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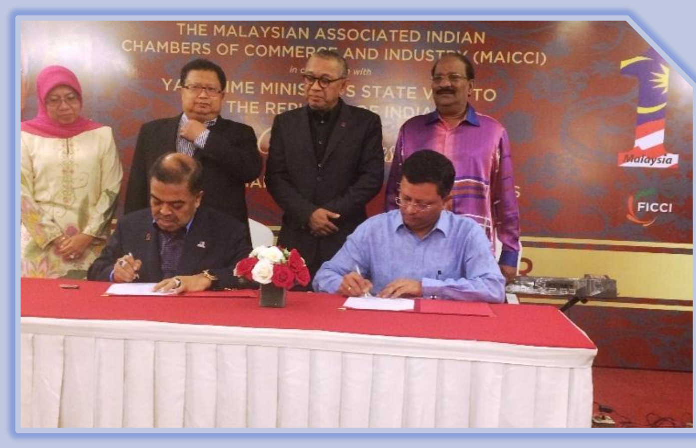
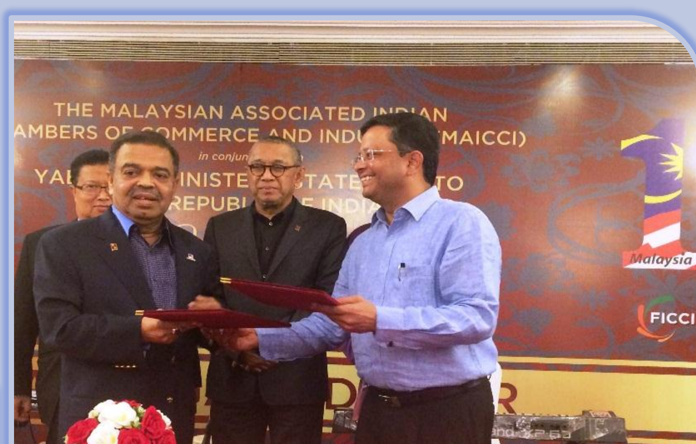
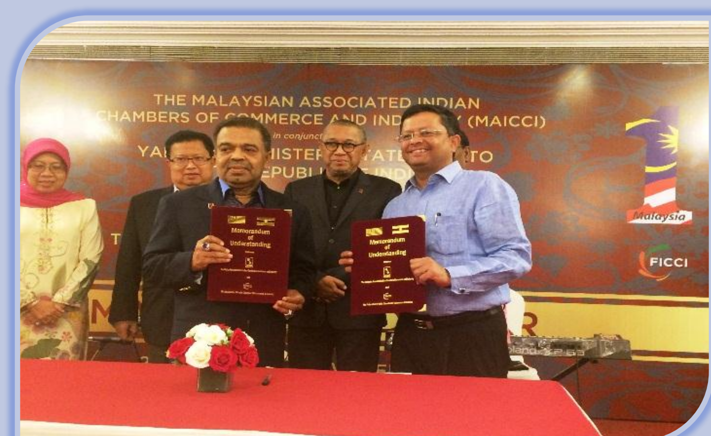
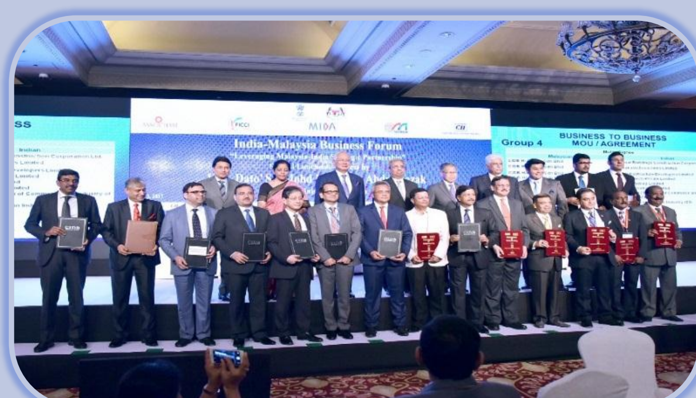
NEWSLETTER









IN THIS ISSUE………

1. Note Ban woes over, SME credit picks ups

Small businesses which were hit the hardest during demonestisation are bouncing back smartly, at least if their demand for credit is anything to go by. Bankers say that unsecured business loans portfolio, which is a lifeline for these small business entities, is showing a 15-18% growth over the past three months.

"After demonetisation, there was a slump in this section of business, but credit demand for unsecured small-ticket business loans has been steadily growing to around 15% to 18% now," said Shanti Ekambaram, president, consumer banking, Kotak Mahindra Bank.

Before the note ban in November last year, there was a steady growth in loan demand, which clocked almost 20%, she said.

The government's push to weed out cash from the system and replace it with plastic money had hit this segment the hardest as they mostly dealt with cash. Now with cash creeping back into the system and increased level of digitisation in their businesses, things seem to be falling back into place.

"They use it largely for their working capital needs, unsecured loans are typically shorter tenure loans and are ammortised. So the players use the funding in keeping with their business cycle," said Ekambaram.

While banks do their own due diligence and also use their own decision-making engines to lend to this segment of the population, there are a lot of technology platforms emerging which are trying to enter this space by facilitating the SME segment to access easier loans.

While the government is pitching for more digitisation, bankers say that if their entire gamut of payments for the SME sector flow through the formal banking channel, it will be easier for them to lend to these entities.

"There are multiple players with in the ecosystem and they all need to start making and accepting digital payments. I think the entire ecosystem has become used to dealing in cash, the whole chain has to change and that will take some time," said Ekambaram.

Bankers say that while digital transactions showed a huge jump during the last few months of 2016, the numbers are settling down this year with more cash flowing back into the system.

"We are still lending to business entities on the basis of their financial position as well as non-financial position which includes the owner's profile, his net worth, business and others," said Ekambaram. "With more of their transactions happening digitally, we can move over to lending on the basis of transactions."

(The Times of India, April 1st, 2017)

2. Benchmarking can ensure effective deployment of CGTMSE

The recent budget announcement on doubling of the eligible credit limit under the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme to Rs. 2 crore from Rs. 1 crore is expected to improve MSEs' access to capital. MSEs have limited financial resources. Yet, limited inclusion in the formal banking system compels them to largely deploy self-financed capital. Any move to boost flow of formal capital, therefore, augurs well for the sector. However, CGTMSE has so far been the preserve of public sector banks because of directed lending under government schemes.

Private sector banks have been reluctant to lend under the scheme, given the long administrative claim settlement process, the cap on pricing of loans, and the steep guarantee fee that is payable to avail of the guarantee cover. While the inclusion of NBFCs under CGTMSE is a welcome move, the scheme's success would depend on the issues being effectively addressed.

The government could consider building a claim settlement process linked to a transparent independent benchmark, to avoid any dispute between the insurer and the claimant. It already has the Performance and Credit Rating Scheme wherein MSE borrowers are rated on an eight-point scale, with one being the best, eight the worst and five the average.

Says Manish Jaiswal, Business Head, CRISIL SME Ratings: "The claim settlement process and the credit guarantee commission can be benchmarked to this independent borrower assessment across the credit guarantee life cycle. This will enable credit flow directionally to meritorious borrowers and at the same time enable lenders to take conscious risk and make effective use of capital. Credit flow to the right MSEs can, in turn, potentially trigger employment and growth."

(Business Standard, April 4th, 2017)

3. *In a first, foreign buyer bids for SME IPO*

A foreign investor has participated in the public issue of a small and medium enterprise (SME) for the first time since the segment was introduced five years ago on the BSE and the NSE.

The initial public offer (IPO) of Bohra Industries saw a bid from a foreign institutional investor (FII) amounting to almost 35% of the issue size

The Udaipur-based company, which was incorporated in 1996, entered the capital market to raise Rs. 25 crore but the issue was subscribed more than three times with bids amounting to Rs. 80 crore coming in.

Market participants said this marks an important development for the segment that has been consistently showing signs of maturity with growing interest from institutional investors.

Retail participation

Apart from a bid from an FII, the issue witnessed strong participation from both retail and non-retail investors, including corporates and high net worth individuals (HNIs). The FII is believed to be an India-focussed fund of an overseas investor registered with the Securities and Exchange Board of India (SEBI).

The BSE and the National Stock Exchange (NSE) unveiled separate SME platforms in 2012. While BSE has more than 170 companies listed on its SME segment, NSE has almost 50 entities on board so far. Incidentally, Bohra Industries got listed on the NSE platform called Emerge. Since January 1, NSE and BSE have seen listing of 14 and 15 SMEs respectively.

"In recent times, we have seen significant improvement in the way SME IPOs on 'Emerge' have been oversubscribed. Some have seen heavy oversubscription, which shows enhanced investor interest in SME IPOs and their growth story," said Ravi Varanasi, who heads business development at NSE.

Data from Prime Database shows that the year 2016-17 saw a total of 78 SME IPOs raising a cumulative amount of more than Rs. 800 crore – an almost three-fold jump from the previous fiscal that saw Rs. 311 crore being raised from 50 issues. Recently, Surat-based Euro India Fresh Foods came out with an IPO to raise Rs. 51 crore – the largest till date

(The Hindu, April 5th, 2017)

4. *Govt moves bill to raise Nabard's Capital to Rs. 30K cr.*

A bill to enable exit of RBI from Nabard and increase authorised capital of the development institution six times to Rs 30,000 crore was introduced in the Lok Sabha on Wednesday. The National Bank for Agriculture and Rural Development (Amendment) Bill, 2017 also seeks to amend certain clauses in the light of reference of the Micro, Small and Medium Enterprises Development Act, 2006 and the Companies Act, 2013 in the proposed legislation.

(IE Nation, April 5th, 2017)

5. *Banks responsible for ailing MSMEs*

Reserve Bank of India deputy governor SS Mundra on Saturday held the banking system responsible for the growing sickness of the country's medium and small enterprises.

"A large number of MSMEs are getting sick and the responsibility of this lies squarely with the banks. Banks are the reason for a large number of MSME units falling sick. We have given several tools to encourage banks to give automatic enhancement in credit, all kinds of facilities have been provided, but they have not been used to the extent they should have been done," he said, adding, "At the RBI, we feel dismayed that the sector is not getting the kind of attention that it needs to get."

Speaking in Pune at the convocation of an institute, he said despite legislation and RBI guidelines for MSMEs, there is little awareness among unit operators about these initiatives. "I think it is high time for some focused attention on this," he said.

The deputy governor also issued a stern warning to banks saying that they will be pulled up in the upcoming new supervisory cycle of the RBI for failing to adhere to the proper base rate reductions and also if they do not operationalise the internal ombudsman scheme. Mundra said banks have been not transparent in passing on the interest rate cuts to borrowers, nor have they migrated majority of loans to marginal cost of fund-based lending rate (MCLR).

He cited an example of a bank (without naming it), which has reduced the MCLR by 105 basis points (bps) in the last one year and reduced the base rate by only 10 bps while retaining 70% of customers in the base rate regime. He said it is likely that other banks are following the same. Mundra also said that one year after the internal ombudsman scheme was proposed, many banks, especially public sector banks, have not operationalised the scheme.
(Financial Express, April 9th, 2017)

6. *Khadi body taps into private sector to boost sales*

After getting public sector undertakings (PSUs) like ONGC, NTPC, Air India and Indian Railways on board, the Khadi Village Industries Commission (KVIC) is now tapping the private sector for khadi sales. With a push from PM Narendra Modi, KVIC has been able to bag orders from JK White Cement, while it is in talks with The Indian Hotels Company Limited of the Tata Group and GMR Group.
So far, seven PSUs have given orders of over Rs. 266 crore to khadi institutions across India through KVIC.ONGC has given order of Rs 52 crore to the khadi institutions while Indian Railways has planned to buy khadi of Rs 150 crore. KVIC is aiming khadi sales of Rs 2,000 crore in the current financial year and Rs 5,000 crore by the end of FY2018-19.
The commission is meeting and talking with private players like GMR Group, Taj Hotels and J K White Cement and so far KVIC has claimed that responses are positive. ONGC usually distributes bonuses and gifts to its employees in the form of cash, recognising their services to the nation and rewarding their hard work. This year, an agreement had been reached with the KVIC and ONGC in the month of January, under which while the staff bonus gains an additional value, the mechanism itself contributes to a wider public good. The company has 34,236 regular employees and 1,063 non-regular employees to total 35,299 across India.
KVIC has also given a free hand to the khadi institutions to directly talk to private or government organisations for orders. Some institutions have started doing this and have received good responses. Gondal-based Udyog Bharti, a six decade-old khadi institution, is supplying school dress to Shishuvan School in Mumbai. The institution is in talks with the government and private schools in Gujarat to supply khadi.
The commission had set about Rs 1,900-2,000 crore sales target of khadi and village industries' products in 2016-17, with the KVIC chairman claiming 80 per cent of the target has been reached so far. Last year its sales stood at Rs 1,510 crore. KVIC is aiming at sales to the tune of Rs 5,000 crore in the next two years.
(Business Standard, April 8th, 2017)

7. *1 Cr fund allotted for Govt owned Incubation Centres*

A fund of Rs 1 crore per Incubator has been allotted for Government owned Incubation Centres under the ASPIRE Scheme to promote entrepreneurship development and around 7 Livelihood Business Incubators will soon be set up in Rajasthan,3 being at ITIs in Alwar, Jaipur and Udaipur respectively, alongwith 3 at Government Engineering Colleges and 1 under the PPP Mode at FDDI Jodhpur, said Krishna Kunal, Commissioner, Skills, Employment and Entrepreneurship, Ministry of Small and Micro Enterprises during his visit to the Livelihood Business Incubator, National Small Industries Corporation.
(The Pioneer, April 12th, 2017)

8. *KVIC inaugurates centre in Assam*

The Khadi and Village Industries Commission (KVIC) chairman Vinai Kumar Saxena has inaugurated a new training-cum-production centre setup in association with Assam forest department. KVIC has given 25 charkhas, five looms and other accessories to the village artisans on Monday at Silimkhowa village under Karbi- Anglong district in Kaziranga
(Mail Today, April 13th, 2017)

9. *PM Mudra Yojana loans cross target*

Loans under the government's flagship Pradhan Mantri Mudra Yojana (PMMY) in 2016-17 crossed the target of Rs. 1,80,000 crore to touch Rs. 1,80,087 crore. "Final data is still awaited from some of the smaller non-banking lenders," said the Finance Ministry on Thursday, adding that of the said amount, banks lent Rs. 1,23,000 crore while while non-banking institutions lent Rs. 57,000 crore. The total number of borrowers were over four crore, of which over 70 per cent were women, said the Finance Ministry.
(Business Line, April 14th, 2017)

10. *KVIC's digitisation boosts govt jobs scheme*

KVIC, the nodal agency for implementing the Prime Minister's Employment Generation Programme (PMEGP) scheme, has said it has received 4,04,354 online applications since it launched online portal in July last year, compared to 59,479 applications till June.

The MSME Ministry had set a target for job creation of Rs 1,100 crore for PMEGP in 2016-17, which was achieved before the stipulated time on March 15. "The ministry then added another Rs 100 crore in the target, which also was achieved on March 25. Again, Rs 50 crore was added in it, but our overall achievement also crossed it with the annual figure of Rs 1,281 crore in 2016- 17," KVIC Chairman V K Saxena said.

"Altogether 3,98,955 new employment was generated, with an estimated project cost of Rs 4,778 crore and that is a huge growth of approximately 24 percent with respect to financial year 2015-16," he said in a press release. Saxena said the Khadi and Village Industries Commission (KVIC) has been increasing its organisational capacity to create more jobs for which it has digitised its online portal, bringing in transparency.

The government had implemented PMEGP in 2008 by merging two schemes in operation -- Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP), with the KVIC as the nodal agency.

He said the KVIC has also digitised the entire payment process of the Market Promotion and Development Assistance (MPDA) scheme, for supporting implementation of Khadi programme.

(Business Standard, April 14th, 2017)

11. Zero-*defect plan: Tirupur cluster seeks Center's support for workforce skilling*

Apparel exporters in Tirupur have set their sights on making the cluster a 'zero defect textile manufacturing hub' in India. To achieve this vision, they have sought government support for a one-time intervention.

Knitwear fashion institute NIFT- Tirupur Exporters' Association, founded by exporters, is already involved in running several projects of the government, including skill development initiatives, with the support of the Centre and state.

A NIFT-TEA study has revealed that at least two lakh employees will need to be upskilled in the Tirupur Apparel cluster."There is a need to modify the existing skill development scheme guidelines to include "Skill Up gradation" as the focus is now only towards creation of new skilled labour.

"As more than 80 per cent of the industries in Tirupur are categorised as MSME (Micro Small Medium Enterprises), they lack the scale for undertaking efficiency improvement initiative. Even a cursory review of the operation of the units here would reveal that there is huge scope for improving the operational efficiency of MSMEs. These units are not generally keen to take a professional approach because of their size, knowledge levels and capacity to absorb costs," said Tirupur Exporters' Association President Raja M Shanmugham.

"A massive state-funded initiative is the need of the hour to make the cluster a zero defect manufacturing hub. Even a 10 per cent reduction in wastage/ defects would result in a saving of ₹2,000 crore a year, notwithstanding the additional growth in business volume," he added.

(Business Line, April 17th, 2017)

12. *Credit scores to help MSMEs tap bank funds*

Banks have stepped aside when it comes to lending to small and micro enterprises, thanks to doubtful finances and lack of credible data on their credit history. But that could change with credit information companies, which changed the face of retail lending in India, coming out with credit scores of micro, small and medium enterprises.

Bankers say such information would help banks take faster decisions while lending to these enterprises and ensure that defaults are kept to the minimum.

"The Cibil rank is based on data collected from banks regarding loans the entity would have taken over the past seven years," said Harshala Chandorkar, senior vice-president at Cibil. "Such rich data allows us to predict the delinquency of the entity more accurately than existing financial statement-based ratings."

"We collect data from lending institutions on a regular basis which helps run our analytics more effectively thereby allowing both monitoring of accounts as well as fresh sanctions, "said Chandorkar.

Another credit information company Experian has launched the credit score for commercial entities.The company gives scores for proprietorship firms as well as partnership and limited liability firms.

"Recent analysis by Experian bureau in India highlights that 26% of the proprietorship firm population and 15% of private firm population are at high risk. We believe that a commercial score and account review will help banks take informed credit decisions, "said Mohan Jayaraman, MD, Experian Credit Bureau, India.

"The problem while disbursing business loans is the lack of availability of organised data unlike in case of personal loans category where Cibil is the single source of organised data, "said Shanti Ekambaram, president of consumer banking at Kotak Mahindra BankBSE 0.09 %. "The bureau is also expected to track the utilisation of the funds and that is extremely important for banks as it can give us prior warning if the business is running into cash flow problems, "said Harjeet Toor, business head, microbanking, cards, retail & MSME lending at RBL Bank.

(The Economic Times, April 18th, 2017)

13. *There is more to creditworthiness than size of an MSE*.

Information asymmetry and absence of credit trails have long been stumbling blocks in efforts to foster inclusion of micro and small enterprises (MSEs) in the formal lending system.

Compounding the problem is low adoption of credit assessment in the sector, due to lack of awareness or inhibitions of promoters. A major factor keeping the enterprises from getting assessed appears to be a belief that creditworthiness is determined by size, as reflected in income or net worth.

A CRISIL study of 3,570 MSEs, however, indicates that creditworthiness is not a function of absolutes, but of relative size and performance. Nearly one in four of the top rated MSEs (MSE 1 to MSE 3) in the sample studied had a small scale of operations, with annual revenue below Rs. 5 crore in FY16. What set them apart was superior financial and operating performance — with revenue growth and operating margins over 500 basis points higher than lower-rated peers.

These MSEs also had better leverage profiles and working capital management — with average receivables days at 56, compared with 72 for lower-rated peers. On the operating front, too, a long track record, experienced promoter(s) with an ability to infuse funds, good local/regional market presence and established stakeholder relationships provided an edge.

Clearly, it isn't about size alone. In fact, it is almost a tautology that MSEs have limited financial flexibility, and thereby limited capacity to withstand shocks. However, those that have successfully overcome constraints associated with lack of size are viewed positively in rating. The case for credit assessment gets stronger with the advent of GST.

As these entities mainstream into a more digitalised economy under the new regime, assessment of their relative performance through credit rating, coupled with digital transaction trails, can act as a surrogate on financial discipline. In turn, this can help identify small creditworthy players who can be extended collateral-free movable lending.

(Business Standard, April 18th, 2017)

14. *Min to seek Cabinet nod for national steel policy soon*

The steel ministry will soon move the Cabinet to finalise the new national steel policy that seeks to more than double the capacity to 300 million tonnes by 2030.

The ministry also expects steel demand to continue to grow this year given the stress on the infrastructure sector, Minister Chaudhary Birender Singh said. "We will soon seek the Cabinet nod for the new steel policy that envisages 300 mt steel capacity by 2030 from the current 126 mt. The target may look a little far off, but if we can channelise our energies in the right direction, this is very much achievable," Singh said on the sidelines of Ficci- Steel Expo.

The new steel policy seeks to increase focus on expansion of the MSME sector, improve raw material availability, enhance R&D, reduce imports and manage production cost, and thus develop a technologically advanced and globally competitive industry that promotes economic growth.

(DNA, April 19th, 2017)

15. *Small businesses could under-report income under GST initially*

When the nationwide goods and service tax rolls out on July 1, it is likely that micro and small enterprises will under-report their yearly income. Firms might do so to stay in the Rs 20-50 lakh bracket so that a low tax rate of 1-2 per cent applies to them. Increased compliance under GST will benefit firms in the long run by providing them access to cheaper capital and lower input costs, in the short term, the switch from the unorganised to organised sector will make them less competitive.

GST, in its current proposed form, exempts small businesses below Rs 20 lakh from registering for the GST network (GSTN) unless they want to avail of the benefits of input credit. Small businesses, according to GST, will be in the Rs 20-50 lakh bracket.

Analysts say a number of businesses with turnover above Rs 50 lakh could resort to under-reporting their income to pay lower taxes.

According to the latest annual report (2015-16) of the ministry of micro, small, and medium enterprises, there are estimated to be about 51 million MSME businesses, employing more than a 117 million people, and having a combined fixed asset value of nearly Rs 15 lakh crore. Nearly 55 per cent of such businesses could be a part of the unorganised sector.

Businesses making a switch to the organised sector would, in the short run, become less competitive with the rise in compliance costs, the analysts said.

However, formalisation will eventually be beneficial.

“Entering the formal sector under the new GST regime can provide smaller businesses access to cheaper capital as well as legal recourse in case of disputes,” said said Neelkanth Mishra, India equity strategist with Credit Suisse.

“Under the GST you will see a situation wherein most of the registered entities will only want to do deal with other registered entities because of reverse charge,” said Abhishek Rastogi, partner, Khaitan and Co.

The purpose of the reverse charge is to increase tax compliance and revenues.

The concept is already present in service tax. In the GST regime, reverse charge may be applicable for both services as well as goods. It will have to be paid by the receiver of goods or services. In case an unregistered dealer sells or supplies to a registered dealer the registered dealer has to pay the GST on the supplied good or service.

“Hence, registered businesses will not want to deal with those entities still in the informal sector. Non-compliance by small businesses, or any efforts to stay out of the organised sector, will only hurt their business over a period of time,” Rastogi said.

(Business Standard, April 20th, 2017)

16. *Mundra suggests changes in ways to fix NPA crisis*

Reserve Bank of India (RBI) deputy governor SS Mundra on Thursday said at meetings with the finance ministry, he suggested a host of changes in the current resolution measures including lowering of the minimum sustainable debt from 50% under the Scheme for Sustainable Structuring of Stressed Assets (S4A).

According to Mundra, who was speaking to a business news channel, while an institutional view has not emerged, his perception is that if the sustainable debt – the debt that will be regularly serviced after S4A recast – is less than half of the total debt, then banks should decide on the course of action.

“I would believe that if the cash flow projections are not unrealistic and companies have passed the test, it is for the lenders to go ahead with the prescription,” Mundra said.

He said banks argue that sustainability should be assessed on the basis of a much distant future rather than an immediate future. “If you say that it is a much distant future and the viability would emerge some two years from now, it means that cash flow would also strengthen over time and repayments should also be recalibrated to the cash flow,” Mundra said.

He said the RBI and the finance ministry are discussing whether there is a need to modify those schemes or even introduce other schemes; whether the mechanism of CDR has to be modified and regarding the functioning of joint lenders’ forum.

“To my mind, today we should look at CDR more as a monitoring platform. You need not really try to go and try to tweak the CDR mechanism, because if you take out 80% of the original CDR mechanism and say I am retaining 20% and putting new 80% components when you already have the other products already available,” he said.

(Financial Express, April 21st, 2017)

17. *PwC to help MSMEs access data analytics at lower cost*

Consulting firm PwC is launching PwC Insights as a Service (PIAS), a new model that will allow more customers to access advanced analytics and data science capabilities at a lowered cost.

Raman Bhushan, partner, advanced analytics and data science, PwC India, said that India was the first market where this service was being launched.

To be offered on a pay-as-you-go basis, the platform comes with PwC IP built on top of it that would allow customers to undertake a range of tasks, including data visualisation, machine learning and big data analytics.

According to Bhushan, this would help make advanced analytics more accessible to mid and small-sized companies who have held back because of the costs involved. “A lot of MSMEs do not have the capex budget for advanced analytics even if they want to adopt it. This is an opex model where they can pay quarterly or monthly as per their usage,” he said.
This model would also tackle problem of talent availability. PwC has a team of about 800 data scientists who exclusively work for Indian clients.
(The Economic Times, April 25th, 2017)

18. *Khadi can be best way to tackle terror: Kalraj*

Enthused with the massive response to the first ever national exhibition in Jammu and Kashmir last year, the Union Cabinet Minister of Micro, Small and Medium Enterarises Kalraj Mishra, said that involvement of people through Khadi could uproot terrorism.
Addressing the 644th meeting of Khadi and Village Industries Commission (KVIC) at Gandhi Darshan (Rajghat), the minister said that earlier the people were apprehensive in taking part of KVIC's national exhibition-cum-sale. "But in a day or two, the people there realized that making Khadi products can be the best way for them – to eke out a proper livelihood," he said, "We want to generate maximum employment with our motto 'one yarn, one nation'. We are going to organize such exhibitions regularly in the valley as this symbol of self-reliance can give the people enough courage to tackle the problems there." Expressing satisfaction with the KVIC's report card, Mr Mishra said that the government would leave no stone unturned in establishing co-ordination between vision and action, to fulfill the combined cherished dreams of Mahatma Gandhi, Pandit Deen Dayal Upadhyay and Babasahab Bhim Rao Ambedkar.
(Millennium Post, April 25th, 2017)

19. *Draft policy proposes National MSME Authority headed by PM*

The Draft National MSME Policy has called for setting up an overarching policy-making authority headed by the Prime Minister as also empowering the Centre to change investment limits instead of being “forced” to go to Parliament.
“To accord the importance the MSME sector deserves, it is imperative to create an apex authority under the chairmanship of the Prime Minister. The authority may be called the National MSME Authority,” says the report prepared by former Cabinet Secretary Prabhat Kumar, adding that the “Act of 2006 may accordingly be amended”.
The report of the one-man committee was presented to the government in January. With regard to communication and consultation with States, the report has suggested an institutional forum as also an advisory service.
The draft also sets aside two proposals for redefining MSMEs on the basis of turnover or employment, saying that these “do not add anything worthwhile over the present system”, and suggested that a group be set up to look into the structure of different industries and suggest investment bands for each sub-sector.
A single law for micro and small enterprises employing less than 40 persons, social security cover for micro entrepreneurs, reassessment of the impact of bankruptcy code on MSMEs, replication of the Telangana model for statutory clearances of start-ups, creation of land banks by State governments and a dedicated TV channel are some of the measure proposed in the draft.
The draft policy also proposes raising the limit of MUDRA loans for micro units from Rs. 50,000 to rs.1 lakh, for small units from Rs. 50,000-5 lakh to Rs.1-10 lakh and for medium enterprises from Rs.5-10 lakh to Rs.10-25 lakh.
“MUDRA should also be scaled up as a financial institution responsible for the entire micro enterprises sector in the country,” says the report.
(Business Line, April 26th, 2017)

20. *Bandhan Bank posts Rs. 112 cr. Profit*

Bandhan Bank reported a Rs. 111.95 crore post-tax profit in 2016-17, its first full year of operation
The Current Account and Savings Account (CASA) balance stood at Rs. 6,837.3 crore which was 29.4% of the total deposits, Bandhan Founder Managing Director and CEO, Chandra Sekhar Ghosh said. He reiterated that the bank will not go for large corporate portfolios

"The small micro and MSME sector will continue to be our focus area", he said. Bandhan closed the year with a net non-performing asset of 0.26 %. Its net interest income stood at Rs. 2,403.5 crore with a net non interest income of Rs. 411.4 crore. The bank started its operations on August 23, 2015.

(The Hindu, April 28th, 2017)

21. *Centre to focus on developing small industries in J&K*

At a time when unrest in Jammu and Kashmir remains a major concern for the Centre and the ruling PDP-BJP alliance in the state, the Narendra Modi government plans to invest big with a special thrust on small and medium-scale industries to create job opportunities for the youth in the valley.

With the investments, the Centre hopes to revive products the valley is known for, like saffron, cricket bats, intricately carved woodwork, carpets, silk and pashmina. This would make the stone-pelting youth turn to local industries for which the ministry of commerce and Niti Aayog have been jointly working, sources said.

A joint team of officials from DIPP (department of industrial policy and promotion) and Niti Aayog visited the state and submitted a report to the government on potential thrust areas.

The Prime Minister's emphasis is on the number of jobs to be created as a result of the investment, said Commerce minister Nirmala Sitharaman. "North-eastern and Himalayan states have been keen to develop on certain sectors... and the government is trying to reformulate policies which would have meaning for these states," Sitharaman said.

Jammu and Kashmir is part of the Centre's special development plan for the Himalayan states. Kashmir is high on the priority list while the government is also working on similar plans for the northeastern states, she said. Distinct from special packages, these are development programmes that the Centre seems to have devised for states with special needs, the minister said. Despite a huge demand for cricket bats in the country, the famous Kashmiri willow bat industry has suffered a great deal, the report points out.

The Centre has already set up a saffron board on the lines of tea and coffee boards to ensure that the spice traders get the due price. The government is considering investing in food processing and metal works as well.

(The Times of India, April 28th, 2017)

22. *Centre looking to double time limit for declaring overdue MSME loans as NPA*

The government is considering doubling the 90-day limit to 180 days for banks to declare overdue MSME loans as non-performing assets (NPAs) or bad loans.

"The Ministry has already taken up the issue and it is being considered at a much higher level," Medium, Small and Micro Enterprises (MSME) Secretary KK Jalan said after repeated pleas by various industry bodies at the meeting of the National Board of MSMEs, chaired by Minister Kalraj Mishra.

Mishra, too, confirmed the move, admitting that the delayed payments provisions needed changing and amendments in this regard may be taken to the Cabinet again.

Referring to reports that collateral-security-free loans up to Rs. 10 lakh to micro units were reportedly not being given to some units, Mishra urged banks "not to mix revival with recovery" of NPAs.

"This will lead to more sickness. Bank authorities should do proper assessment so that micro units do not die in the process," he added.

However, banks seem wary of the change, as they fear more pressure on their margins. In the meeting, several MSME industry bodies said that three months was too short a period to declare a unit an NPA, as often payments get delayed by six months to a year or even longer.

While the Centre has set up seven Finance Facilitation Centres (and plans to set up five more), not all are functioning efficiently, admitted Jalan. A MyMSME mobile app was also launched by Minister for Urban Development Venkaiah Naidu.

"A total of 3,700 cases of delayed payments involving rs. 1,650 crore have been put on the portal," said Mishra, adding that this would facilitate monitoring of delayed payments, which is probably the "single biggest problem for start-ups."

Even though the MSME Ministry has come out with a scheme for revival and rehabilitation of sick enterprises under which banks have been asked to set up various branch-wise committees, many States complained that such committees were yet to be set up or regular meetings were not taking place. The MSME sector, of which micro units comprise over 90 per cent, accounts for 45 per cent of total NPAs or bad loans in the banking system.

According to RBI data, the number of sick MSMEs rose to 4,86,291 in 2015-16, with Rs. 40,642 crore outstanding to banks.

(Business Line, April 27th, 2017)

23. *Informal Minister's group to redefine MSMEs*

An informal group of ministers will discuss and take a final call on redefining Micro, Small and Medium Enterprises (MSMEs) following varied views on the issue, MSME Minister Kalraj Mishra said.

"The Group of Secretaries is of the view that turnover and employment should be included in the definition, as is done the world over. So, an informal Group of Ministers will now look into the matter, Mishra said during the meeting of National Board of MSMES. The group will include Mishra, along with Finance Minister Arun Jaitley, Road Transport Minister Nitin Gadkari, among others, he added.

At present, MSMEs are defined only on the basis of investment in plant & machinery — of up to rs.25 lakh as micro, up to rs.5 crore as small and up to rs.10 crore as medium enterprises. For the services sector, the limit is rs.10 lakh, rs.2 crore and rs.5 crore, respectively.

However, the report submitted by the one-man committee, comprising the former Cabinet Secretary, is not in favour of using turnover and employment to define MSMEs, as "these do not add anything worthwhile over the present system."

Since each sector has different requirements of plant, machinery and labour, the committee suggested appropriate investment bands for each sub-sector, and also recommended that the Centre decide on the investment limit from time to time, rather than seek Parliament approval.

Once the definition is revised, the capital investment limit, turnover and employee number etc., is expected to be higher for units engaged in, say, auto ancillaries, aerospace, defence sectors, IT among others, rather than those making garments, furniture etc.

(Business Line, April 28th, 2017)

ARTICLE

Supporting MSME growth for more and better jobs

By: Eva Majurin and Sudipta Bhadra
International Labour Organization, New Delhi

Why does MSME growth matter?

Micro-, small- and medium-sized enterprises (MSMEs) are a major engine of job-creation, accounting for about two-thirds of all jobs worldwide. According to global estimates, they also account for 60-70 percent of GDP, forming the backbone of national economies.

At the same time, the MSME 'sector' is highly heterogeneous, ranging from informal, micro, survivalist enterprises to fairly large, formal enterprises, and ILO studies show that a substantial share of the jobs created by enterprises at the informal end of the spectrum are neither productive nor decent.
There is growing evidence that productivity and wages rise and working condition improve as the size of the enterprise increases. Through higher worker wages and increased enterprise profits, enterprise growth also leads to positive social and economic spillovers at the macro level.

It is therefore not surprising that MSME growth is gaining ground in policy discussions. The consensus around the importance of MSME growth for inclusive and sustainable development can be seen in the newly adopted Sustainable Development Goals (SDGs), for instance, which include a target on encouraging the formalization and growth of MSMEs as a means of achieving Goal 8 on sustainable, inclusive and sustained growth, full and productive employment and decent work for all.

Efforts to promote MSME growth

Given the importance of MSME growth, programmes to support the performance and growth of businesses feature prominently in the agendas of development stakeholders, including national governments, networks of enterprise support agencies, and international organizations.
The International Labour Organization (ILO), for example, has developed targeted programmes to help improve enterprise productivity and growth in response to the growing demand for such programmes.

Improving productivity, competiveness, and job quality in SMEs: The SCORE programme

The Sustaining Competitive and Responsible Enterprises (SCORE) programme is an in-factory 'Operations Management' training programme for MSMEs to improve productivity, quality and cost competitiveness. The SCORE training pack has 5 modules - the mandatory module on 'Workplace Cooperation' (Module 1) and the optional modules - 'Quality' (Module 2), 'Productivity through Cleaner Production' (Module 3), 'Workforce Management' (Module 4) and 'Occupational Safety and Health' (Module 5). SCORE training is offered by ILO in partnership with industry associations, government and workers organizations to MSMEs in China, Indonesia, Vietnam, South Africa, Ghana, Colombia, Peru and India. SCORE trained enterprises have reported 20% or larger improvements against key industry benchmarks such as process efficiency, on-time delivery, or reductions in machine break downs, defects, and wait and idle time.

Helping micro and small enterprises grow: The SIYB programme

The Start and Improve Your Business (SIYB) programme is a system of inter-related training packages for small-scale entrepreneurs to start, improve and grow their businesses. Its most advanced package, 'Expand Your Business' (EYB), gives growth-oriented SMEs the practical tools for business growth and assists them to move to a growth path through training and non-training interventions. The training programme leads to a business growth plan, focusing on marketing, operations, human resources, and financial and strategic management. The SIYB programme has to date been introduced in over 100 countries with demonstrated results, having reached an estimated 10 million beneficiaries and created over 4 million jobs.

Emerging questions on MSME growth

Enterprise growth has been examined from different perspectives by researchers trying to establish main barriers to growth as well as factors that stimulate it. There is now broad consensus that a range of both internal and external factors (such as personal motivation, skills, finance, or market opportunities) affect growth, though the respective influence of each factor still remains a topic of debate.

Given the transformations that are shaping the global economy, alongside these traditional questions, a series of new questions are also emerging on the issue of growth, including:

- ***How can global supply chains best be leveraged for MSME upgrading and growth?***

  Global supply chains can promote technology transfer, help MSMEs adopt new practices and move into higher value-added activities; however, these positive outcomes do not always materialize automatically. To leverage the positive impacts of global supply chains, the Conclusions of the International Labour Conference of 2016 on Global Supply Chains foresee a strong role for government in targeting measures at SMEs to help them formalize, further develop, upgrade and advance to higher segments of global supply chains; under ILO action, the Conclusions also recommend the scaling up of programmes like SCORE to address decent work deficits and to enhance the positioning of SMEs in global supply chains.

- ***How does an enabling environment affect growth?***

  Enterprises do not exist in a vacuum but operate within a political, social and economic context. This external environment plays a key role in how enterprises perform, and studies show a significant link between enabling-environment reforms and job and economic growth. The effects of the enabling environment on firm-level growth are also being increasingly assessed in order to establish what works and what does not. A recent evaluation of the World Bank Group's SME support programmes shows that an improved enabling environment (in this case measured by access to finance, access to electric power and the reduction of the regulatory burden) is significantly associated with employment growth, pointing to a positive link between enabling environment and enterprise expansion.

- ***How are productivity levels and enterprise growth related?***

  While evidence is limited, research on the link between productivity and firm growth point to productivity being a key driver of firm size adjustments. Research from Brazil and the UK, for instance, show a positive link, with higher total factor productivity growth leading to a higher likelihood of firm growth, and, vice versa, with higher firm growth rates also resulting in higher productivity growth levels. While further research on this is still warranted given knowledge gaps, these links would seem to confirm the need for productivity improvement measures to spur enterprise growth.

- ***What is the role of technological change and innovation in SME growth?***

  The positive contribution of innovation to growth is broadly recognized: studies have shown, for instance, that innovative SMEs register higher growth relative to non-innovative SMEs in terms of not only sales turnover but also employment and investment. New questions in this regard include, for instance, whether eco-innovation brings with it specific benefits in terms of growth. Changes in the world of technology beyond individual enterprises will also bring about new opportunities and challenges for MSMEs, with implications for their growth trajectories.

- ***How do we maximize the potential of high growth enterprises?***

  'Gazelle enterprises', 'small and growing enterprises' or 'high growth small enterprises' - whatever name they are referred to by – have become the focus area of many SME support agencies. Though small, and some cases informal, their high growth potential makes them interesting from the perspective of job creation. Key challenges include how to identify such (potential) enterprises prior to interventions, whether to focus efforts on already existing gazelles or promising entrepreneurs who are starting new ventures, and how best to design mechanisms to support them.

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Signing of MoU between FICCI-CMSME and MAICCI

April 2nd, 2017 at New Delhi

FICCI- Confederation of Micro, Small and Medium Enterprises (FICCI-CMSME) signed a MoU with Malaysian Associated Indian Chamber of Commerce and Industry (MAICCI) on April 02, 2017 at New Delhi during their visit to India as part of the business delegation accompanying the Prime Minister of Malaysia.

The objective of the Memorandum of Understanding is to establish a general cooperation framework to promote economic relations and support Small and Medium Enterprises (SMEs) between India and Malaysia

Mr. R Narayan, Vice-President, FICCI-CMSME signed the MoU on behalf of FICCI-CMSME whereas Tan Sri Datuk (Dr.) Kenneth Eswaran, President, For Malaysian Associated Indian Chamber of Commerce and Industry (MAICCI) signed the MoU on behalf of MAICCI.

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SCORE

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Opportunity for MSMEs to increase

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Are these factors affecting your enterprise' performance?

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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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SCORE Modules

Module 1:
Workplace Cooperation
- A foundation for business sucess

The starting point for all training
- **Unite employees around shared targets**
- **Involve the entire workplace in continuous improvement**

Module 2: **Quality - Managing Continuous Improvement**	Identity customer needs Develop quality assurance culture Reduce defects systematically
Module 3: **Productivity Through Cleaner Production**	Save costs and increase efficiency Systematically reduce waste & energy usage
Module 4: **Workforce Management For Cooperation and Business Sucess**	Develop Human Resource strategies for better recruitment & retention Motivate & develop the right people to make staff a competitive advantage
Module 5: **Safety & Health at Work: A Platform for productivity**	Eliminate or minimise workplace health & safety risks that lead to injuries, expenses & lower productivity

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

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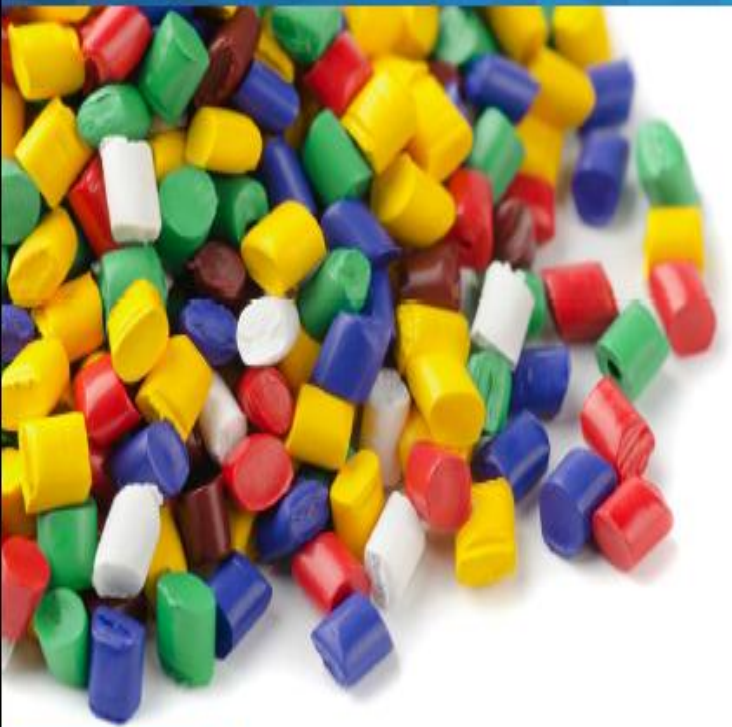

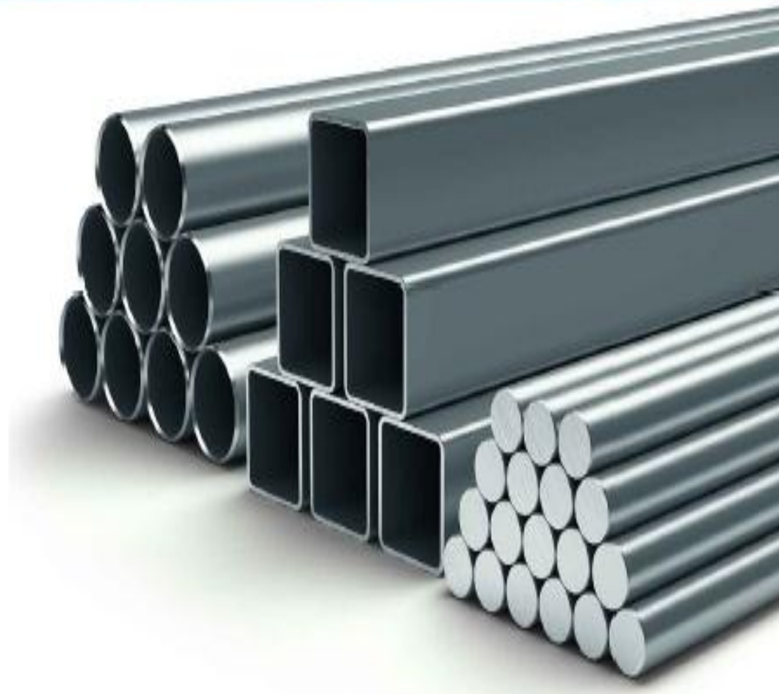

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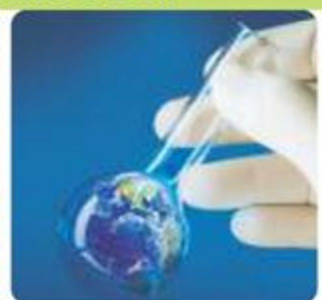
INVITING MEMBERSHIP



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