Need for Separate Labour Laws

Nobody would deny importance of protection and welfare of labour. Though, policy of unjustified 'hire and

fire' policy is no good and we need to protect workers' interests; however, one can't justify same laws for big and small enterprises. Scenario has changed now and due to complex labour laws, Small Enterprises, instead of hiring regular labour, have started shifting to contract labour. Contract labour is exploited by the intermediaries and organic relationship between entrepreneur and the labour goes missing, affecting welfare of both entrepreneurs and workers. Given this problem, the Second Labour Commission gave an important recommendation to enact separate laws for Small Enterprises. Workers organizations also favoured such initiative. Sometime ago, a bill called 'Micro Small and Medium Enterprises Bill' was formulated. However, need to have separate labour laws for Small Enterprises remains.

Finance

Banks and other Financial Institutions feel that it's risky and cumbersome to lend to small enterprises. There is hardly any truth in this thinking, given the NPA crisis being faced by banks due to big loans turning bad. Due to this preconceived notions of banks, they try to avoid lending to Small Enterprises, even circumventing their legal binding of priority lending to Small Enterprises. Further, Small Enterprises get loans at higher interest rates, whereas big borrowers get loan at much cheaper rates and on more easy terms, without hassles.

After the current government took over the rein of power, it has tried to facilitate Small and Micro Enterprises through Micro Units Development and Refinance Agency (MUDRA), Start up schemes etc. So far a total loan of 3.9 lakh crores of rupees has been disbursed under MUDRA scheme alone; and 9.3 crore beneficiaries of MUDRA loans have not only employed themselves, rather they have created many more jobs.

Loans Disbursed under MUDRA (As per latest figures)

Year	No. Loan Sanctioned	Amount Disbursed (Rs. Crore)
2015-16	34880924	132954.73
2016-17	39701047	175312.13
2017-18	18340053	84413.28
Total	92922024	392680.1

Restricting Flooding and Dumping of Imports

Although foreign trade is a normal phenomenon in modern days, however, it has been a major cause for distress to Small Enterprise. Reason is dumping by some foreign countries, especially China. Central government has now started imposing Anti-Dumping Duty in a big way. In a written reply in Rajya Sabha, the then Commerce and Industry Minister Nirmala Sitharaman had said that Anti-dumping duty is in force on 93 products concerning imports from China. In addition, 40 cases concerning imports from China

have been initiated by the Directorate General of Anti-Dumping and Allied Duties.

We find that the imposition of anti dumping duties on some items in the year 2016-17 yielded desirable results. Now since, on many other items of imports from China anti-dumping duty has been imposed, it is expected that in the current year imports from China will further decline. This would not only give reprieve to domestic industry, trade deficit with China is also expected to come down.

Preference in Government Procurement

In order to protect and promote small enterprises, there used to be a clear and comprehensive policy of preferential procurement from SSIs, which used to take the form of price preference or purchase preference. However, with the passage of time, these preferences were more or less weaned away.

Recently, a new preferential procurement policy has been made by the government, implemented by making General Financial Rules (GFR). Rule 153 of GFR states:

“In procurement of goods for Rs. 50 lakhs and less, and where the Nodal Ministry determines that there is sufficient local capacity and local competition, only local suppliers will be eligible.

For procurements valued at more than Rs. 50 lakhs (or where there is insufficient local capacity/ competition)

if the lowest bid is not from a non-local supplier, the lowest-cost local supplier who is within a margin of 20 per cent of the lowest bid, will be given the opportunity to match the lowest bid.”

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 Inspectors visit their factories, and many of them have wide ranging powers to penalize SSIs. Living under these threats, SSIs find it difficult to concentrate on core areas like production, marketing and up gradation of technology. 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 tragedy. In this context the process has been started to repeal some redundant laws under the present government, for smooth functioning of the economy. 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. Some states have initiated this process. As more and more state governments are going online, this process will further accelerate. Under new initiatives for Startups, online clearances are already being given.

Building Infrastructure

It's almost impossible to start and run Small Enterprises in a remote area. They are neither connected with rail or road; nor do they have assured source of power. Even in big and developed places, assured power supply is a big issue. At many places, generators are under rampant usage. This not only raises cost, but is a source of pollution and units equipped with generators are subject to exploitation by concerned departments' inspectors. There is need to develop infrastructure of various kinds including rail, road, power, skill development, markets (including e-portals) etc. Universal electrification of villages, boost being given to solar energy, fast tract building of roads by the present government is expected to help promotion to small scale and tiny industries, especially in rural areas. E-procurements have also started by the government.

By nature Indian people are entrepreneurs, hardworking and enthusiastic. They need conducive environment for entrepreneurship development. This is majorly a work of the government. Government has to make good laws, make atmosphere conducive. Not much budget is needed for the same, except in case of physical infrastructure, which too can be developed in public private partnership. Despite improvement in the recent years, we are still at 130th rank internationally, so far as 'Ease of Doing Business' is concerned. Much has been done by the government and much more is expected. □

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National SC-ST Hub Conclave

National SC-ST Hub Conclave which met recently highlighted the following points on MSMEs.

Need for one consolidated database of SC/ST Vendors including details of products and services provided by them; focus on organizing Special – Vendor Development Programmes (VDPs) and capacity building programmes for addressing the skills gap of SC/ST MSEs and use of technology as a medium for dissemination of information

National SC-ST Hub, launched by the Prime Minister aims to create a supportive ecosystem for SC/ST entrepreneurs by assisting in technology upgradation and capacity building thereby enabling them to effectively participate in public procurement processes. The Government of India formulated the Public Procurement Policy, 2012 which states that 20 per cent of total procurement of goods and services by Central Ministries, Departments and CPSEs shall be made from MSEs and 20 per cent of such procurement (4 per cent of total procurement) from MSEs shall be made from SC and ST owned MSEs.

Enabling Ease of Access to MSME Products

Shishir Sinha



If we ignore the size, MSMEs are like any other entrepreneurs and they also need to tap domestic as well as international market. Since they have very limited resources to deploy for marketing, they can rely on the Government for all sort of supports

Manufacturing a product is important but equally important is whether the said product is reaching its user or not. Therefore one needs to take his product to the market. In other words, one needs to have access to the market. But is getting access to the market easy?

The answer is not that easy. Ask any big company, they will tell you that they have to spend millions and millions of rupees to ensure better access to the market. They hire marketing experts to prepare blueprints for market access. All these appear to be easy for someone with deep or even big pocket, but what about Micro, Small and Medium Enterprises (MSMEs) who have very-very limited resources? Certainly, it is a difficult task for them to take their produce to the market where they have to face not just domestic but also foreign manufacturers. So, is there any way out?

Before discussing that, one needs to find answers to these questions:

- a. What do we mean by MSME?
 - A. Explained in Box 1
 - b. What is the total number of registered MSMEs?
 - A. Total number of registered MSMEs in the country are 65,91,870 including 15,63,974 under Small Scale Industry

registration, 21,96,902 under Entrepreneur Memorandum and 28,30,994 under Udyog Aadhar Memorandum (UAM).

- c. What is MSME's contribution to the economy?
 - A. As per the data available with Central Statistics Office (CSO), the statistical warehouse of the Government of India, the contribution of Micro, Small and Medium Enterprises (MSME) in the Gross Value Added (GVA) of the country for the year 2013-14, 2014-15 and 2015-16 at current prices are 32.26 per cent, 31.86 per cent and 31.60 per cent respectively and the contribution in Gross Domestic Product (GDP) of the country for the year 2013-14, 2014-15 and 2015-16 at current price are 29.76 per cent, 29.39 per cent and 28.77 per cent respectively.
- d. What is MSME's contribution to employment?
 - A. As per Fourth All India Census of MSME, (with base reference year 2006-07, wherein the data was collected till 2009 and results published in 2011-12), as well as data extracted from Economic Census 2005 conducted by Central Statistical Organisation the total employment in the MSME sector is 8.05 crore. However, the industry body, Confederation of

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Box-1
Definitions of Micro, Small and Medium Enterprises

In accordance with the provision of Micro, Small and Medium Enterprises Development Act, 2006, MSMEs have been classified into two groups

Manufacturing Enterprises		Service 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.		The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment	
Enterprises	Investment in plant and machinery	Enterprises	Investment in equipment
Micro	Up to Rs 25 lakhs	Micro	Up to Rs 10 lakhs
Small	Rs 25 lakhs- Rs 5 crore	Small	Rs 10 lakhs – Rs 2 crore
Medium	Rs 5 crore-Rs 10 crore	Medium	Rs 2 crore-Rs 5 crore

Indian Industries (CII) estimates those MSMEs have been able to provide employment to around 12 crore people.

- e. What is MSME's share in total export?
A. Approximately 45 per cent

From above mentioned facts, it is very clear that MSMEs play a very important role in the economy. If we ignore the size, MSMEs are like any other entrepreneurs and they also need to tap domestic as well as international market. Since they have very limited resources to deploy for marketing, they can rely on the Government for all sort of supports. As of now there are following schemes to help MSMEs and more preferably MSEs (Micro and Small Enterprises) in assessing domestic and international markets:

Marketing Assistance Scheme (MAS)

It aims to help MSMEs, to participate in domestic and international exhibitions/trade fairs, buyers-sellers meets, campaigns/seminars and consortia formation. It is implemented through National Small Industries Corporation (NSIC), a Public Sector Enterprise of the MSME Ministry. The need of the hour presently is to provide sustenance

and support to the whole MSME sector (including service sector), with special emphasis on rural and micro enterprises, through suitable measures to strengthen them for converting the challenges into opportunities and scaling new heights. Thus, although the medium enterprises have also been included as the target beneficiaries under the scheme, special attention would be given to marketing of products and services of Micro and Small Enterprises, in rural as well as urban areas.

Objectives of the scheme are as follows:

- To enhance marketing capabilities and competitiveness of the MSMEs.
- To showcase the competencies of MSMEs.
- To update MSMEs about the prevalent market scenario and its impact on their activities.
- To facilitate the formation of consortia of MSMEs for marketing of their products and services.
- To provide a platform to MSMEs for interaction with large institutional buyers.
- To disseminate/ propagate various programmes of the Government.
- To enrich the marketing skills of the micro, small and medium entrepreneurs.

Activities under this scheme include organizing International Technology Exhibitions in Foreign Countries by NSIC and participation in International Exhibitions/Trade Fairs. This helps MSMEs to get exposure besides facilitating them in exploring new business opportunities in emerging and developing markets. Such expositions showcase the diverse technologies, products and services produced/rendered by Indian MSMEs and provide them with excellent business opportunities, besides promoting trade, establishing joint ventures, technology transfers, marketing arrangements and image building of Indian MSMEs in foreign countries. Apart from organising international exhibitions, NSIC also facilitates participation of Indian MSMEs in the select international exhibitions and trade fairs. Participation in such events exposes MSMEs to international practices and enhances their business prowess. These events provide a platform to MSMEs where they meet, discuss, and conclude agreements on technical and business collaborations.

Revised Marketing Assistance and Technology Up-gradation (MATU) Scheme

Domestic Market:

Here, financial support is provided to participate in State/District level

local exhibitions/trade fairs. The scheme comprises of following activities:

- To encourage manufacturing MSEs in their efforts of tapping and developing domestic/overseas market.
- To encourage MSEs for adoption of bar coding on products for increase in marketability of products in National/International market.
- To facilitate marketing linkages especially in the view of Public Procurement Policy for MSEs.
- To create consciousness and to educate the MSMEs about importance of packaging in marketing, latest packaging technology, import - export policy and procedure, latest development in international trade etc. by organising International and National Workshop/Seminar on marketing/packaging/topics relevant to MSME sector.

To avail the financial support under this scheme the MSEs need to register with the Government. MSME Development Institute (MSME-DI) is responsible to implement the scheme. A committee selects domestic trade fairs/exhibition where MSEs can take part. The committee is headed by Director, MSME-DI Chairman while senior officials of the institute and office bearers of industry associations are the members. Once this committee prepares the list of domestic fairs/exhibitions, it is sent to the Office of Development Commissioner or (DC-MSME) for final approval.

An MSME-DI can recommend maximum of 10 (ten) Micro/Small entrepreneurs to participate in an approved fair/exhibition. The offer for participation will be available on first come first served basis. As there could be participation of MSEs through more than one MSME-DI in a Trade Fair/Exhibition, the final approval of participation of MSEs is given by DC-MSME and maximum number of participation of MSEs will be decided depending upon the size

and usefulness of the event to MSEs sector.

Financial Assistance to MSEs

Space Rent: 80 per cent of space rent paid for General category units charges and 100 per cent for SC/ST/women/NER/PH units limited to Rs.20,000/- or actual whichever is less.

Contingency: 100 per cent of Contingency expenditure for all expenditure categories of units subject to maximum (include Rs.10, 000/- or actual, whichever is less).

The entrepreneur would be allowed reimbursement under the scheme for maximum of two events in a year. The quantum of financial assistance will be restricted to maximum Rs.10 lakh per event.

International Market

The scheme also aims to encourage manufacturing Micro and Small Enterprises (MSEs) in their efforts of tapping and developing overseas markets. MSME-Development Institutes has to implement the scheme. International Trade Fairs/Exhibitions is finalised by Office of DC (MSME). An MSE may apply online/ in prescribed application format (or system in place) well in advance, at least two months for participation. The offer for participation is available on first come first served basis. For participation in international trade fairs/exhibitions, quality of products has considerable importance. Keeping this in mind, it is preferable that participating units should have ISO 9000/14000 certification. A panel first shortlists the names and then it is approved by Office of DC (MSME).

Financial Assistance

Space rent: 80 per cent of the space rent for General Category units whereas 100 per cent for SC/ST/Women/NER units subject to maximum Rs.1.00 lakh or actual rent paid, whichever is less.

Air fare: 100 per cent of the economy class air fare for all categories

of units subject to maximum Rs.1.25 lakh or actual air fare paid, whichever is less (for one representative from each participating enterprise)

MSEs are permitted to avail of benefits under the scheme for participation in International Trade fairs/exhibitions and reimbursement of their claims only once in a financial year, irrespective of number of units they own. Also, a person cannot represent more than one MSE in a financial year. The quantum of financial assistance will be restricted to maximum Rs 25 lakh per event.

Workshops and Seminars

Such events are being organised for promoting new marketing techniques, emerging global marketing/product innovation trends in various product and services verticals and development in packaging besides reviewing public procurements with Central Ministries/Departments/Central Public Sector Undertakings (CPSUs) and topics relevant to MSME sector. MSME-Development Institutes have been given responsibility to organise such events.

Bar Code

A barcode is a machine-readable code in the form of numbers and a pattern of parallel lines of varying widths, printed on and identifying a product. Such a system helps businesses and organizations track products, prices, and stock levels for centralized management in a computer software system allowing for incredible increases in productivity and efficiency. Keeping this importance in mind, the Government, through MSME-Development Institutes, provides financial assistance to Micro and Small enterprises (MSEs) to enhance their marketing competitiveness. Under this scheme, 75 per cent of one time registration fee and Annual recurring fee (for first three years) paid by MSEs gets reimbursed. GS1 India, formerly EAN India, an autonomous body under Ministry of Commerce

and Industry, Government of India, is authorised for granting registration for use of Bar Codes.

Vendor Development Programme (VDP)

This is a platform to bring Buyers and Sellers together for business promotion. Such an event is organized by MSME Development Institutes (MSME-DIs) located in every corner of the country to provide a common platform for business as well as selling organizations to inter-act with each other with a view to identifying emerging demands of the buyer organizations while simultaneously providing an opportunity for displaying the capabilities of the small scale entrepreneurs and their industrial ventures. These programmes have proved to be of immense use in locating suitable entrepreneurs by a number of buying organizations including the Public Sector Enterprises, various Wings of Defence, Railways and others in indigenising a number of products which hitherto have been imported at a colossal cost.

Two types of VDPs are being organized by MSME-DIs, National Level and State Level, National Level VDPs, with 3 days duration, provide an opportunity to interact with large companies especially Central Public Sector Undertakings. Such an interaction helps MSMEs to become vendors for large companies. In State Level VDPs, only one or two buying large scale organisation functioning in the state participates in the programme and interacts with MSMEs (sellers) in the Buyer-Seller Meets.

All Micro and Small, Medium and Large Enterprises can participate in the Vendor Development Programmes.

Marketing Development Assistance (MDA)

The scheme aims to encourage Small and Micro exporters in their efforts at tapping and developing overseas markets. It also intends to increase participation of representatives of small/ micro

manufacturing enterprises under MSME India stall at International Trade Fairs/Exhibitions besides enhancing export from the small/ micro manufacturing enterprises. The scheme also facilitates effort to popularise the adoption of Bar Coding on a large scale.

The scheme offers funding for:

- Participation by manufacturing Small and Micro Enterprises in International Trade Fairs/ Exhibitions under MSME India stall.
- Sector specific market studies by Industry Associations/ Export Promotion Councils/ Federation of Indian Export Organisation.
- Initiating/contesting anti-dumping cases by SSI Associations; and
- Reimbursement of money spent on bar coding.

The scheme aims to encourage Small and Micro exporters in their efforts at tapping and developing overseas markets. It also intends to increase participation of representatives of small/ micro manufacturing enterprises under MSME India stall at International Trade Fairs/Exhibitions besides enhancing export from the small/ micro manufacturing enterprises. The scheme also facilitates effort to popularise the adoption of Bar Coding on a large scale.

Providing Market through Preferential Procurement

The Government of India has introduced Public Procurement Policy for Micro and Small Enterprises (MSEs) Order-2012 which is applicable to all Central Ministries/Departments/

Central Public Sector Enterprises (CPSEs) and is effective from April 1, 2012. Under this Policy, every Central Government Ministry, Department and Public Sector Undertaking shall procure a minimum of 20 per cent of their total annual value of goods or services from Micro and Small Enterprises (MSEs). Out of this 20 per cent, it is mandatory to earmark 4 per cent for MSEs owned by SC/ ST entrepreneurs. (See table 1 for procurement by CPSEs)

Ensuring Quality for Better Market Access

Now, the key issue is whether products and services, being provided by MSMEs, can pass the basic quality test. No doubt, MSMEs cannot have quality mechanism at par with the big industrial houses; still they have to compete with them. Also they have to face big MNCs in the export market. So, what is the mechanism? Here comes 'ZED'

The Prime Minister, in his Independence Day speech, himself defined ZED.

"We should manufacture goods in such a way that they carry zero defect and that our exported goods are never returned to us. We should manufacture goods with zero effect that they should not have a negative impact on the environment".

In order to ensure Zed or 'Zero Defect and Zero Effect' for MSMEs engaged in the manufacturing, the Government has a scheme to provide financial support. This scheme aims to:

- Develop an Ecosystem for Zero Defect Manufacturing in MSMEs.

Table 1: Procurement from MSEs (As reported by CPSEs/In Rs Crore)

Year	Total Procurement	Procurement from MSEs (including SC/ST owned MSEs)
2014-15 (133 CPSUs)	131766.86	15300.57
2015-16 (116 CPSUs)	134848.14	18246.15
2016-17 (60 CPSUs)	55291.64	13288.96

- Promote adaptation of Quality tools/systems and Energy Efficient manufacturing.
- Enable MSMEs for manufacturing of quality products.
- Encourage MSMEs to constantly upgrade their quality standards in products and processes.
- Drive manufacturing with adoption of Zero Defect production processes and without impacting the environment.
- Support 'Make in India' campaign.
- Develop professionals in the area of ZED manufacturing and certification.



over 3200 MSMEs have registered for ZED Certification.

There are 50 parameters for ZED rating and additional 25 parameters for ZED. Defence rating under ZED Maturity Assessment Model. The MSMEs are provided financial assistance for the activities to be carried out for ZED certification i.e., Assessment / Rating, Additional rating for Defence angle, Gap Analysis, Handholding, Consultancy for improving the rating of MSMEs by Consultants and Re-Assessment / Re-Rating.

Under the scheme 22,222 MSMEs will be rated and certified under ZED Maturity Assessment Model, 5,000 MSMEs will be rated and certified under the ZED Defence Model, 7368 MSMEs will be supported for Gap Analysis, Handholding, Consultancy for improving their rating, etc. The total cost of the project is Rs. 491.00 crores (Government contribution Rs 365.00 crores, beneficiary MSMEs contribution Rs 126.00 crores). Quality Council of India (QCI) is the National Monitoring and Implementing Unit for implementation of ZED. So far,

Best part of all schemes is that there is targeted sectoral allocation which helps not just in selling products and services but also results in significant employment generation. For example, more than Rs 341 crore was provided under Marketing Development Scheme by Khadi Village and Industries Commission. It is expected to increase Khadi production to as high as Rs 1300 crore and sales to more than Rs 1800 crore during financial year 2016-17. All these estimated to create employment for more than 19.5 lakh persons.

No doubt, access to markets is important but there is need to redefine the MSMEs also so that they have enough capital to re-stratise themselves according to rapidly changing business environment. In 2015, the Government did move a bill in Parliament to amend the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. The existing limits under the MSMED Act were fixed almost 11 years ago. Since then, there has been a significant increase in the price index and cost of inputs. There has also been

a change in the business environment with many MSMEs becoming part of the domestic and global value chains. Keeping this in mind, it was proposed to raise investment limit for micro units to Rs 50 lakhs from Rs 25 lakhs, for small units to Rs 50 lakhs-10 crores from present limit range of Rs 25 lakhs-Rs 5 crore and for medium the limit range would be Rs 10 crore-Rs 30 crore (present range is Rs 5 crore-Rs 10 crore). All these are for MSMEs engaged in manufacturing.

Similarly, if the MSMEs are in services sector, new limit for investment in equipment will be Rs 20 lakhs for Micro (present limit is Rs 10 lakh), Rs 25 lakhs to Rs 5 crore for Small (present limit is Rs 10 lakhs-Rs 2 crore) and Rs per cent crore to Rs 15 crore for Medium enterprises (present limit is Rs 2 crore-Rs 5 crore).

The bill is pending in Parliament. 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. □

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YOJANA

Forthcoming Issue

Creating Consumer Awareness

Building Sustainable Livelihoods in Trans Himalayas

As the summer descends in the high altitude plateau of Changthang, Ladakh, the Changpas start returning to their villages. They have survived months in harsh climate, battling temperature as low as -40° Celsius, snow storms and constant threat of wild animal. This journey is not travelled alone, with them there are herds of sheep, goat and yaks. It is for their safety and food, Changpas canvas the entire snow deserts of Ladakh.

Changpas, the nomads of Changthang, are descendants of shepherds who migrated from Tibet in 8th century and settled in the Indian part of Changthang plateau. Since then rearing of sheep and goats has been their primary occupation. Their villages are dotted with houses made of local stones and clay and with few families still living in tents made of yak wool. It is hard to guess that these villagers have an access to one of the world's finest and most expensive fibre, Pashmina (known as Cashmere in international market). Pashmina is extracted from dry hairs of the Changthangi goat, which they naturally shed during summers. From here, the hair are transferred to Kashmir, Ludhiana and Chandigarh where they are processed into shawls, sweaters and other high valued items. Due to lack of capital and knowledge about the market for Pashmina products, Changpas are left out of this value addition process.

The villages of Changthang are small and scattered across the plateau with an average of 100-150 households. The harsh climatic conditions limit agricultural opportunities in the area, making animal rearing the primary occupation of villagers. The only agriculture possible is in the short summer season, during which entire household is involved in cultivating food grains and also stocking them for harsh winters. Most of the men leave their homes in winters in search of pastures with their flock, leaving the women behind. This lack of employment opportunities for women in comparison with their male counterparts has relegated them to positions of relative insignificance in their families.



In order to assess their socio-economic conditions, a survey was conducted by the District Administration, Leh along with the students of Institute of Rural Management Anand (IRMA). The respondents constituted a representative women population of villages around Leh and Changthang. On assessing the social and economic scores, it was observed that there exists a huge regional disparity. Women residing in villages around Leh fares 1.58 times economically better and 1.22 times socially better than their counterparts in Changthang 2.

78 per cent of the women are in the age group of 25-55 and are burdened with the skyrocketing expenditures of their children's education. 52.7 per cent members have family income less than Rs. 10,000 per month, 83 per cent of which belongs to Changthang. These earnings are considerably low for the average family size of 5 prevalent in these areas. 53 per cent of these women do not have a regular and fixed source of income as the earning members of their family either work as a casual labour or shepherds, both the jobs being physically demanding but least rewarding. In the absence of continuous income in order to fulfil incessant expenses, these women fall in to the vicious cycle of debt. More than half of the women members have either not left their villages in their entire life or have gone maximum to Leh that too only once a year. This kind of restricted spatial mobility, limits their individual space of options and action. 52.5 per cent of women have not incurred primary education and hence are deprived of any type of formal employment opportunity.

Looms of Ladakh: Women's Cooperative

Given the availability of finest quality of Pashmina in their backyard and the natural heritage of knitting and weaving skills of the women in Changthang, an opportunity for income generation presented itself. In order to bring together these women artisans to produce trend setting and genuine Pashmina products, Project Laksal, was implemented by the District Administration. A participatory approach was followed in implementing the same,

where the community contributed raw material and labour as stakes to ensure the project's success. With the intervention of several agencies, namely, District Sheep Husbandry Department (DSHD) and Ladakh Autonomous Hill Development Council (LAHDC), a women's cooperative was formed as an instrument to ensure community's involvement. The cooperative will ensure organized production and marketing of pashmina and woollen handloom products. With this 'Farm to Fashion' initiative, Pashmina's role in Ladakh's economy will also be lengthened as compared to before when it was exported as raw material. By providing a source of livelihood, the cooperative is also expected to reduce migration from border areas of Ladakh to urban settlements like Leh.

The ultimate goal of this process is empowerment of women through participation in development.

Implementation:

The implementation of Project Laksal began in August 2016 with pilot training in villages of Stok and Kharnakling, to check the demand of contemporary Pashmina products in the market. This phase was successfully concluded in October 2016, with products worth Rs.5 Lakhs being sold at Tourist Information Centre, Leh and Dastkaar Nature Bazaar, Delhi. As winters descended, the leading members from Stok and Kharnakling along with 2 design mentors from National Institute of Fashion and Technology (NIFT) expanded the project to 6 other villages. Two more villages from near Leh namely, Phyang and Chuchot-Yokma were chosen along with Merak, Chushul, Sato and Parma from Changthang.

After the successful completion of 2nd phase, Looms of Ladakh Women's Cooperative Society with its 148 members and 8 production centres got registered under the J&K Self Reliant Cooperatives Act, 1999 on 19th May 2017. At the same time, the cooperative also opened its own retail outlet in the main market of Leh.

The Road Ahead:

With the advent of modernization, Ladakh's primitive culture is on a sharp decline. The younger generation does not wish to pursue the traditional occupations anymore and prefer to settle in plain areas like Delhi. Hence, the need of a cooperative like Looms of Ladakh arises, not just to promote Ladakhi art but also to involve the youth in managerial practices. By creating community leaders and promoting peer learning, Looms of Ladakh seeks to achieve women empowerment in its true sense. These 148 women are now ready to chart their own future using the locally available raw material and their innately skills. In long term, the cooperative rightly aspires to take all of Ladakh under its umbrella and promote Ladakhi art and its producers.

(Source: Office of Deputy Commissioner, Ladakh)



It is really commendable on the part of the magazine to publish such wonderful issues on a plethora of current issues such as GST, Demonetisation, Housing etc. which are not only enlightening but also are quite helpful in preparing for competitive exams. The magazine are really a source of great knowledge and has proved to be a blessing in disguise for the readers. The previous issues on Cashless economy, GST etc were laudable. I would like to thank the whole team for the sincere efforts they put in. I would like to add that I feel blessed to have got the opportunity to read such a praiseworthy magazine. I would request to add some issues on relations of India with other countries, the working of political institutions in various democracies, terrorism etc.

Saundarya Sinha, saundarya030@gmail.com

I started reading this magazine 2 years back. Initially I felt bored... But after I started preparing for IAS it exactly meet all the syllabus. Then I started reading these every month which helped me broaden my vision much wider. Thank you very much Yojana team

Souravraj Singh, jarsourav@gmail.com

Response from Yojana Team

Thanks for your valuable feedback on the contents of our journal. It is your appreciation that encourages and motivates us in our work.

We will definitely try to incorporate your suggestions in our journal whenever possible.

Thanks once again

Swachh Bharat Awards on Gandhi Jayanti

On third anniversary of the Swachh Bharat Mission (SBM), Swachh Bharat National Awards were given away by the Prime Minister at a ceremony organised by the Ministry of Drinking Water and Sanitation (MDWS) in New Delhi on October 2, 2017. This day was also celebrated as the *Swachh Bharat Diwas*. Awards were given to winners of essay, film and painting competitions organised as part of *Swachh Sankalp Se Swachh Siddhi* initiative.

The event marked the culmination of a national campaign titled “*Swachhata Hi Seva*” that the MDWS had organized in response to the clarion call given by the Prime Minister to citizens of India to contribute to improvement of sanitation status in the country in the run up to Gandhi Jayanti.

In his address, the Prime Minister spoke about overcoming the challenges on the way of creating a Swachh Bharat with *Jan Bhagidari*, people’s participation. He said that Swachhata cannot be realized even if all political leaders in history came together for it - it can only be realized when 125 crore Indians come together for it. He said that the successes achieved in the Mission so far have not been an accomplishment of the government, but of the people of India who have made this dream of a Swachh Bharat their own.

He said that until each and every household that has a toilet realizes that Swachhata is their responsibility as well, the vision of a Swachh Bharat cannot be realized. To this end, he said that children and youth are the best ambassadors.

The Prime Minister also spoke about the role played by women in maintaining Swachhata in the household, the need for all members of the family to support them in this task by playing their role.



In the *Swachhata Hi Sewa (SHS)* category, SHS Specially Mentioned Ministry award was presented to the Ministry of Information & Broadcasting, Maharashtra (SHS Specially Mentioned Top State), J&K (SHS Special Award) and Velankanni Church of Tamil Nadu (Specially Mentioned Tourist Place for its work in SHS).

Inter-ministerial awards were also given on the basis of the activities undertaken by the Ministries and Departments in the past three years. These activities were exclusive of Swachhata Pakhwada and Swachhata Action Plans (SAP).

In order to promote cleanliness in and around India’s iconic places, a separate category was created to award these places. Iconic places were evaluated on 8 parameters for the work done by them in past one year. Award for the Best Iconic Place went to the Golden Temple, Amristsar. Special awards in this category were given to Mata Viashnoi Devi Temple, Jammu and Kashmir and Meenakshi Temple, Tamilnadu.

Further, the Ministry of Civil Aviation, Ministry of Railways and the Department of Defence Production were given the Best SAP Ministry Awards. As the Ministries and Departments have been conducting Swachhata Pakhwadas

(cleanliness fortnights), a separate category was created for this. The Best Pakhwada awards (for the best 15 days swacchhata activities conducted) were presented to the Department of Health and Family Welfare and the Dept of Space. Media has an important role to play in promoting swacchhata and making it a mass movement. So, the Media Award was given to Matrubhoomi (Kerala) for contributing in a tangible way in making swacchhata a *Jan Andolan* (people's movement).

Corporate awards were given to Tata Trust and India Sanitation Coalition for the best support provided to MDWS/SBM for promoting Open Defecation Free (ODF) activity sustainably.

Swachh Bharat (Urban) awards were also presented under various categories to Schools-colleges, Municipal Workers, Self-Help Groups, Resident Welfare Associations, Religious Institutions etc.

Speaking on the occasion, Union Minister, MDWS, Sushri Uma Bharti congratulated the winners and requested them to continue to inspire others for taking up sanitation initiatives in their area. She shared that the Swachh Bharat Mission has achieved impressive progress with more than 254,000 villages, 214 Districts, and 6 States declared open defecation free (ODF) in rural India.



Specially Mentioned Ministry Award to Ministry of I&B

Ministry of Information and Broadcasting (I&B) has played a pioneering role in taking the message of swacchhata to the masses since the inception of Swachh Bharat Mission through its various Media Units. In recognition to the work done by the Ministry of I&B, *Swacchhata Hi Sewa* Specially Mentioned Ministry Award was presented to the Ministry of Information & Broadcasting on October 2. The award was received by Shri N. K. Sinha, Secretary, Information and Broadcasting.



About Our Books



Homage to Mahatma Gandhi

(A compilation of tributes broadcast on All India Radio)

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Publications Division has restored and reprinted a rare book “**Homage to Mahatma Gandhi**”, with the help of the National Gandhi Museum, New Delhi. This book was first published by DPD in 1948, soon after Gandhiji's assassination and contains tributes to Mahatma Gandhi as were broadcast on All India Radio after Gandhiji's assassination on 30th January, 1948. A total of 34 Speeches made by eminent personalities from all walks of life, from freedom fighters, administrators, scientists, including Sardar Vallabhbhai Patel, Pandit Jawaharlal Nehru, Lord Mountbatten, Sarojini Naidu, Acharya JB Kripalani, Dr. CV Raman, etc. have been included. The book has Foreword by first Prime Minister of India Pandit Jawaharlal Nehru and contains rare images of these eminent personalities with Mahatma Gandhi. The original cover image with a portrait by Jamini Roy has also been restored. Many personalities listed in the book may not be so recognisable by the current generation, but played important role during freedom struggle and inspired, as well as got inspired by, Mahatma Gandhi.

This book gives an insight into the minds of these great freedom fighters and eminent personalities and reflects upon the towering personality that Mahatma Gandhi was. The tributes bring out the humane side of Gandhiji and how he inspired people around him to work towards not just the freedom struggle, but in all aspects of life. The book contains a special tribute by Sri Aurbindo, and ends with a special poem by Gurudev Rabindranath Tagore.



Indian Dance Through a Critic's Eye

Author: Smt Leela Venkataraman

Price: 860.00

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The book is a selection of 36 articles written by the renowned dance critic Smt Leela Venkataraman. Published in leading newspapers, periodicals and dance magazines since 1970s, these articles attempt to offer a peek into the changing world of Indian Dance. These articles are an effort to record the various events, institutions and personalities that have influenced and enriched the legacy of Indian Dance form. These articles, spanning across three decades, take the reader on a tour of Indian Dance history in a lively and engaging manner. The book has various chapters focussing on Indian Culture, dance as a representative of cultural heritage, various Indian Dance forms including Odissi, Yakshagana, Kathak, Mohiniattam, Bharatanatyam, as well as Music, Criticism, and Cultural Divides. The idea of 'Purush', dance administration, and Dance Notation make for interesting reads while a special section on Pioneers and Legends of Indian Dance pays special tributes to legends such as Sashimoni, Appukkuttan Nair, Durga Lal, Balasaraswati and Bipin Singh. Interspersed with rare photographs, the book can be a good introduction to a beginner in Indian dance, and a trip down memory lane for more serious followers. The book is also valuable as a documentation of Indian Classical Dance and testimony to the contributors of dancers from across India.

Prime Minister launches Intensified Mission Indradhanush (IMI)

The Intensified Mission Indradhanush (IMI) was launched recently at Vadnagar in Gujarat by the Prime Minister. Through this programme, Government of India aims to reach each and every child under two years of age and all those pregnant women who have been left uncovered under the routine immunisation programme. The special drive will focus on improving immunization coverage in select districts and cities to ensure full



immunization to more than 90 per cent by December 2018. The achievement of full immunisation under Mission Indradhanush to at least 90 per cent coverage was to be achieved by 2020 earlier. With the launch of IMI, achievement of the target has now been advanced.

Speaking on the occasion the Prime Minister said, "Let no child suffer from any vaccine-preventable disease". He stated that the Government has made immunization a people's and a social movement and made a strong appeal to all those present in the audience and the country men and women to own the programme in order to make all efforts to reduce maternal and child mortality. The four phases of Mission Indradhanush have reached to more than 2.53 crore children and 68 lakh pregnant women with life-saving vaccines including 5.21 lakh children and 1.27 lakh pregnant women in Gujarat. Earlier the increase in full immunization coverage was 1 per cent per year which has increased to 6.7 per cent per year through the first two phases of 'Mission Indradhanush'.



With a sharpened focus on high priority districts and urban areas, under IMI, four consecutive immunization rounds will be conducted for 7 days in 173 districts - 121 districts and 17 cities in 16 states and 52 districts in 8 North Eastern States - every month between October 2017 and January 2018. Intensified Mission Indradhanush will cover low performing areas in the selected districts and urban areas. Special attention will be given to unserved/low coverage pockets in sub-centre and urban slums with migratory population. The focus is also on the urban settlements and cities identified under National Urban Health Mission (NUHM).

Intensified Mission Indradhanush will have Inter-Ministerial and Inter-Departmental coordination, action-based review mechanism and intensified monitoring and accountability framework for effective implementation of targeted rapid interventions to improve the routine immunization coverage.

The convergence of ground level workers of various departments like ASHA, ANMs, Anganwadi workers, Zila preraks under National Urban Livelihood Mission (NULM), self-help groups will be ensured for better coordination and effective implementation of the programme. Intensified Mission Indradhanush would be closely monitored at the district, state and central level at regular intervals. Further, it would be reviewed by the Cabinet Secretary at the National level and will continue to be monitored at the highest level under a special initiative 'Proactive Governance and Timely Implementation (PRAGATI)'.



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