FICCI CMSME

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NEWSLETTER

IN THIS ISSUE………

MSME News Update

1. ***Govt. not to give priority to local suppliers for difficult oil fields***

The government policy of state-owned oil firms giving preference to local firms for procuring goods and services will not apply to tenders for difficult oil and gas fields like those in deep sea.

The Cabinet Committee on Economic Affairs (CCEA) had earlier this month approved a five-year policy to give preference to goods and service providers who meet the local content targets and whose quoted price is within 10 per cent of the lowest valid price bid.

"The policy is not applicable for deep water/ high- pressure, high-temperature (HP-HT) operations for the time being," the policy notified by the oil ministry on April 25 said.

It provides for PSUs and their wholly-owned subsidiaries, joint ventures that have 51 per cent or more equity by one or more public sector enterprises, giving preference in award of a tender for supply of goods or service to a local company provided it matches the lowest price bid.

Also, the local company's bid should not be in more than 10 per cent variance of the lowest price bid.

The new policy is expected to encourage suppliers and service providers to progressively adopt 'Make in India' practices and add value to their goods and services within the country. The policy provides for PSUs taking penal action like blacklisting or imposing financial fines on companies that violate the local content provision.

"The manufacturers/ service providers having the capability of meeting/ exceeding the local content targets shall be eligible for 10 per cent purchase preference under the policy," the notification said adding preference can be given to such companies provided the quoted price is within 10 per cent of the lowest price.

A tender for procuring goods would specify that the contract for 50 per cent of the procured quantity would be awarded to the lowest techno-commercially qualified local content manufacturer/supplier. The remaining will be awarded to the lowest bidder.

The policy provides for a different levels of local content sourcing for different activities.

For upstream oil and gas production this ranges from 5 per cent (for fuel oil and lubricant sourcing) to 75 per cent for onshore logistics. The policy provides for level of local content to progressively increase till 2020-2022.

For midstream sector like pipelines and downstream activities like refining and retailing, the policy provides for giving preference to companies that can source 20 per cent of any service or supply contract locally. For EPC contracts this limit is 30 per cent.

"This policy shall not include goods/ services falling under micro small and medium enterprises (MSME) or domestically manufactured electronic products (DMEP) as those products/ services are already covered under specific policy," the notification said.

(Millennium Post, April 30th, 2017)

2. ***Foundry industry seeks government support to tackle growing imports***

Even as it embarks on internal improvement measures, the domestic foundry industry seeks government intervention to stay competitive amid the onslaught of the Chinese imports.

The industry pointed to the growing imports in sectors such as wind turbine industry.

After getting support from the government, the domestic wind turbine industry uses imported castings from China to build their turbines.

“The difference between the cost of the castings manufactured by China and that by India is 15-20 per cent. If the Indian government provides the local industry with higher exemptions, it will help. In simple terms, cost-to-cost, we are matching the Chinese, only the subsidy portion is a challenge,” said Nithyanandan Devaraaj, Honorary Secretary of Institute of Indian Foundrymen.

Drive localization

Industry representatives also wanted the government to put a cap on use of imported parts, while urging the industry to drive localisation. They cited the case of metro rail segment, which is indigenising parts at a rapid pace.

“The government should insist that wind turbine makers buy some portion of parts from domestic companies,” felt V Narasimhan, Executive Director, Foundry Division, Brakes India.

In 2016, the wind turbine industry's estimated requirements were about 120,000 tonnes of castings, valued more than Rs.1,500 crore. But, turbine markers imported about a lakh tonnes of castings from China.
Devaraaj stated that the government's efforts to ensure a level-playing field through levy of CVD last year has not helped the industry.

Reclassify units

The foundry industry has also requested the government to effect some changes in the technology development fund scheme, which is aimed at helping MSMEs.
"Since most of the companies have moved from MSME status to a larger industry, we have requested the government to reclassify the units by increasing the cap to Rs.75 crore. This will help foundries turn greener and improve productivity due to technology upgradation," said Devaraaj.
He also pointed out that foundry production should be trebled from 10 million tonnes to help the manufacturing sector to grow its share in GDP from 15 per cent to 20 per cent. "Such expansion will attract $3 billion investments and generate several lakhs of jobs," he added.
The foundry industry is also working on measures to reduce consumption of water, cut in use of power by up to 20 per cent and improve productivity.
(Business Line, May 1st, 2017)

3. ***Jet Airways to launch e-marketplace for SMEs***

Riding the digital wave, Jet Airways is planning to launch a marketplace for small and medium enterprises, making it the first airline in the country to launch such a platform.
The marketplace, to be launched in the next 3-4 months, will help SMEs buy/sell products online.
The platform will be part of Jet Airways GlobalLinker, a digital travel and business networking portal for the SME sector. For the airline, this is however an attempt to increase the registrations on the portal, rather than an attempt to take on the digital majors.
Launched in 2014, GlobalLinker has about 50,000 registered SMEs with presence across sectors such as construction and real estate, agriculture and agri products, healthcare, medical supplies and pharma. SMEs from business services and consultancy, banking, finance accounting and taxation are also on the portal.
Jet Airways, India's second-largest airline in terms of passenger traffic, provides a flat 10 per cent off on flight tickets for SMEs registered with GlobalLinker, in addition to discounts that are on offer.
(Business Line, May 1st, 2017)

4. ***Khadi industry generates over four lakh new employments***

In a big success story, the Khadi and Village Industries Commission (KVIC) has generated over four lakh new employment with an estimated project cost of Rs5,124 crore under Prime Minister' Employment Generation Programme (PMEGP). The sale of khadi products also shot up to Rs2,005 crore in the fiscal year 2016-17, with nearly 33 per cent growth from Rs1,510 crore during 2015-16.
Riding high on the upsurge in demand for Khadi products, the KVIC Chairman Vinai Kumar Saxena expected to surpass the sales target of Rs5,000 crore by the end of 2018-19. "The sale of khadi products has recorded a quantum jump in 2016-17. We are getting handsome orders from the governments, corporates and schools/ colleges, state governments etc. We will achieve the sales target of Rs5,000 crore by the end of 2018-19," he said.
Saxena thanked Prime Minister Narendra Modi for taking the keen interest for the revival of Khadi and village industries along with its artisans and workers. "This could not have been possible without PM's interest and guidance," he said, adding, "We have already crossed the 2016-17 target of Rs1,635 crore by Rs370 crore."
Saxena said that through promotion and sale of KVIC products altogether 4,04,354 new employment were generated with an estimated project cost of Rs5,124 crore.
Saxena further said that Khadi India Showroom at Connaught Place had recorded the retail sale of Rs96 crore in the financial year 2016-17. "It is a titanic jump of 78 per cent from the retail sale of Rs54 crore in the financial year 2015-16. As far as the best single day sale is concerned, this outlet recorded a sale of Rs 1.11 crore on October 22, 2016," he said, adding, "The launch of

several gift vouchers also attracted more customers and increased its sales.

Further to improve the quality and sales of products, KVIC is regularly organising training programmes for spinners and weavers in areas like designing and marketing. While the overall sales of both Khadi and village industries had jumped over 24 per cent to approximately Rs51,996 crore in 2016-17, the production had also shot up over 23 percent to Rs 42,506 crore. The khadi and village industries products are manufactured by about seven lakh privately-owned household units. These units are funded through schemes such as PMEGP.

According to Saxena, till June 30, 2016, total applications received were 59,479 only. "However from July 1, 2016, KVIC launched an online portal and as many as 4,0.354 online applications were received till March 31," he added.

The KVIC had also digitalized the entire payment process of Modified Market Promotion and Development Assistance (MPDA) scheme. Under the scheme, financial assistance of 30 percent of Prime Cost of Khadi fabric is provided to institutions — which is distributed amongst 40 percent each to Artisans and Producing Institutions and 20 percent to Selling Institutions. Earlier it was offline.

During the financial year 2016-17 it has been made online. Total 1,735 Khadi institutions filed their claims for payment of MPDA online for an amount of Rs 209.46 crores of which an amount of Rs 182.75 crores were disbursed directly into the banks accounts of Khadi institutions, including the accounts of as many as 3,09,673 Khadi artisans

(The Pioneer, May 3rd, 2017)

5. *Domestic steel-makers to get preference in govt sourcing*

The Union Cabinet on Wednesday approved the National Steel Policy 2017 in a bid to boost domestic production of steel. It also approved a preference policy for domestically produced steel in government tenders.

Briefing mediapersons after the Cabinet meeting, Finance Minister Arun Jaitley said, "We are already production surplus in Steel. The challenge is to boost consumption of steel produced in the country."

An official statement said that the highlight of the National Steel Policy is to achieve the target of 300 million tonne steel making capacity by 2030. This will entail an additional investment of Rs.10 lakh crore by 2030-2031.

The target is to increase per capita steel consumption to the level of 160 kg by 2030, from the existing level of around 60 kg.

The policy aims at self-sufficiency in steel production by providing policy support and guidance to private manufacturers, MSME steel producers and CPSEs. It also aims to develop globally competitive steel manufacturing capabilities, cost-efficient production and better domestic availability of iron ore, coking coal and natural gas.

Facilitating investment in overseas asset acquisitions of raw materials and enhancing domestic steel demand are also on the agenda of the steel policy.

(Business Line, May 3rd, 2017)

6. *Mid-term foreign trade policy to be out before GST roll out*

Commerce Minister Nirmala Sitharaman said the revised mid-term foreign trade policy (FTP) is to be announced few days ahead of July 1, the scheduled date for the Goods and Services Tax roll out.

After holding a meeting with various stakeholders, including exporters as part mid-term review of FTP (2015-20) here, the minister also said that no suggestions were made to scale down the 2020 export target of $900 billion, including services.

Given the current economic and geopolitical situations globally there are concerns that international trade may be impacted. Sitharaman said suggestions were made that the review should be concluded by July 1 so that it is aligned with the GST implementation. "We found merit in the suggestion that the review of the policy should be well in time to go along with the roll out of the GST. It means I have to announce it well in time for July 1," she said. She further said that there were certain specific suggestions and questions for the GST Council comprising state finance ministers, and headed by the Union Finance Minister.

A team including the Commerce Secretary to seek time from GST Council on the specific issue, including one related to duty refunds of exporters. Exporters, especially from the SME sector, have expressed concerns that their funds would be locked up for several months as per the GST norms, 90 per cent of the refund will be given in 7 days and remaining 10 percent will be given in 4-5 months. SME exporters expressed concerns that their funds could remain locked for long time.

(The Times of India, May 6th, 2017)

7. *Centre may execute proposed social security law in phases*

The Labour Ministry may implement its proposed social security law in a phased manner exempting small factories, employing up to 10 workers, from its ambit initially.

"We are contemplating implementing the proposed law on social security in a phased manner," said a senior Labour Ministry official, on the condition of anonymity.

"The small factories could be covered in the second phase. Factories employing more than 10 workers and informal sector workers can be covered in the first phase."

"After two years, factories employing less than 10 workers can also be brought under the framework of the proposed social security law," the official added.

The Labour Ministry had in March proposed a labour code on social security which will provide social security cover to the entire workforce in the country, including self-employed and agricultural workers. Factories with even a single worker would have had contribute towards social security benefits, as per the code.

This is for the first time that the Central government had proposed a law for providing universal social security to all workers which have been one of the key demands of the central trade unions.

However, small and medium enterprises, which are mainly kept out of social security schemes at present, had raised concerns over the government's proposal.

The provident fund and pension contribution, administered by the Employees' Provident Fund Organisation (EPFO), is mandatory only for factories employing at least 20 workers at present. Further, medical benefits under the Employees' State Insurance Act apply to factories with at least 10 workers and it is also applicable to shops, hotels, restaurants, cinemas and road transport undertakings.

"We have received favourable reactions (on the proposed law), except probably (from) the small entrepreneurs who feel that they may have to bear a little bit of financial burden due to contribution (towards social security schemes)," Labour Secretary M. Sathiyavathy had said during a consultative meeting on draft social security code, organised by the Labour Ministry last month.

According to the Sixth Economic Census, 98.62% of the total establishments in India — both agricultural and non-agricultural sectors — employ less than 10 workers.

Providing social security to all workers will be one of the key themes of the 47th Indian Labour Conference (ILC) which will likely be inaugurated by Prime Minister Narendra Modi later this year

(The Hindu, May 14th, 2017)

8. *Registration: PAN must for firms with turnover over Rs. 20L*

Organisations with over Rs 20 lakh turnover will have to specify the PAN while filling the Udyog Aadhaar Memorandum for registration.

These organisations include companies, limited liability partnerships, cooperative societies, societies and trusts.

The decision, taken at a meeting chaired by the MSME Secretary K K Jalan recently, will be implemented after two months of the Goods and Services Tax coming into operation.

The GST regime is likely to come into force on July 1.

"Presently, it is not mandatory for these organisations to mention the PAN number in the Udyog Aadhaar Memorandum.

However, since it will be compulsory for firms with turnover above Rs 20 lakh to have a PAN number under the GST, we have taken this decision to align it with the proposed regime," Jalan told.

Apart from the Permanent Account Number (PAN) and Aadhaar, micro, small and medium enterprises (MSMEs) will also have to attach a chartered accountant's certificate for participating in public tenders.

Udyog Aadhaar is for existing firms. The upcoming units do not need to apply for its registration. The meeting of the Advisory Committee under the MSMED Act decided that there could be a ministry- sponsored MSME specific M Tech course.

(DNA, May 15th, 2017)

9. ***Khadi industry to employ 5 cr people in 5 years: Giriraj***.

The Ministry of Medium, Small and Micro Enterprises (MSME) has a target to employ around five crore people through the khadi industry over the next five years, Union minister Giriraj Singh has said.

"We have made a plan to introduce solar-run spinning wheels in KVIC (Khadi and Village Industries Commission) so that it can provide employment to over five crore people throughout the nation in the next five years," Singh told PTI.

"Presently khadi is less than one per cent of textiles, but due to concerted efforts in the last two years, the khadi industry sales have gone up from Rs 35,000 crore in 2014 to about Rs 52,000 crore," he said.

The MSME ministry is taking various steps to boost the KVIC. Along with coir industry, the khadi industry is on top of the ministry's agenda, Singh said.

"Various schemes, including interest subsidies, financial assistance under the market promotion and development scheme, cluster-based development opportunities, as well as design-oriented public private partnerships, are being promoted by the ministry," he said.

The KVIC has partnered with private players, including Arvind, Raymond and others, for joint promotion of the fabric. The aim is to popularise and boost the use of khadi, especially among the youth and corporates.

Singh said that fashion designers are also being involved for launching eco and user-friendly products. "The new scheme of 'zero defect, zero effect', launched by the prime minister, will help increase the quality to match the global standards," he said.

KVIC is looking to promote khadi as a fashionable fabric and to open premium lounges in major cities, he said. There are more than 7,000 showrooms of the KVIC which can be used as selling points of khadi products. The ministry is also looking to expand the khadi stores network through more franchisees and tie-ups with partners for e-commerce sales, Singh said.

KVIC is also looking to digitise its systems to facilitate e-governance to reduce paperwork and save time, he said

(The Times of India, May 19th, 2017)

10. **MoD okays indigenous defence equipment**

Helicopters, single-engine fighter aircraft, submarines, main battle tank and other armoured fighting vehicles could soon be made in India by the private sector in collaboration with foreign manufacturers under a policy cleared by the Ministry of Defence (MoD).

Called the Strategic Partnership (SP) model, the policy was approved by the Defence Acquisition Council (DAC) chaired by Defence Minister Arun Jaitley.

Breaking new ground, the policy will enable participation of private Indian firms in the 'Make in India in Defence' programme in developing the defence industrial eco-system in the country.

The model was conceived during the tenure of Jaitley's predecessor Manohar Parrikar after extensive consultations with all stakeholders, including the industry and the MoD, over two years.

Under the policy, which will now be taken to the Cabinet Committee on Security (CCS), the government will involve major Indian corporates as well as the MSME sector in manufacturing these items. Under the new model, the single-engine fighter aircraft and helicopters segment will be open only to the private sector at the moment.

For submarines, armoured fighting vehicles and the main battle tank, the defence public sector undertaking (DPSUs) and ordnance factories board (OFB) will also be eligible for competition in the selection process.

The MoD decided to include public sector organisations in SPs, reversing the earlier decision that DPSUs and OFB will be kept out of the competition.

However, the MoD has put stipulations that to manufacture major defence platforms, SPs will require tie-ups with foreign Original Equipment Manufacturers (OEM) to cover manufacturing, transfer of technology, assistance in training skilled human resources and other support.

These partnerships or tie-ups between SP and OEM may take the form of joint ventures, equity partnership, technology sharing, royalty or any other mutually acceptable arrangement between the companies concerned, subject to the ownership conditions laid down by the MoD.

The SP model is likely to infuse self-sufficiency in defence manufacturing and help reduce India's dependence on the importation of weapons.

The new policy envisages the establishment of long-term strategic partnerships with qualified Indian industry majors through a transparent and competitive process.

The SP model is supposed to play the role of a system integrator by building an extensive ecosystem comprising development partners, specialised vendors and suppliers, in particular those from the MSME sector.

The highlights of the model include a sharp focus on a core area of expertise by ensuring only one SP will be selected per segment. The addition of more segments or a further sub-division of the identified segments may be considered by the MoD in the future if necessary, officials said

(Deccan Herald, May 21st, 2017)

11. *CCI-NSIC MoU signed*

Cement corporation of India Limited joined hands with National Small Industries Corporation Ltd. (NSIC) under Ministry of Micro, Small and Medium Enterprises (MSME), Government of India, by entering into an MoU for sale of CCI cement to various MSMEs across the country through NSIC. The MoU was signed by P. Udayakumar, Director (Planning & Marketing), NSIC, and S. Sakhtimani, Director (Finance), CCI Ltd. In presence of Manoj Misra, C&MD,CCI, and other officials of CCI and NSIC.

(Times of India, May 23rd, 2017)

12. *Package for Knitwear Industry Soon: Irani*

The government is working on a package for the knitwear industry and is likely to announce it in a month or two, textile minister Smriti Z Irani said.

Post this, the government would come out with a comprehensive policy for textile sector.

"We plan to come out with a package for the knitwear industry in a month or two, "Irani said while briefing the media on three years of initiatives and achievements of the textile ministry.

The government has already come out with a package for garments, made ups and powerloom sector in the last one year.

The knitwear industry which mainly comprises small and medium enterprises was left out in the earlier scheme of things and experts says that the package can ease the pain especially with the goods and services tax kicking in.

The minister also said that work is ongoing for a National Textile Policy and could be taken up after the flagship textiles India event in July.

The policy seeks to address concerns related to skilled workforce, labour reforms, at-tracting investments in the textile sector and providing a future roadmap for the textiles and clothing industry.

The textile sector received Rs. 3,000 crore worth investment in the last three months since the government launched a package for apparel in June.

The package is designed to create one crore jobs, boost exports by Rs. 30 billion and investments by Rs. 74,000 crore in three years.

(Economic Times, May 23rd, 2017)

13. *Tech upgradation : SC/ST enterprises to get 25% credit-linked subsidy*

To help micro and small enterprises belonging to Scheduled Castes & Tribes upgrade technology, the government has approved a scheme to provide 25 per cent capital subsidy up to Rs.25 lakh via banks for purchase of plant and machinery.

The scheme -Special Credit Linked Capital Subsidy Scheme (SCLCSS) under National SC/ST Hub Scheme will be applicable to existing as well as new SC/ST-owned micro and small enterprises and will be monitored by the Micro, Small and Medium Enterprises (MSME) Ministry, as per the guidelines of the scheme posted on the Ministry's website. The beneficiary unit shall remain in commercial production for a period of at least three years after installation of eligible plant and machinery on which subsidy under this scheme has been availed," said the guidelines.

The scheme would cover purchase of all plants and machinery without any restriction on the technologies but subject to consent/NOC from the Pollution Control Board.

The implementing agency of the scheme would be the Office of Development Commissioner, MSME, and the nodal agencies will be the same as approved for CLCSS, such as the Small Industries Development Bank of India, National Bank for Agriculture and Rural Development, State Bank of India, Canara Bank, Bank of Baroda, Punjab National Bank, Bank of India, Andhra Bank, Tamil Nadu Industrial Investment Corporation.

The guidelines make it clear that "no individual SC/ST MSE can directly apply for subsidy but banks will forward the application to the Ministry of MSME." The scheme shall remain valid till March 31, 2020, subject to availability of funds and "further continuation of the scheme shall be subject to review/evaluation."

As per the guidelines, the definition of SC/ST enterprises is (a) in case of proprietary MSE, proprietor shall be SC/ST (b) in case of partnership MSE, the SC/ST partners shall be holding at least 51 per cent shares in the unit and (c) in case of private limited companies, at least 51 per cent shares shall be held by SC/ST promoters. In October 2016, Prime Minister Narendra Modi had launched the National SC/ST Hub in Ludhiana. The scheme, announced in this year's Budget, has an initial outlay of Rs. 490 crore for the period 2016-2020.

(Business Line, May 22nd, 2017)

14. *Rs. 100-crore fund to help MSMEs meet tech compliance*

The government has set aside Rs 100 crore to help micro, small and medium-scale enterprises (MSMEs) tide over the goods and services tax (GST) compliance issues.

The cash would not be transferred to the companies but would be used to set up help desks, awareness camps and such infrastructure that the MSMEs can utilise to solve their technology problems related to compliance, a senior MSME ministry official said.

The broad contours of the scheme are still being chalked out. But the programme is expected to spread awareness about updated accounting and taxation norms among firms, another official said. The corpus of Rs 100 crore had been allocated for this from an existing scheme, he said.

The government has announced the GST rates for a large number of items under four slabs. Most companies in the sector are more worried over the new rules of business they need to comply with. These include the government's decision to reduce the tax exemption limit for small-scale industry units from Rs 20 lakh to Rs 1.5 crore, as well as the phase-out of central value added tax credit from September. After industry's opposition, these issues are under discussion.

Currently, the government recognises micro enterprises as those with less than Rs. 25-lakh investment in plant and machinery. Small and medium enterprises are those with similar investments less than Rs.5 crore and Rs. 10 crore, respectively. The provision introducing taxation of stock transfers had invited opposition from MSMEs who had complained this would stretch their meagre working capital even further.

(Press Reader, May 31st, 2017)

ARTICLE

MSME Growth Through Rural Industrialization- Key to Poverty Alleviation

By: Dr. H. P. Kumar

Large-scale rural unemployment is one of the main characteristics of most of the underdeveloped and developing countries. Generally, these economies suffer from the problem of rural population, which is mainly dependent on agriculture for their livelihood. Large part of this population can be substantially utilized in non-farm activities without affecting the agricultural output. This will enhance the economic development, which is not possible without the productive use of rural population.

The linking factor between economic development and poverty alleviation in any economy is the extent of employment generation. As the greater proportion of the rural people in India is below the poverty line, any intervention geared towards poverty alleviation must focus on the rural areas. The urban areas have better employment opportunities and the poverty in those areas is not as serious as in the rural areas, therefore, it is very important that effective measures be taken for appropriate interventions for rural poverty alleviation. In this context it is important to promote and create a supportive environment for the all round growth of MSME Sector particularly through Rural Industrialization.

Labour being the most abundant resource of the rural areas, any programme for rural employment generation must maximize the productive use of labour. Also the experiences of many advanced countries demonstrate that MSME Sector is an engine of growth. Thus, taking into account the above issues and the extent of poverty prevailing in rural India, creation of employment opportunities through rural industrialization for the faster growth rate of rural areas is essential.

The role of MSMEs in rural economy is very obvious. Indian rural economy is suffering from mass poverty, which is a consequence of unemployment and the resultant disparities of income and wealth. Rural Industries are labour-intensive by their very nature. These industries provide the maximum employment per unit of capital invested; the labour-capital ratio in these industries is higher than that of large-scale industries. A corollary of higher employment potential of rural industries is the higher output capacity per unit of capital. Just as a labour-surplus economy tries to maximize the employment potentiality of available capital resources, it also tends to maximize the output potentiality of available capital resources. Rural Industries with a higher output generating capacity per unit of capital offer a very useful technique of growth to the developing agrarian economies.

In past, many Government-sponsored schemes have been implemented for the growth of rural economy and to provide employment opportunities. Also, various types of special programmes have been designed from time to time to create additional employment opportunities. Some of these programmes are targeted to provide wage employment or self-employment to specific target groups such as the poor in urban and rural areas, Women, Scheduled Castes and Scheduled Tribes. In addition to targeted employment programmes, there are other wage and self-employment programmes which do not target a particular group.

Need for support

In order to have greater impact of these programmes, there is a need to study and understand the gaps that prevent the effectiveness of the end results of these programmes and also to put forward an improved model for 'Rural Employment Creation' by providing an integrated support structure to enable the rural folk to set up MSME Enterprises.

The first and foremost requirement is to identify various 'Rural Technologies' which can be applied and installed with small investment and minimum infrastructure that is available in rural areas. After this an innovative model of an integrated support system should be established for generation of Rural Industries. The model which should hold the promise of achieving multi-faceted goal of sustainable economic development and generation of additional employment opportunities by way of promoting entrepreneurship and setting up of small rural industries. An integrated approach for creating self-employment opportunities would certainly help improving the economic condition of rural folks and reduce poverty levels in rural areas.

This integrated approach should encompass Training, Sourcing of Appropriate Technologies, Micro Finance and Marketing. This will not only provide complete hand holding support but also a self-sustaining system for poverty alleviation through rural empowerment. A large part of employment generated by such integrated model will be self-employment through setting up new small business entities by way of manufacturing, processing & service enterprises.

The outcome of this model should be seen as a 'New Urbanized Rural Population' thereby achieving the objective of multi-faceted sustainable economic development.

Use of low Cost Technologies

In brief, Rural Industrialization seems to be the possible solution to gainfully employ the underutilized rural population. Rural industrialization does not really mean commissioning of big industries. Need of the hour is to employ technologies which can be operated by one or two persons or a small group of people. Technologies which do not require high level of skills to operate upon, which do not need big power load or equipment which can be manually operated. This will gainfully employ unemployed unskilled, semiskilled or skilled youth.

In the end, I firmly believe that the solution to the problem of poverty, inequality and unemployment in rural India lies in a comprehensive programme of over-all rural development through Rural Industrialization which can be achieved through the promotion and creation of MSME units in Rural areas. Piecemeal efforts in providing consumption subsidy or will not succeed in making any appreciable dent on the problem. India's experience during the last six decades has amply borne out the judiciousness of this contention.

To Summarise:

For India's rural population in-situ urbanization by creating opportunities for self-employment through setting up more and more Rural Industries is the answer. This clearly marks the need to create an Integrated Support System for creation of Rural Micro and Small Enterprises (RMSEs), which should help to closing some of the gaps in this area and play a crucial role in alleviation of 'Rural Poverty' through self-employment. The model should create an integrated support structure which could facilitate creating new Rural MSME Entrepreneurs using local skills, neibourhood marketing, using local resources, sourcing of appropriate technologies, using local raw materials and availing Micro financing. This should not only be a complete hand holding support system but also a self-sustaining system for poverty alleviation for rural empowerment.

* *The author is Ex-Chairman cum Managing Director, NSIC*

Study Launch and Discussion

"Exploring Potential of E-Commerce for Retail Exports of Indian MSMEs"

May 30th 2017, FICCI, Federation House, Tansen Marg, New Delhi

Recognizing the immense potential of retail ecommerce exports from India, Federation of Indian Chambers of Commerce & Industry-Confederation of Micro, Small and Medium Enterprises (FICCI-CMSME) and The Indian Institute of Foreign Trade (IIFT) along with Apex Cluster Development Services as knowledge partner supported by ebay organised a Programme on "Exploring Potential of E-Commerce for Retail Exports of Indian MSMEs on May 30th at FICCI.

Mr. S N Tripathi, Additional Secretary & Development Commissioner, Ministry of MSME in his keynote Address said "There is a need to reduce the distance between the producer and consumer and e-commerce could help in bridging this gap".

The audience also had an opportunity to hear the views from Mr J V Patil, Additional DGFT, Director General of Foreign Trade, Ministry of Commerce & Industry, Government of India in the opening session.

Mr. Sanjay Bhatia, President FICCI-CMSME in his welcome address said that "There is no way we can undermine the contribution of MSMEs to our economy and it is in fact very important that we continue to explore synergies to integrate this very important sector with the latest emerging trends. E-commerce is one such trend which is massively changing the mechanism of global businesses.

Online retail segment has seen tremendous growth globally over the past couple of decades. Even though this trend has caught up recently in India but the exponential growth has certainly been striking. The e-Commerce spend in India still accounts for less than 2 percent of the total retail spending (compared to 10-13 percent in developed countries), nonetheless the segment has become a key driver to create new markets in erstwhile unreachable geographies.

The online international trade is flourishing and given the increasing accessibility to internet and the focus of the Government on Digital drive, our MSMEs can benefit directly from this opportunity. It is important that the Government recognised retail e commerce exports as an industry."

A Study conducted by FICCI-CMSME and IIFT-Center of SME Studies with Apex Cluster Development Services on the subject was released and a presentation on the study was made by Dr. (Ms) Tamanna Chaturvedi, Consultant, IIFT and Mr Rajveer Singh, Managing Director, Apex Cluster Development Services Private Limited in the opening Session.

As per the study, the total potential for B2C ecommerce exports is estimated at approx. USD 26 billion, of which USD 2 billion can be achieved by 2020 from 16 product categories.

The study, involves an in-depth survey on the major MSME clusters across the country. The survey brings forth limitations pertaining to ICT infrastructure; e-payment and logistics across MSME sectors. The study also highlights reasons like bandwidth and network restrictions, lack of availability of skilled workforce, privacy and security concerns and inaccessibility to finance amongst other reasons that are collectively dissuading Indian MSMEs from adopting modern retail practices. The study highlights the need for the Government to recognise ecommerce retail exports as an industry and work towards removing regulatory barriers, including reviewing the FTP policy, simplifying customs duty procedures etc.

The opening Session was followed by a Panel discussion on "Enhancing Export Competitiveness of Indian MSMEs through e-commerce" which was moderated by Mr Jayanta Roy Chodhury, Senior Business Editor of The Telegraph. The eminent panellist in the session were Mr. Shalendra Kumar Dwivedi, DDG (IR & GB), Department of Posts, Ministry of Communications, Government of India; Dr K Rangarajan, Head - Centre for MSME Studies and Head - Kolkata Campus, IIFT; Mr Rajveer Singh, Managing Director, Apex Cluster Development Services Private Limited; Mr. Anupam Pahuja, Managing Director and Country Manager for India, Pay Pal; Mr. Vijay Kumar, CEO, Express Industry Council of India and Ms. Sheetal Kapoor, SHR Lifestyles Pvt Ltd.

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Opportunity for MSMEs to increase

'COST COMPETITIVENESS, QUALITY & ON-TIME DELIVERY'

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)

Enroll in SCORE

FICCI and ILO jointly brings you SCORE - a modular management training for micro, small and medium enterprises.

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)

Our USPs

I. Subsidised training as only **20% cost borne** by the participating enterprise.
ii. **High return** on training investment including **cost savings** within 3 months.
iii. **Flexible training designs** modified to address specific hurdles faced by the enterprise.
iv. Flexible curriculum and easy learning.
v. Customized coaching on a range of topics.
vi. Training results in improved robust management systems and practices.
vii. Association with FICCI and ILO bringing market visibility

More than 100 Indian SMEs benefited since 2012 with proven results such as enhanced productivity, improved cost competitiveness, waste reduction, defect elimination and more.

Contact us for details:
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International Labour Organization

Case Study 1:

Implementation of SCORE Module 1 "Workplace Cooperation" at Smash Enterprises (Pune), by FICCI through its National Coordination Centre for SCORE Training

SCORE SUCCESS STORIES

Problem Definition/ Identified for Improvement:

SMASH Enterprises is into specialized welding of carbon steel, alloy steels and stainless steel components. One of the workplace challenge faced was lack of proper space at the shop-floor due to leftover electrode pieces. One of the goal was set to "Reduce Space Constraint by 10%".

Process / steps adopted to address the problem:

- An Enterprise Improvement Team (EIT) was formed as a first step. The EIT is the driving force behind implementing any new initiatives during the SCORE trainings. EIT is cross-functional and cross-hierarchical, which brings together managers and workers (including supervisors) to collectively plan and implement solutions.
- EIT highlighted that earlier attempt for cleaning the shop-floor of the waste material like electrodes has not been successful. During the brain storming session in EIT, an idea of using magnet to clear the shop-floor was shared by the EIT members.
- As part of 5S, the EIT members initiated a "shop-floor cleaning project" and henceforth all the workers participated in hand picking the scrap material and cleaning by magnet.

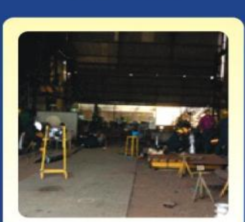
Results Achieved:

- Space utilization improved by about 12%. About, 210 kg of end pieces of electrodes plus few gunny bags of ferrous dust were collected
- About Rs. 65,000 were earned by disposal of unwanted material and scrap. Rs. 20,000 were spent to purchase drinking water purifier for the shop-floor workers and their drinking water problems got addressed
- With the availability of space there was an opportunity to work on new product development and new orders

Lessons Learnt:

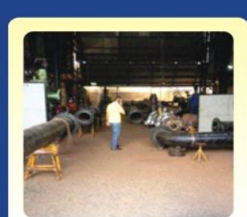
- SCORE program provided a new way of looking at the situation at the workplace and opportunity to brainstorm to find solutions within the available resources.
- Management and operators realized the benefits of 5S that it helps to identify hidden and unwanted materials and the monetary benefits that can be derived.
- Employees can find out ways to reduce waste, remove scrap and can use the money earned or saved for their own benefit, which is WIN - WIN situation for both Management and employees.

BEFORE



Equipment lying unorganized on the shop-floor.

AFTER



Lot of free space by implementing 1S & 2S

End pieces of electrodes and ferrous dust on shop floor

Operators hand picking end pieces of electrodes and other scrap from floor

Operator using magnet to collect ferrous scrap and dust from the floor

Shop floor looking clean after magnet cleaning

Empowering MSMEs

FICCI - Confederation of Micro, Small and Medium Enterprises (CMSME)

INVITING MEMBERSHIP




FICCI CMSME and IDBI Bank Partnership

Offering concession of 100 bps on interest rates and charging only 0.10% processing fee from members

Other Membership Benefits

- Free consultation & faster availability of credit & finance @low cost
- Decrease in raw material cost
- Create brand and increase revenue /leads through web presence
- Lead generation at low cost through digital advertising
- Cost-effective & useful MSME Insurance

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