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# MSME News Update

## **1. Kalraj: Things normalizing for MSMEs after demonetization**

Trying to dispel fears that the MSME sector had taken a big hit from demonetisation, Union Minister Kalraj Mishra on December 31, said things are falling in place slowly despite “initial difficulties”. Addressing reporters here on the ministry’s achievements in 2016, Mishra admitted that “there were difficulties initially”, but things are moving towards normalization.

“There were difficulties initially, but wage payment to labourers has started normalising and migrant labourers who had left are returning,” Mishra said when asked about reports of job losses in the informal sector after the cash recall exercise. About banks’ reluctance to disburse loans under the MUDRA Yojana in the wake of demonetisation, Mishra acknowledged some issues, saying these are “only for the time being”.

Banks are expected to disburse Rs 1.80 lakh crore loans under the Pradhan Mantri Mudra Yojana (PMMY) in the current fiscal. Last year, 3.5 crore beneficiaries availed of Rs 1.22 lakh crore loans under PMMY. Under the scheme, loans ranging from Rs 50,000 to Rs 10 lakh are provided to small entrepreneurs.

To increase sales of khadi products, the government is also trying to penetrate global markets and adopt a franchisee model to open more outlets in India, with an emphasis on attracting youth towards the indigenous fabric, the minister said.

Sales of khadi goods went up by about 29 per cent to Rs 1,510 crore in 2015-16. Mishra said the much-awaited Goods and Services Tax (GST) will benefit micro, small and medium enterprises (MSMEs) across the country.

(The Deccan Chronicle, January 01<sup>st</sup>, 2017)

## **2. Modi softens the note-ban blow**

In a bid to soften the demonetisation blow, the Prime Minister Narendra Modi has rolled out several new schemes for the low and middle income groups, while thanking people for enduring the note-ban pain.

In his New Year-eve address to the nation, Modi had several goodies for farmers, senior citizens, small and medium enterprises, rural poor and urban middle-income groups.

Housing got special thrust with the government creating two new middle-income categories under the Pradhan Mantri Awaas Yojana (PMAY) in urban areas.

Loans of up to ₹9 lakh taken in 2017, will receive interest subvention of 4 per cent. Loans of up to ₹12 lakh taken in 2017, will receive interest subvention of 3 per cent, Modi announced.

Modi pointed out that even so many years after independence, millions of poor do not have their own home. “When black money increased in our economy, houses became out of reach of even the middle class,” Modi said.

The new initiatives rolled out are expected to ensure homes for the poor, the neo middle-class and the middle-class.

Modi also announced that the number of houses being built for the poor, under the PMAY in rural areas, is being increased by 33 per cent.

Another scheme was also unveiled for the neo middle and middle class in rural areas. Loans of up to ₹2 lakh taken in 2017, for new housing or extension of housing in rural areas, will receive an interest subvention of 3 per cent.

For small entrepreneurs, Modi announced that the credit guarantee cover can go up to ₹2 crore against the current ceiling of ₹1 crore. For small businesses, cash credit limit has been raised to 25 per cent from 20 per cent. He also announced the inclusion of non-banking finance companies (NBFCs) under the credit guarantee scheme (CGTSME) for lending to small and medium enterprises.

(Business Line, January 01<sup>st</sup>, 2017)

## **3. Khadi sale swells despite note ban**

The sale of Khadi has remained on growth path despite slowdown in demand in several other sectors due to demonetization.

Khadi & Village Industries Commission (KVIC), which sells Khadi and Village industries products through more than 7100 sale outlets across the country, of which 14 belong to the KVIC, have registered an overall increase of 9.25 per cent in December 2016 as compared to the previous year on an average in all Department Sales outlets.

Speaking to this Correspondent, Chairman KVIC VK Saxena said Central decision to demonetise Rs 1,000 & Rs 500 currency notes have not impacted Khadi sales.

He said that though there was a slight dip in the sale for the first few days, this was overcome by encouraging more modes of digital payments and also by introducing an incentive scheme for providing gift on purchases of over Rs 2,000 per bill through digital payments. The KVIC also allowed 1 per cent additional discount in its departmental sales outlets on payments through digital modes.

(The Pioneer, January 03<sup>rd</sup>, 2017)

#### **4. Cash crunch hits business, says CMI**

In its report on impact of demonetisation on economic macros, the Centre for Monitoring Indian Economy or CMIE has underlined significant moderation in new business proposals by industry and manufacturing sectors in the October-December quarter.

The study shows new proposals worth Rs. 1.25 lakh crore were mooted or submitted in Q3 which was a sharp drop from an average Rs. 2.36 lakh crore in past nine quarters since the government headed by Prime Minister Modi took over in May 2014. CMIE says "it was one of the worst quarters in ten years for fresh investments on account of cash crunch.

(Statesman, January 04<sup>th</sup>, 2017)

#### **5. The Big Move**

It was for the first time that Prime Minister Narendra Modi launched new schemes of the MSME Ministry at a function at Ludhiana. The owners of Small and Medium Enterprises (SMBs), entrepreneurs in Khadi as well as Coir sector also got enthused because of the awards given by the Prime Minister to them.

The awards were given to MSMEs for outstanding performance in Outstanding Entrepreneurship, Product/Process Innovation, Lean Manufacturing Techniques and Quality Products, Khadi and village industries sector, Coir industries sector and to banks excellence in lending to Micro and Small Enterprises. Special awards were also given to honour one Outstanding Woman entrepreneur, one SC/ST entrepreneur and one from NER in the category of outstanding entrepreneurship awards for small enterprises. Selection of the awardees is made on the basis of the set criteria exclusively designed to evaluate performance of the MSMEs.

Prime Minister also launched National Scheduled Caste/ Tribes Hub at Ludhiana on 18th September, 2016. The SC/ST Hub provides support to SC/ST entrepreneurs under public procurement to achieve a target of four per cent procurement in all Central Ministries and CPSEs from SC/ST owned enterprises. A High Powered Monitoring Committee under Minister for MSME and an Advisory Committee under Chairman, DICCI Milind Kamble and an Empowered Project Approval Committee under Secretary, MSME has been constituted. These committees have met twice. The SC/ST Hub has launched special schemes for marketing support, subsidy for single point registration and credit ratings and capital investment. A scheme of 25% capital investment subsidy for manufacturing sector upto a cap of Rs25 lakhs has been approved. 30 number of Special Vendor Development Programmes have been organized with participation of 1448 SC/ST entrepreneurs with CPSEs.

Modi launched ZED (Zero Defect Zero Effect) scheme under which the Ministry plans to assess 22,000 units to get themselves rated for Zero Defect Zero Effect. ZED certification will be in five categories viz. Bronze, Silver, Gold, Diamond and Platinum. The rated SMEs will get better business opportunities.

The scheme envisages promotion of Zero Defects and Zero Effect (ZED) manufacturing amongst MSMEs and ZED Assessment for their certification.

The scheme is an extensive drive to create proper awareness in MSMEs about ZED manufacturing and motivate them for assessment of their enterprise for ZED and support them. After ZED assessment and adoption of proper other tools, MSMEs can reduce wastages substantially, increase productivity, expand their market as IOPs, Vendors to CPSUs, more IPRs, development of new products and processes etc. Under the scheme 22,222 MSMEs will be accredited under ZED Maturity Assessment model and certification, 5,000 MSMEs will be accredited under ZED Defence certification, 7368 MSMEs will be supported for Gap Analysis, Handholding, Consultancy for their improving rating of MSMEs, etc.

(The Pioneer, January 05<sup>th</sup>, 2017)

#### **6. Demonetisation to hit MSME growth: Crisil**

Demonetisation will pull down growth of the MSME sector in the current fiscal, even as it engineers a substantial shift away from cash transactions for nearly half of their clients, a nationwide survey by Crisil has revealed.

The micro, small and medium enterprises (MSMEs) affected the most belong to traditional sectors with high reliance on cash transactions such as textiles, agricultural products, steel, consumer durables, construction and automobiles.

Unorganised players (less than 10 employees) are expected to struggle more than their organised counterparts, with 37 percent of them likely to report negative revenue growth in the second half compared with a quarter of organised players.

(FirstPost, January 6<sup>th</sup>, 2017)

## 7. **Scheme for women entrepreneurs**

The Centre would shortly launch an exclusive scheme for women entrepreneurs, a senior official in the Ministry of Micro, Small and Medium Enterprises (MSMEs) said. "It will be an exclusive scheme for women entrepreneurs. We have not yet finalised the contours (of the scheme). Hopefully, we will launch it before the end of the financial year," B H Anil Kumar, Joint Secretary in the Ministry, told reporters here.

(Business Line, January 07<sup>th</sup>, 2017)

## 8. **MUDRA Loan disbursements take a hit due to demonetization**

Loan disbursements by Micro Units Development and Refinance Agency (MUDRA) slowed down in the third quarter of current financial year following the demonetisation of high-value currencies, an official said Saturday.

"We have disbursed Rs 80,000 crore (from April 1 to December 31, 2016). There have been some lull during the last two months because of currency exchanges and those kind of things," Jiji Mammen, CEO of MUDRA, said. "Otherwise, we would have reached much more than this (disbursement figure), Mammen said.

(The Indian Express, January 07<sup>th</sup>, 2017)

## 9. **KVIC to open 'Khadi Lounge' at Delhi, Jaipur and Lucknow**

In view of promoting khadi for masses, Khadi and Village Industries Commission (KVIC) is set to open modern high end khadi outlet named 'Khadi Lounge' at Delhi, Jaipur and Lucknow.

"After Mumbai, the khadi lounges will be opened at Delhi, Jaipur and Lucknow, which will stock premium collection varieties of elegant, stylish khadi silk and newly designed ready-mades which will satisfy the quest of khadi lovers," KVIC Chairman Vinai Kumar Saxena told reporters here on Saturday.

KVIC will also renovate its 178 odd old outlets with the help of Rs 80 crore grant, Saxena said.

KVIC on Saturday opened its first high end Khadi outlet named Khadi lounge in Mumbai, which will showcase designer line of garments and exclusive fabric for men and women in major metropolitan cities.

The designer wear includes high fashion garments including ready to wear designed by Ritu Beri, an acclaimed fashion designer.

This store will provide Khadi a niche among the fashion conscious Mumbaikars and trend conscious youth with modern hand spun fabric and garments, an official release said.

The idea of Lounge series of Khadi outlet is to showcase countries best handcrafted fabric and products in the modern outlet, it added.

While inaugurating the khadi lounge, Minister of State for MSME, Haribhai Choudhary said buying one piece of khadi cloth will generate employment for one artisan.

MSME is generating 94 per cent employment and only 4 per cent is done by public sector. MSME sector also contribute 65 per cent of GDP growth is from MSME sector, he said.

The Minister informed that entrepreneurs ZED (zero defects, zero effect) movement is being taken up by MSME, at least 10 lakh units should come forward. We have set 50 parameters to meet ZED certification standard. The banks are instructed for generated one entrepreneur from SC/ST and women from each branch, he added.

Creating healthy competition for quality production is another agenda of MSME. For this five types of awards will be given to increase to best performer from MSME sector, Choudhary said.

Saxena said KVIC reconfirms its commitment towards 'Make in India' initiative and aligned with Prime Minister's vision for khadi.

Saxena also informed about launching of cashless digital payment system like Paytm.

Usha Suresh, CEO, KVIC said "the company has taken this initiative to implement the mission of our Prime Minister for making of khadi, a fashionable garment".

(Business Standard, January 07<sup>th</sup>, 2017)

## 10. **MSMEs may lose 60% jobs due to note ban: Survey**

Micro, small and medium enterprises are likely to suffer a loss of 60 per cent in employment and 55 per cent in revenue by March due to the demonetisation move of the central government from November 8.

These are preliminary findings of a survey by the All India Manufacturers' Organisation (AIMO). The body says this segment suffered a 35 per cent jobs loss and 50 per cent dip in revenue in the first 34 days.

AIMO says it represents a little over 3,00,000 industrial units, of all sizes.

The impact is due to various factors - cash inflow and withdrawal down, staff absenteeism, a weaker rupee, choked fund raising, banks not able to work on proposals, real estate in the doldrums, uncertainty among foreigners, among other things. AIMO's report says medium and large scale units in infrastructure projects, such as road construction, reported a 35 per cent cut in employment and 45 per cent revenue loss. Medium and large scale industries, including foreign companies, engaged in export-oriented activities reported 30 per cent job losses and 40 per cent revenue fall. This is likely to be 35 per cent and 45 per cent, respectively, by March.

In the manufacturing sector, medium and large scale industries reported the least job-loss in the first 34 days (5%) and took a revenue hit of 20 per cent. This dip is likely to be 15 per cent for both by March.

K E Raghunathan, national president of AIMO, said the studies were conducted by a panel of experts- business heads, sector experts, chartered accountants, consultants, lawyers. It has sent the findings to the union commerce and finance ministries.

(Business Standard, January 10<sup>th</sup>, 2017)

## 11. **Gujarat keeps mum on investment figures**

The country's largest investment summit, marketed as 'India's Economic Expressway', concluded without the government announcing the total of investment figures, as it had done in the 2013 edition.

Formally, the meet was to stretch over four days, ending Friday. However, the valedictory functions were staged on Thursday itself; Friday will see only business-to-business and business-to-government meetings.

Day 3 at the 'Vibrant Gujarat Global Summit', saw the signing of 1,193 memorandums of understanding (MoUs), taking the total count to 25,578 of these, of which 52 were of Rs 4,000 crore or above. Of these 52 MoUs, around 50 were signed by the second day. On Wednesday, it had said 133 MoUs were in the range of Rs 1,000-4,000 crore. In all, investment commitments of Rs 4-5 lakh crore could be easily accounted for.

The seventh edition, under then chief minister Anandiben Patel in 2013, had seen a commitment of Rs 25 lakh crore.

(Business Standard, January 13<sup>th</sup>, 2017)

## 12. **Mobile app launched for SEZ**

The Commerce Ministry said it has launched a mobile app 'SEZ India' which provides detailed information related to SEZs.

"The app and would help the SEZ units and developers to find information easily and track their transactions on SEZ Online System," the ministry said. Developers and units can now file all their transactions digitally through this system and track the status, it said.

The app is available on android platform. It has four sections — SEZ Information, SEZ Online Transaction, Trade Information and Contact details.

(Business Line, January 15<sup>th</sup>, 2016)

## 13. **Govt mulls easing FDI rule for single brand retail**

The government is considering allowing 100 per cent Foreign Direct Investment (FDI) through automatic route in single brand retail to attract a larger number of global players in the sector.

According to sources, there is a proposal to allow 100 per cent FDI in single brand retail sector "through automatic route" with certain conditions.

Currently, FDI up to 49 per cent is permitted under the automatic route but beyond that limit, government's nod is required. Foreign investment is allowed subject to certain conditions, which require products to be of a 'single brand' only and to be sold under the same brand globally.

Furthermore, in respect of proposals involving FDI beyond 51 per cent, it is mandatory to source 30 per cent of the value of goods purchased from India, preferably from micro, small and medium enterprises (MSMEs).

The issue to ease the FDI policy in the sector is under discussion between the ministries of finance and commerce and industry. "The move assumes significance as the government wants to provide easy policy for both domestic and foreign investors. Single brand retail trading sector has huge potential to attract FDI," said the source.

The government last year tweaked the mandatory local sourcing norm. It decided to give exemption to foreign firms coming in with state-of-the-art technology from the mandatory local sourcing norms for up to three years.

For the first time in February 2006, the government allowed 51 per cent FDI in the segment.

During 2006-07 to 2014-15, the sector attracted \$135 million of foreign direct investment.

Continuing with its relaxation drive, the government is also mulling a proposal to increase FDI cap in print media to 49 per cent under the automatic route. Currently, FDI up to 26 per cent is permitted through government approval route.

During 2015-16, FDI into the country increased by 29 per cent to \$40 billion, up from \$30.93 billion in the previous fiscal.

(Business Standard, January 17<sup>th</sup>, 2017)

#### 14. **Govt clears package for micro and small enterprises**

Government approved a package for supporting the micro and small enterprises across the country, which entails augmenting the corpus of Credit Guarantee Trust Fund (CGTF) for such ventures and doubling the coverage of loans under the credit guarantee scheme.

The post-facto approval was granted at a meeting of the Union Cabinet chaired by Prime Minister Narendra Modi here. Under the package, the corpus of the CGTF has been enhanced from Rs 2,500 crore at present to Rs 7,500 crore, which will be fully funded by the government.

Moreover, coverage of the loans under CGTF has been increased from Rs 1 crore to Rs 2 crore.

Further, coverage of the CGTF for loans being extended to micro and small enterprises by NBFCs has also been increased. "Augmentation of the corpus would facilitate larger flow of credit to micro and small enterprises. This in turn, would lead to increased output and employment and thereby promote equity and inclusiveness.

"As the scheme provides credit without collateral and third-party guarantee, the start-ups would be encouraged to set up enterprises based on innovation and new ideas. Every operation is online and therefore, the system ensures public accountability," an official said.

(The Indian Express, January 18<sup>th</sup>, 2017)

#### 15. **MSME Ministry workshop**

MSME Minister Kalraj Mishra inaugurated a workshop to enhance cooperation with the member countries of Indian Ocean Rim Association (IORA). "This workshop will strengthen economic relationship amongst the member countries in the field of trade and investment facilitation especially in MSME sector," the Ministry said in a statement quoting Mishra. The workshop, he said, will also facilitate exchange of ideas, concerns and experiences of IORA member states and would help evolve a common MoU to address the emerging challenges in the region.

(Press Reader, January 20<sup>th</sup>, 2017)

#### 16. **SMEs Positive on Job Growth in India: FB**

Small and medium enterprises (SMEs) in India maintain a positive outlook on the future in terms of business confidence and employment growth, a Facebook survey revealed on Wednesday.

Among the businesses surveyed in the country, 48 per cent of SMEs are positive about the current state and 62 per cent are positive about the future, revealed the "Future of Business Survey" done in the collaboration with the Organisation for Economic Co-operation and Development (OECD) and the World Bank.

Job growth data also showed a positive trend in the country. Of the SMEs surveyed, 28 per cent showed an increase in number of employees in the last month and 56 per cent expect number of employees to increase in the next six months.

(Eastern Mirror, January 18<sup>th</sup>, 2017)

## 17. **QCI aims to certify 22,000 MSMEs**

The Quality Council of India (QCI) today said it aims to certify about 22,000 MSMEs this year under the 'ZED scheme' initiated by the Prime Minister. QCI Chairman Adil Zainulbhai said the process for the same will begin in the next 15 days. He was speaking at a FICCI event on 'Sustainable Industry Growth through Quality Systems' under the theme 'Quality Systems to Achieve Goal of Make in India'. Zainulbhai said the ambitious ZED programme hopes to certify one million MSMEs in the next three years. The government under the Zero Effect Zero Defect (ZED) certification scheme hand-holds MSMEs across the country in Make in India sectors through quality control cells and rates them after carrying out assessment of their products.

(Economic Times, January 20<sup>th</sup>, 2017)

## 18. **Rs. 2 lakh-cr. investment proposed for Bengal**

Investment proposals totaling to over Rs. 2 lakh crore were received at the two-day Bengal Global Business Summit (BGBS) which concluded here on Saturday. The largest investment in the summit was proposed for manufacture and infrastructure sector (Rs. 61,765 crore) followed by MSME (Rs. 50,170 crore).

(Tribune, January 22<sup>nd</sup>, 2017)

## 19. **Bengal business meet attracts Rs. 2.35 lakh crore investment proposals**

The two-day Bengal Global Business Summit organised by the state government has received investment proposals worth Rs. 2,35,290 crore, Chief Minister Mamata Banerjee announced here today.

Addressing delegates on the concluding day of the meet, Banerjee said the manufacturing sector netted investment commitments of Rs. 61,765 crore.

Among other major sectors, Ministry of Micro Small and Medium Enterprises (MSME) attracted business proposals of Rs. 50,710 crore, urban development got Rs. 46,600 crore, transport Rs. 38,801 crore, IT, and Telecom 18,540 crore, power and NES 3,600 crore and mining got Rs. 1,580 crore.

"Despite demonetisation, a sum of Rs. 2,35,290 crore has been committed during the summit," Banerjee said.

She said that during the previous two summits in 2015 and 2016, West Bengal received over Rs. 4.93 lakh crore of investment proposals, of which over 40 per cent are in the implementation stage.

"Out of that, already over 40 per cent has been implemented. It takes time to implement the projects," she said.

In the third edition of the summit, China based TEB technology committed investments of Rs. 27,200 crore for an elevated mass rapid transit system, while Korea's Handong University signed a memorandum of understanding with the state-run West Bengal Housing Infrastructure Development Corporation for setting up an intelligent and green city, Amit Mitra, state Finance, Industries and Commerce Minister, said.

(NDTV, January 21<sup>st</sup>, 2017)

## 20. **KVIC revived 143 defunct khadi institutions**

KVIC is taking proactive action to revive defunct Khadi institutions, which have closed due to low wages, no support for replacement of Charkhas and Looms, lack of working capital and inadequate marketing support in the previous years. Till 2011, 267 Khadi institutions were closed down due to these reasons. "KVIC, from the grants received from Ministry of MSME has tried to strengthen and revive these institutions and has released Rs 3.09 crore in 2014-15, Rs. 1.06 crore in 2015-16 and Rs. 3.08 crore in 2016-17, i.e., total Rs. 7.23 crore to 143 institutions, for replacement of old Charkhas and Looms and to revive production. Plans are afoot to revive remaining 124 institutions in a phased manner. Meanwhile in the year 2015-16 and 2016-17, 89 and 63 new Khadi institutions have been registered respectively and have started production.

On October 2, 2016 KVIC launched 'Khadi Institutions Registration and Certification Sewa' (KIRCS), an online portal for registration of new Khadi institutions and bringing more and more people to join khadi activities in the rural areas. This simplified Registration Sewa has reduced time for registration of a new khadi institution from 3 years to just 45 days.

"Due to this online registration sewa initiatives, since October 2, 2016 to January 20, 2017, 143 new institutions have applied for registration of Khadi certification and production, which will again not only boost the production of Khadi, but will also provide employment at the door step in the rural areas and bring new khadi artisans in the KVIC fold.

(Pioneer, January 24<sup>th</sup>, 2017)

## 21. **Steel minister promotes concept of Swadeshi for steel**

Union Minister of Steel, Birender Singh chaired the meeting of National Steel Consumers' Council of Ministry of Steel in Mumbai. Singh said that there is great potential for increasing steel consumption in the country. Use of Swadeshi steel is the way forward not only for steel consumption but also for sustainable growth of the steel industry and economy.

Singh informed the members that National Steel Consumer's Council has been strengthened with the induction of industry experts. The meeting was attended by 150 of all stake holders of producers of MSME, integrated steel plants of private and public sector, machinery manufacturers and consumers of infrastructure, transport housing equipment sectors.

Elaborating on the need of the hour, he said, "Government of India's emphasis through Make in India and support to Swadeshi production offers huge opportunity to raise the domestic steel consumption.

He said that India's current per capita steel consumption stands only at 60 Kgs, which is very less as compared to the world average of 208 Kgs. He informed that Ministry of Steel has already started a campaign to boost steel consumption in country through encouraging all concerned ministries to use only India-made steel for infrastructure and construction projects of the government. Also, he said that the campaign would help in educating people about the numerous sustainability benefits, which are guaranteed to be realized whenever steel is used.

He further stressed that in 2016, India had emerged as the third largest steel producer in the world and central government is taking all steps to make the country world's second largest steel producer.

(Free Press Journal, January 24<sup>th</sup>, 2017)

## 22. **Anxiety over GST forces SMEs, start-ups to dial for help**

As the Union Finance Ministry gears itself up for the final roll-out of the Goods and Services Tax from July, small businessmen and entrepreneurs are getting anxious over how to cope with the post-roll-out scenario.

A national toll-free GST helpline (1800 103 9271), set up by Jaipur-based KDK Softwares, has received over 10,000 calls on GST enrolment and its impact on businesses.

A study of the helpline revealed that over 70 per cent calls received were regarding GST rates and whether this will be a beneficial tax structure to small businesses. As per the Ministry for Micro, Small and Medium Enterprises, 45 per cent of the country's industrial output is produced by the SME sector for national and international demand.

Mohit Bhambani, CEO, KDK Softwares, said: "With the demonetisation and the upcoming GST regime, SMEs and start-ups are facing a very challenging economic environment."

The threshold level in the proposed GST bill is Rs. 10 lakh in general and Rs. 5 lakh for the North-Eastern States. It is Rs. 1.5 crore in the current central excise law and does not cover the chunk of SMEs that are exempted in the current tax structure.

"This (reduced threshold) will significantly impact SMEs' working capital. As the threshold is low, most SMEs will have to pay a substantial portion of their capital towards tax in future," Bhambani said, adding that about 80 per cent of the calls received were from organisations with a business turnover of less than Rs. 1 crore.

"We found most of them were worried on the GST rates and how it will be levied on supply in case a company directly supplies products to end customers. Since it will not be available for input credit, it will be increasing the cost of production, which may not be in favour of such SMEs."

(GST India, January 26<sup>th</sup>, 2017)

## 23. **Germany's Hoffmann group to tap 500 SMEs**

Munich-based Hoffmann Group, the market leader in the field of quality tools with €1.1 billion revenues, aims to tap 500 small and medium-sized enterprises (SMEs).

"As we forayed into the Indian market two decades ago, we know the market very well. Now, it is about being here on the ground in India. We already have handful of SMEs and within three years, we will tap 500 SMEs, as individual entrepreneurs in India are trying to start his/her own business. They need access to German engineering quality which makes them competitive," Hoffman Group CEO Robert Blackburn said.

In India, Hoffmann Group is already associated with top multinational companies including Bosch, Siemens and GE, among others. A few Indian companies like Tata Motors and Bharat Forge are also part of the German giant.



"Our real game plan is to tap SMEs. That's the day, I would say, we have succeeded in India," he said. In 2015, Hoffmann Group generated a worldwide turnover of more than €1.1 billion. Including GARANT, its own premium brand, Hoffmann Group offers 70,000 quality tools from the world's leading manufacturers.

When asked about cities where SMEs are tapped, Hoffmann Group Managing Director Asia Pacific and India Pinaki Banerjee said, "Pune is the first choice. I call it as a low hanging fruit. After Pune, the next industrialist destination will be Delhi."

(Deccan Herald, January 27<sup>th</sup>, 2017)

#### **24. Panel submits report on MSME policy**

The committee tasked with drafting a comprehensive policy for the country's micro, small and medium enterprises today submitted its report. The one-member panel of former Cabinet Secretary Dr Prabhat Kumar submitted the report on formulation of a National MSME Policy to Union MSME Minister Kalraj Mishra here. The country does not have an MSME policy till date.

Mishra appreciated the efforts made by Kumar in meeting various stakeholders in different parts of the country before submitting the report. He also desired that the report be examined by the Ministry for further action.

"We will put up the draft policy in public domain for inviting suggestions from various stakeholders before finalising it," a senior MSME Ministry official.

(The Economic Times, January 27<sup>th</sup>, 2017)

# ARTICLE

## MSME need handholding to realize their potential

**By: Sanjay Bhatia**  
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The Indian Micro, Small and Medium Enterprises (MSME) sector has played a pivotal role by the way of its contribution to GDP, industrial output, exports and employment generation. However, there is an immense scope for this sector to increase its share in GDP, as reports suggest that Indian MSMEs contribute barely 38% to overall GDP as against 52% in Germany and roughly 58% in China and 42% in case of South Africa. Also, similar scope exists for MSMEs to increase their contribution to India's export basket and employment generation. The gap between current performance and potential of the sector is due to impediments such as non-availability of finance at competitive rates, obsolete technological levels, labor issues, lack of adoption of systems & certifications, etc. which prevents MSMEs to achieve their desired potential.

Despite odds the Indian MSME sector has continued to face the challenges and shown its resilience with the generation of innovative business models in all fields be it production, services, marketing and distribution. The question is whether there are some external or internal factors that have compelled MSMEs to adapt the change and come up with innovative business model? The answer is unequivocal yes.

It is important to note that the Central Government also realizes the strength of the MSME sector and have undertaken several initiatives in consultation with State Governments for improving the ease of doing business conditions for MSMEs. For example, earlier MSME registration was a difficult and time consuming exercise but with the introduction of online Udyog Aadhar Registration the process has been simplified significantly based on self-certification at no extra cost and can be done from anywhere within 3 minutes. Also, in a very recent move of creating the Indian Enterprise Development Services (IEDS) in the Office of Development Commissioner, Ministry of Micro, Small and Medium Enterprises is a landmark move which immensely benefits the MSME sector.

The Government in past few years has also introduced a slew of initiatives of which 'Make in India' is the most ambitious. This is aimed at giving a push to increase and widen the Indian manufacturing base. Also, the Government's keen focus on improving the Ease of Doing Business (EODB) ranking of India has opened doors for several international and large companies to make investments in India.

With the global companies setting up manufacturing bases in India, Indian MSMEs now have an opportunity to become a part of the global supply chain of big companies for investing in the Indian market in fields such as automobiles, defence & aerospace, biotechnology, IT & electronics, aviation, e-commerce, etc. The entry of a large number of brands into India during past few years have enabled MSMEs to induct new technologies, new products, improve quality and bring efficiencies in operations while demonstrating their innovative capabilities at low cost and then ability to absorb new technologies

with the use of local skills. This in turn, has effectively acted as a catalyst for capacity expansion and development of the capability of ancillary industries.

Furthermore, the EODB measures undertaken by the government has also encouraged the traditional MSMEs as well as start-ups in areas such as electronics, chemicals, leather, textiles, agro and food processing, pharmaceuticals and medical devices.

In the services sector too MSMEs hold immense potential and have grasped the opportunities currently available. The service sector MSMEs have demonstrated their strength resulting in innovative service delivery models in organized retail and wholesale, trade, e-commerce, transport and tourism, cyber security, communications, healthcare, media and entertainment, etc. This has helped to accelerate their growth as also in substantially raise employment generation, increase per capita income even in the rural areas. As the service sector has maintained a track record of high growth, despite constraints and intense global competition. In the coming years, the MSMEs engaged in this segment will grow only further and will continue to play an important role in the Indian economy.

The need of the hour for MSMEs is to adopt the new emerging technological tools to sharpen their edge in a competitive environment. This is critical as the advent of technological revolution tools such as sensor & the Internet of Things, artificial intelligence, machine learning robotics, solar PV energy storage, 3-D visualization, machine Internet & cloud, big data and open data, un-named aerial vehicles, nano-satellites, e-money & finance, etc. has altered the business dynamics of most traditional industries.

Adoption of latest and advanced technology can empower MSMEs to churn out better products. At the same time, the MSMEs need to understand the ever changing dynamics of product standards requirements by the domestic and international players for sourcing their requirements. Complying with legalities sometimes is quite challenging for MSMEs whereas compliance and delivery systems are the determinants of sourcing. Hence, MSMEs are required to adopt processes and standards for becoming a preferred supplier in the domestic and global value chain.

In sum, the contribution of MSME sector to the economic growth of a nation is well recognized. The programmes such as 'Make in India' should focus on MSMEs as it is the sector which will generate employment more rapidly than large industries where the imperative of technology forces them to do with reduced manpower. Thus, concerted efforts are required to create awareness and understanding among the Indian MSMEs on the various schemes and initiatives being taken by the Government and private institutions and organizations for the development of MSME sector. The sector should be helped by providing quality talent, solutions to deal with scarcity of capital along with innovative practices and management bandwidth.

Also the policy environment should entail strategies for simplifying processes to facilitate MSME development and MSMEs should be made to strive to grow vertically but not horizontally and make them move out from the subsidy regime. Rather, the policies should enable MSMEs to get the access of land with timely building approvals, avail speedy pace of environment clearances & other clearances, get friendly tax regime, have timely approvals for infrastructure & utilities like water, electricity, skilled labour, credit & finance, market access, raw material availability etc. all at competitive rates.

# Opportunity for MSMEs to increase 'COST COMPETITIVENESS, QUALITY & ON-TIME DELIVERY'

## Productivity Affected?

Are these factors affecting your enterprise' performance?

T - Transport (moving materials, information)

O - Over Production (poor production planning, effect on production cost)

I - Inventory (stock of materials, finished goods, storage)

O - Over Processing (poor quality, lack of employee efficiency)

M - Motion (unnecessary motion within work area resulting in time waste)

D - Defects (repeated errors, avoidable errors )

W - Waiting (materials, information)

H - Human Resources (absenteeism, lack of team effort)

E - Environmental Waste (natural resource inputs such as Energy, water, fuel etc)

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Improvement

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 ↳ Develop quality assurance culture  
 ↳ Reduce defects systematically

Module 3:  
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↳ Save costs and increase efficiency  
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Module 4:  
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For Cooperation and  
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↳ Develop Human Resource strategies for better recruitment & retention  
 ↳ Motivate & develop the right people to make staff a competitive advantage

Module 5:  
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*Module 1 is mandatory, modules 2-5 are optional for the enterprise to choose as per their need)*

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