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NEWSLETTER

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MSME News Update

1. ***Chinese goods cheaper due to opaque sops***

   Chinese products are cheaper than Indian goods because of the opaque subsidy regime in Beijing, the government said today in Parliament. “The products manufactured in China are reportedly of lower price mainly because of their opaque subsidy regime and distorted factor prices,” MoS for MSME, Haribhai Parthibhai Chaudhary said.
   (Financial Express, July 31st, 2017)

2. ***LS passes bill to raise Nabard’s capital to Rs. 30,000 crore***

   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 passed by the Lok Sabha.
   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 (MSMEs) Development Act, 2006 in the proposed legislation. Minister of State for Finance Santosh Kumar Gangwar said that the law is one of the "major step" towards doubling farmers' income by 2022.
   This is a small bill but irrespective of that, 28 members put their views on this legislation, which reflects the interest of members on agriculture related issues, he said.
   He said that as this is a short bill, suggestions made by members would be considered when the detail bill will come.
   "This law would benefit farmers," he said adding the government is sensitive towards issues of farmers.
   On concerns being raised by few members such as N K Premachandran (RSP) and K C Venugopal (Congress) on including MSMEs in place of SSIs (small scale industries), he said Nabard would always support agriculture and not corporates.
   Earlier while moving the bill for consideration and passage, Gangwar said in his introductory speech on The NABARD (Amendment) Bill, 2017 said National Bank for Agriculture and Rural Development (NABARD) is a premier organisation which was established in 1982.
   It provides loans for agriculture, small scale industries among others.
   In the last three decades, there has been diversification in the functioning of Nabard and in the last three years, after the BJP government came to power, the bank has undergone a lot of changes, he said.
   There has been changes in its priority and policies in the area of agriculture and rural development. Now Nabard is refinancing and providing direct loan in the agriculture and rural areas, he added.
   The balance sheet of Nabard has increased from Rs 1.82 lakh crore in March 31, 2012 to Rs 3.10 lakh crore on March 31, 2016, he said adding that means, there has been an increase of around 70 per cent in the activities of Nabard.
   Nabard plays an important role for doubling the income of farmers and increasing the infrastructure in the rural areas, the minister said adding "Keeping this target in mind I am placing this bill in the house".
   At present the authorised capital of Nabard is Rs 5,000 crore and there is a proposal to increase it to Rs 30,000 crore, Gangwar said.
   According to the need, he said, the government can increase the authorised capital from time to time.
   If there is a need to increase this authorised capital above Rs 30,000 crore, then after discussions with RBI it can be increased, he added.
   There is another suggestion that at present in Nabard, the centre has a share of 99.6 per cent and the RBI has the remaining share, he said adding there is a conflict in the role of the RBI.
   As RBI is also a regulator, its 0.4 per cent equity will be transferred to Centre, he said adding as a result, 100 per cent equity will come to the Centre.
   Participating in the discussion, BJD member B Mahtab suggested that the NABARD can have an authentic data bank on rural credit.
   (The Economic Times, August 3rd, 2017)

3. **Centre *mulls khadi use for military gear***

   After a move to make khadi the dress code of all government employees, the NDA Government is now extending its penchant for the use of the swadeshi material to uniforms for defence forces.

"The Khadi and Village Industries Commission (KVIC) has requested (the government) to consider khadi uniforms in defence forces. Required specifications of uniforms along with samples have been sent to KVIC," Minister of State for Defence Dr Subhash Bhamre said in a written reply in the Lok Sabha.

The suitability of khadi material for military uniforms in terms of appearance, durability, comfort, ease of maintenance and costs, especially for long hours and in hard outdoor conditions, is yet to be worked out.

The defence forces have a variety of uniforms of different material to suit different climatic conditions as well as service and ceremonial occasions. While rank and file have just two or three types of uniforms for wear and in the field, officers need to possess several types, including different types of office and ceremonial uniforms, field uniforms and mess dress for summers as well as winters.

The move to tap KVIC for military uniforms also comes in the backdrop of the state-run Ordnance Factories revamping their production lines to do away with several "non-core" items that can easily be obtained from the industry. Uniforms, accessories and personal use items fall in this category.

The Army is already seeking participation of the private industry to help improve the design and quality of its uniforms to make them light weight, breathable and skin-friendly with anti-microbial properties.

(The Tribune, August 5th, 2017)

4. ***SAP plans to digitise 1 lakh small cos***

Technology major SAP plans to digitise 1 lakh companies in India as it believes an increasing number of small businesses will have to comply with the new tax era.

The company, however, did not give a timeline by which it plans to achieve this number. This development comes close on the heels of GST rollout. Luis Murguia, Senior Vice-President and General Manager, SAP Business One, told BusinessLine that the government's initiatives, coupled with 4G rollout at affordable rates are increasing adoption of technology at a faster pace. Business One is the ERP solution that SAP offers to its India and global customers.

One of the ways SAP hopes to get 1 lakh companies is through initiatives such as Bharat ERP, which it rolled out recently, in partnership with the Indian government. The initiative aims to digitally enable nearly 30,000 MSMEs and youth in the next three years. It will also provide MSMEs with access to technology from SAP to help them streamline and integrate key processes like financials, sales and inventory with a single business software.

"Currently, MSMEs find it difficult to get insights into their business and streamline their processes in line with business objectives and that is an area where technology can help," said Murguia, adding that in a highly connected world, these companies need tech tools to be on top of their game. Globally, Business One contributes around 50 per cent of the German tech giant's customer base. In India, it has around 6,700 MSME customers, a significant portion of these are running Business One.

Murguia pointed out that demand forecasting in the case of retail, understanding customer behaviour are some of the areas where BusinessOne can aid businesses. The company also believes that more start-ups are using SAP's solutions such as BusinessOne.

Competitors also see significant opportunities in making their ERP GST-ready. Recently, another tech giant Oracle announced its cloud computing software to help Indian and multinational firms to be GST-ready.

However, on the ground, MSMEs are loathe to use ERP software as a lot of these businesses are of the view that these do not accurately meet their needs. For example, Syed Muqeemuddin, IT head of Eka – a software provider for agri and commodities, pointed out that when they considered an ERP implementation, they lacked features that factors in their requirements such as demand forecasting and business analytics. "When we evaluated it seemed like this was a small version of their bulky ERP system," he said.

(Business Line, August 8th, 2017)

5. ***Transshipment facility at Tuticorin port set to ease raw cotton sourcing pressure***

A special facility for handling imported raw cotton at Dakshin Bharat Gateway Container Terminal at VO Chidambaranar Port in Tuticorin has come as a welcome relief for the spinning industry in the South.

The industry will now be able to use this transhipment facility to source its raw material requirement without too much of a lead time, said industry sources.

Hailing the Ministry of Shipping's initiative, the Chairman of the Southern India Mills Association M Senthilkumar said the provision of the facility would bring stability in cotton prices as imported fibre would be available on demand, which in turn would help mills prevent loss on account of price volatility and currency fluctuation.

MSME units will now be able to have direct and daily access to the raw material, he said and recalled the difficulty the industry faced in procurement of cotton. The state's annual requirement of cotton is around 120 lakh bales, but the production is just about 5 lakh bales a year. The mills here, therefore, depend on upcountry and imported cotton for processing into yarn. Cotton prices tended to move in a volatile band following the removal of the fibre from the Essential Commodities Act in 2007.

The past two years proved tough as the demand for imported cotton soared and with it, the prices moved north as mills faced some quality issues in domestic cotton. Import of the fibre was also not easy. Only the large mills with financial strength and volume requirements managed. Further longer lead time and currency fluctuations impacted the unit's operating profit.

The association tried its best to facilitate coastal movement of cotton to reduce transport cost as also impress upon the need for creation of a Free Trade Zone (FTZ) facility at Tuticorin. A direction was issued for coastal movement of cotton between Gujarat and Tamil Nadu. "We envisaged a volume of 25 lakh bales, but could manage only 10 lakh bales as quality issues arose in the last two years," Senthilkumar said.

A VOC Port Trust release said that the facility would accommodate around 500 TEUs of 40-feet container.

In the second phase, a Free Trade Warehousing Zone (FTWZ) will be established with world-class infrastructure for warehosuing of raw cotton, transportation and handling facilities, commercial office space, water, power, communication and connectivity with one stop clearance of import and export formality to support the integrated zones as "international trading hubs." it said.

(Business Line, August 8th, 2017)

6. *MSME Ministry seeks exemption for khadi*

The MSME Ministry has asked its Finance counterpart to consider exemption of Khadi sector from GST or ensure a seamless flow of input tax credit for Khadi Institutions to claim it, the government said in Parliament.

At present only Khadi yarn produced in the sector is exempted, while other Khadi products attract a 5 per cent Goods and Services Tax (GST) levy.

The entire Khadi and Village Industries sector has enjoyed the benefit of tax exemption even in pre-independence era. "With the exemption to the SSI sector being drastically reduced from the existing Rs 150 lakh to Rs 20 lakh, the exemption cover enjoyed by many of the Khadi Institutions has been removed. Khadi Institutions are now mandated to obtain registration under GST and also pay GST on various Khadi products which is 5 per cent," Minister of State for MSME Shri Giriraj Singh said in a written reply in Rajya Sabha.

The minister informed that the products of the Village Industries sector were taxed at zero to 14.30 per cent before the GST while post-GST, the same products attract 12-28 per cent tax.

"Ministry of MSME has approached Ministry of Finance to consider the sector for exemption from GST or to ensure a seamless flow of input tax credit in order for Khadi Institutions to claim input tax credit," Singh said.

(The Economic Times, August 10th, 2017)

7. *SBI concern over MSME NPAs in Bengal*

India's leading lender State Bank of India (SBI) on Thursday said that the rising NPAs in the MSME sector in West Bengal was worrisome for which the bank had introduced new assessment system for these units. "It is worrisome that the level of NPAs in the MSME sector has touched 16 %. We are trying to solve the problem", CGM of SBI (Bengal circle) Partho Pratim Sengupta said.

(Financial Express, August 11th, 2017)

8. *Centre betting on easier rules speeding up fund flow to start-ups*

Start-ups have managed to lay their hands on just about Rs. 50 crore of the Centre's ambitious Rs. 10,000-crore Fund of Funds (FFS) for financing such ventures, two years after the start of the nine-year scheme.

The DIPP, however, is hopeful that things would speed up with the recent relaxation in the funding guidelines of the Small Industries Development Bank of India (SIDBI), which is managing the FFS, but it will take about two years for a reasonable impact to be felt, a government official told BusinessLine. "One has to understand that disbursal of funds to start-ups after sanctioning of funds to venture capital funds (VCFs) has a time lag of two-three years.

"Since the FFS did not have many takers in the initial years because of stringent guidelines, a nominal amount had been disbursed to start-ups till March this year. But now that some rules have been relaxed and VCFs have made a beeline for the fund, the disbursals will see a steep increase in the next two years," the official said.

Following the relaxation early this year, VCFs lapped up the the entire Rs. 1,100 crore lying with SIDBI which had few takers earlier. It takes long for funds sanctioned by SIDBI to VCFs to reach start-ups as the development bank only commits to 15-20 per cent of the corpus of each fund. The fund managers need to raise the balance from private sources.

While the Union Cabinet approved the establishment of FFS in June 2016, in line with the Start-up India Action Plan which aimed to address the acute funding shortage suffered by start-ups in the country, a total of Rs 500 crore had already been released to SIDBI by the Finance Ministry in 2015-16. An additional Rs 100 crore was released in 2016-17.

"Since the old rules mandated that the VCFs had to invest the entire corpus in start-ups despite the fact that just 15-20 per cent was borrowed from SIDBI, not many were interested. The VCFs had no means of spreading their risks while lending to start-ups and hence avoided the FFS," the official said.

However, early this year, the government revised the rules, which now place an obligation on VCFs to invest just twice the amount it borrows from SIDBI in start-ups while it is free to invest the rest wherever it wants.

Encouraged by the interest shown by VCFs in the FFS following the relaxation in rules, the DIPP has sought Rs 1,600 crore from the Finance Ministry as supplementary demand. "The DIPP did not get any fresh sanctions for FFS in this year's Budget as the money previously allocated had not been used up. But now, the scene has changed totally and we feel that we can use up as much as we are allocated."

(Business Line, August 11th, 2017)

9. *Retail inflation jumps to 2.36% in July, WPI accelerates to 1.9%*

With sharp rise of prices in sugar, confectionery items, pan, tobacco and intoxicants, retail inflation jumped to 2.36 per cent in July, while high prices on some food articles pushed the wholesale inflation to around 1.9 per cent in the same month even as the industry's clamour was louder for the cut in interest rates following weak industrial activity in the country.

Food inflation, however, saw deflationary pressure at (-) 0.29 per cent in July compared to (-) 2.12 per cent in June this year, showed consumer price index data released by the Central Statistics Office (CSO).

Retail inflation as measured by the consumer price index (CPI) was revised downwards to 1.46 per cent for June. "The price of sugar and confectionery items also went up by 8.27 per cent in July while pan, tobacco and intoxicants turned dearer by 6.39 per cent. Housing expenses saw a price increase of 4.98 per cent while that of the fuel and light segment was up by 4.86 per cent. Retail price of clothing and footware items also went up by 4.22 per cent," said the CSO data.

As far wholesale inflation is concerned, it also rose sharply to 1.88 per cent in July. As per the Government data it was the first rise in last five months as some food articles turned dearer.

Inflation based on the wholesale price index or WPI was 0.90 per cent in June 2017 and 0.63 per cent in July 2016. The doubling in the rate of inflation in July, the first month of the Goods and Services Tax (GST) rollout, was mainly on account of turnaround in prices of food articles, especially vegetables. WPI inflation has been in decline since March.

Food articles, which were witnessing deflation for the previous two months, saw inflation go up to 2.15 per cent in July on a yearly basis. Similarly, vegetable prices, which had witnessed a 21.16 per cent contraction in June, too shot up 21.95 per cent in July.

However, manufactured products saw a slight fall in inflation at 2.18 per cent in July, compared to 2.27 per cent in June. In the fuel and power segment, inflation witnessed a decline at 4.37 per cent in July, over 5.28 per cent in the previous month.

Ficci President Pankaj Patel said that there is space for a more accommodative stance in the monetary policy as private sector investments continue to remain weak.

(The Pioneer, August 15th, 2017)

10. *Trai wants Industry body of cloud service providers*

The telecom regulator has advocated a light touch approach to regulate cloud services and urged the telecom department (DoT) to lay out a broad framework for registration of an industry association of cloud service providers (CSPs).

The Telecom Regulatory Authority of India (Trai) said it would suggest the terms and conditions of registering the proposed CSP industry body once the government cleared its overall recommendations on cloud services issued on Wednesday.

Such terms and conditions, it said, would include the eligibility criteria, entry fees, period of registration and the governance structure of the proposed cloud services provider industry body.

Trai has also suggested that proposed industry body of CSPs would prescribe the code of conduct for its functioning, which would have to be adhered to by all members.

According to Trai, regulating CSPs through their proposed industry body would be the "most appropriate framework" as it would "create an environment to speed up investments and growth, and also have the capability to control restrictive and anti-consumer practices".

The regulator has also tasked the Telecommunications Standards Development Society, India (TSDSI) to develop cloud services inter-operability standards in India.

The National Telecom Policy 2012, it said, had recognised that cloud computing would significantly speed up design and roll out of services, enable social networking, participative governance and e-commerce on a scale not possible with traditional technology solutions.

The telecom regulator has also mooted a cloud service advisory group (CSAG), which would "function as an oversight body" to periodically review the progress of cloud services and advise government on the next set of steps.

Such an advisory group, it said, could include representatives of state IT departments, consumer advocacy groups, industry experts, representatives of law enforcement agencies and ministry of micro, small & medium enterprises (MSME) associations.

The regulator, however, has recommended that DoT keep a close watch on the functioning of the proposed cloud services industry body to ensure transparency and fair treatment to all CSP members.

(The Economic Times, August 17th, 2017)

11. *Centre to bring in regulations in phases*

The government is considering bringing in regulations in phases to deal with individual bankruptcy under the overarching law — the Insolvency and Bankruptcy Code (IBC) 2016.

Sources told FE the government will first come up with insolvency regulations for individuals who are into businesses, which could be announced in a month. Individuals giving personal guarantees for corporate loans and an overwhelming chunk of micro and small and medium enterprises (MSMEs) that are basically proprietorship and partnership firms will be covered by these regulations. The next phase of rules would be to deal with cases where individuals who are not into any business and yet go bankrupt to service personal debt for any reason, said one of the sources.

Around 97% of SMEs in India are proprietorship or partnership firms, and not limited liability partnerships or companies (bodies corporate); so they are outside the ambit of the extant corporate insolvency regulations under the IBC. While the IBC provides for individual insolvency, regulations are still in the works. So far, regulations have been notified for insolvency cases involving companies (bodies corporate).

These MSMEs are basically business entities formed of by individuals, and not bodies corporate in legal terms. So their promoters have unlimited liability, unlike those of companies whose liability is limited to the extent of their equity capital. Also, people running such MSMEs are often, if not always, the ones to give personal guarantee for loans to be invested in these entities.

To strengthen the insolvency eco-system, NITI Aayog has convened a meeting of key stakeholders on August 30, said the sources. Regulations on cases involving individuals who are into business will be the focal point of discussions. The deliberations will complement efforts by the Insolvency and Bankruptcy Board of India in firming up the regulations under the IBC.

A strong insolvency framework for proprietorship or partnership firms is crucial, as around 36 million such SMEs exist in the country that employ more than 80 million people and account for a third of the country's manufacturing output, according to data compiled by the MSME ministry. .

(Financial Express, August 21st, 2017)

12. *Rajasthan ICDs being made industry- friendly*

The inland container depots (ICDs) in Rajasthan are being made industry-friendly to promote imports and exports from the State. The four ICDs situated in Jaipur, Jodhpur, Bhilwara and Bhiwadi will be equipped with a better infrastructure and more facilities for temporary storage of containerised cargo as well as empty containers.

Rajasthan Small Industries Corporation chairperson Meghraj Lohia said here on Saturday that the ICDs at Bhilwara and Bhiwadi would be revived as industrial hubs before the India International Trade Fair to be organised in New Delhi in November this year.

"The performance of the Jodhpur ICD has been adjudged the best. The ICDs have helped importers and exporters in Rajasthan to save their time and money by enabling them to handle their shipments near their location," said Mr. Lohia at a board meeting of the Corporation.

A combination of services of Customs Department, carriers, freight forwarders and customs brokers are carried out at ICDs to facilitate exporters and importers for smooth handling of cargo. Marble, handicraft, agricultural and textile industries are the main beneficiaries of ICDs in the State.

The Small Industries Corporation has also decided to diversify its activities and launch efforts to get a new recognition to the handicrafts sector of the State, in addition to finding new avenues for marketing of these products. Mr. Lohia said the Corporation would function with a professional outlook and use modern technology for its operations.

Principal Secretary (Micro, Small and Medium Enterprises) Subodh Agrawal, who was among those present, said preparations had started for an impressive display of the State's products in the IITF-2017 in Delhi.

(The Hindu, August 21st, 2017)

13. *Khadi training centre*

Khadi and Village Industries Commission has revived its defunct training center in J&K's Pampore district which was destroyed decades ago during the peak of militancy.

(Statesman, August 23rd, 2017)

14. *Modi asks entrepreneurs to be soldiers of development*

Prime Minister Narendra Modi called upon chief executive officers (CEOs) and entrepreneurs to identify and develop five items whose imports could be stopped by 2022 so that the country's needs could be met by domestic production. He said an atmosphere must be created to take the poor along in every sphere of life. India continues to have a significant trade deficit in goods even as it has reduced since 2014-15. In 2016-17, merchandise exports stood at $276.28 billion even as imports soared to $384.31 billion.

The $108.03-billion deficit has been explained in terms of skewed trade relations with manufacturing hub China as well as India's dependence on exporting raw materials rather than finished goods.

Addressing 200 top CEOs from across the country as part of the second edition of 'Champions of Change' series organised by the NITI Aayog, Modi said that entrepreneurs needed to develop products through which imports of costly medical equipment could be curbed.

"We develop products keeping in mind markets and claim that they are cheaper than others; but have we ever thought of developing products that help in solving our domestic problems," Modi asked.

"Let's carry India's poor in each of our thoughts and actions," the Prime Minister said, adding that if the current generation thought of feasible solutions to our unique problems, markets and jobs would automatically be created. He said among many sectors that had the potential of creating jobs, tourism held great promise but it was not exploited fully due to psychological issues.

"We Indians don't take pride in our rich heritage. If we begin talking about our tourist destinations with pride, the world will be desperate to visit India," Modi said.

He said that companies, while inviting their foreign partners for business meetings, should also encourage them to visit the many tourist places in India.

He said corruption in this country was transparent as almost everyone knew how the system could be manipulated, but his government had tried to put in place small changes that were fundamentally transforming how things were governed in India.

Giving the example of the Centre's newly launched e-marketplace for local purchases (Government-e-Market), Modi said even with little reach, procuring goods worth Rs 1,000 crore had been recorded by the GeM and 28,000 suppliers had contributed to the platform.

Referring to the November 8, 2016, decision to demonetise Rs 500 and Rs 1,000 notes, the Prime Minister said he did not believe in piecemeal solutions and looked for end-to-end solutions.

"Digital India, which saw 100 times increase in the Optical Fibre Network, is an example," Modi said.

He said the government was looking to double farmers' income by 2022, and this would come from animal husbandry, fisheries, bee keeping, and allowing commercial felling of timber grown on farmlands.

"We need to look for agro products that can capture targeted markets like in the Gulf and then integrate them with food processors, farmers, and companies," Modi said.

Touching upon the issue of food wastage, he said that the Centre opened up food processing to foreign direct investment and was now looking at private players and investors to build storages which would have multiple applications.

Calling upon the CEOs to make development a mass movement just as Mahatma Gandhi made freedom a mass movement, Modi said that they were his team for the new India and soldiers of a prosperous and developed India.

"If you treat government as a client, you will complain. If you treat government as a partner, you will come up with feasible solutions," Modi said. He also exhorted the CEOs to go cashless by 2022 both in their own working and also in their dealings with employees.

The CEOs, who were divided into six groups in their presentation made to the Prime Minister and his top cabinet ministers along with bureaucrats, pledged to double their R&D spend to 3 per cent of revenues by 2022, employ at least one-third new hires as women, and also enhance skills through online skill training courses in the next five years.

Among the multiple suggestions and pieces of advice that the CEOs gave, the group on doubling farmers' income wanted the Agricultural Produce Market Committee Act scrapped. Another was creating one million agriprenuers to serve 100 million farmers in India, enabling massive self-employment.

They also wanted public-private partnership in agriculture information centres to deliver demand data and analytics and create brand value of source origin.

The group on world-class infrastructure wanted greater access to electricity to trigger household income growth, a Right to Energy Act along with automatic monthly tariff adjustments, power supplier portability, and creating power retailers.

It also wanted creating tourism circuits through the special purpose vehicle model. The group on developing cities of tomorrow wanted private sector participation in smart meters, ward level waste converters, etc.

The group on financial sector reforms wanted to create 100 more no-frills banks with only the licence for deposit and credit.

They said to build a new India of 2022, the focus should be on jobs, health care, tourism, branded goods and services, and affordable medical access for all.

(Business Standard, August 23rd, 2017)

15. *Canara Bank steps up lending to retail, MSME segments post demonetization*

Post demonetisation, Canara Bank has channelled the huge inflow of deposits to productive sectors such as retail, and micro, small and medium enterprises (MSMEs).

"The funds received have been mainly used for modest credit expansion, especially in retail and MSME lending, and of course, a part was used in investments," Rakesh Sharma, Managing Director and CEO, Canara Bank, told BusinessLine.

Sharma said post demonetisation "the bank received cash deposits of over Rs. 70,000 crore. In the same period, taking into account withdrawals, the net increase in current account and savings account (CASA) deposits was over Rs. 24,000 crore."

On the outlook for corporate credit, Sharma said credit growth to the corporate sector remains muted.

"Credit growth to major sub-sectors such as 'infrastructure', 'food processing', 'basic metal and metal products' and 'textiles' has decelerated.

"Debt overhang, coupled with excess capacity, have been the main reasons for low credit demand from corporates. Many of the bigger as well as new corporates have turned to the bond and debt markets for funding," explained Sharma.

However, the demand situation is improving slowly, he said. "We expect the effective steps and co-ordinated actions by the Centre and the Reserve Bank of India, coupled with newer reforms, stability of the economy and investor confidence, will lead to improved credit offtake in the corporate sector and overall buoyancy in credit growth during the current fiscal"

Pitching for lowering the Cash Reserve Ratio (CRR), Sharma said: "CRR increases the transaction cost for us. While recognising that it is an important monetary tool, I am of the view that there is still scope for bringing it down. Alternatively, the RBI can consider a system of paying interest on CRR."

(Business Line, August 22nd, 2017)

16. *Focus on small biz to drive manufacturing: Mahindra*

Asserting that domestic manufacturing has not lost its mojo, business leader Anand Mahindra has said "a new round of boom is upon us," and sought increased public policy focus on small businesses so that they drive this next wave of growth.

"The focus should not be on big businesses or large industry or groups. The real growth in employment and in manufacturing is going to come from SMEs, the entrepreneurial small sector," Mahindra said at a book launch event last evening.

The country has for long "disincentivised" SMEs from growth and scale through archaic labour laws that offer zero flexibility once they expand, he said.

"We have built in an incentive to stay microscopic and not to grow," the Mahindra group chairman said, adding that fiscal and labour law-related disincentives have to be done away with and SMEs must be helped with aspects like skilling.

"Nurturing the SME ecosystem is what needs to be looked at rather than lamenting that the top-20 business houses have not invested. They are not the ones who are going to deliver employment going forward," he said.

Mahindra also sought to downplay concerns on the manufacturing scenario, saying it is only the leveraged firms that are going slow, but there is increased interest from overseas to set shop here.

It can be noted that despite an over one decade push to increase the share of manufacturing in GDP to 25 per cent from the present 16 to 17 per cent, nothing has moved on the ground level so far.

Mahindra said domestic firms went on an overdrive ahead of the financial crisis in 2008 and have been in a state of fatigue ever since.

"The fatigue is still being dealt with by the banking system with the large players but that doesn't mean our manufacturing has lost its mojo, though currently it is coming through overseas investment only," he said.

There will be another boom in the next few years in the manufacturing sector, he said and opined that it will be led by the consumption sector.

"If consumption picks up on a very good monsoon, you are going to see the animal spirits return and you will see the fatigue in some of our industries go away," he said.

"Do I see a boom? Yes, I see one coming in but I don't know whether it will sustain at 9 or 10 per cent, but it has a better chance," he added.

(The Economic Times, August 24th, 2017)

17. *Financial portals come to the aid of SMEs, MSMEs*

To address the challenges faced by the lending sector, platforms like Rubique, TAB, and CoinTribe have come out with strong, stable and sustainable models to help MSMEs and SMEs.

Rubique is a financial portal that offers a comprehensive range of financial products and services from multiple banks and FIs, through a cutting-edge technology platform. It uses unique algorithm and AI facilities to offer the best deals across a wide range of loans such as personal loans, car loans, home loans, business loans etc.

TAB Capital on the other hand is best known for quick and hassle-free funding. It has commissioned an advanced proprietary algorithm that leverages big data and analytics to simplify and accelerate loan application, verification, approval, and disbursement.

CoinTribe is an online loan disbursement platform that provides quick, easy collateral-free loans to small businesses and individuals. It exercises an entirely digital loan assessment and requires minimal paperwork as well as documentation and involves no application cost for loan delivery through its platform.

(DNA, August 27th, 2017)

18. *Jaitley launches HAL-designed light combat helicopter*

The production of state-owned Hindustan Aeronautics Limited (HAL)-designed 5.8-tonne category light combat helicopter (LCH) was launched on Saturday by the defence minister Arun Jaitley in Bengaluru. He also dedicated HAL's role changer design upgrade programme of Hawk-i (Hawk-India) to the nation.

HAL's rotary wing R&D centre designed the LCH, whereas the mission & combat system R&D centre (MCSRDC) designed the Hawk-I, in association with the aircraft division. The basic version of LCH has been cleared by CEMILAC. The DAC has accorded approval for procurement of 15 LCH from HAL under IDDM category. The first prototype had its inaugural flight in March 2010.

HAL designed the twin engine LCH of the 5.8-tonne class, featuring narrow fuselage and tandem configuration for pilot and co-pilot/ weapon system operator. The helicopter has indigenous state-of-the-art technologies such as integrated dynamic system, bearing less tail rotor, anti-resonance vibration isolation system, crash worthy landing gear, smart glass cockpit, hinge less main rotor, armour protection and stealth features from visual, aural, radar and IR signatures.

According to T Suvarna Raju, CMD, HAL, "the LCH and Hawk-i would provide the country extra potential to have additional combat resource and the programmes are truly 'Make in India', capable of generating employment opportunities including the MSME & service sectors. These programmes ensure public-private industry participation." Adding, "There will be a significant spin-off in the form of development of an ecosystem for manufacture and in meeting the objectives of the 'Skill India' initiative in aerospace and defence sectors."

The helicopter is equipped with 20 mm turret gun, 70 mm rocket, air-to-air missile, EO-pod and helmet pointing system. The helicopter can carry out operational roles under extreme weather conditions at different altitudes, from sea level, hot weather dessert to cold weather and Himalayan altitudes. The LCH has demonstrated capability to land and take off from the Siachen range with considerable load, fuel and weapons that are beyond any other combat helicopter.

HAL produced its 100th Hawk jet trainer aircraft with designation as Hawk-i. It took up the indigenous role change development programme to convert the jet trainer into a combat-ready platform. The aircraft is upgraded with indigenously designed avionics hardware, software and system architecture, enhancing operational role from a trainer aircraft into a combat-ready platform, with improved quality and depth of training by large force engagement (LFE) tactics through electronic virtual training system (EVTS).

(Financial Express, August 27th, 2017)

19. *KVIC scripts new chapter in Narmada Valley*

In a move to multiply production, sale and employment, the Khadi and Village Industries Commission (KVIC), through its 'Sahyog' programme, had given 45 charkhas to tribal women at Omkareshwar to start Khadi activities in the Narmada valley areas of Madhya Pradesh. The tribal women rocked on the ramp walk after the inaugural function, leaving the audience spellbound with their confidence.

After inaugurating the centre, KVIC chairman Vinai Kumar Saxena said that it is a new beginning in Narmada valley. The KVIC would provide looms and more Charkhas to create employment in remote areas,

"Our priorities have always been to create maximum number of jobs for the womenfolk of Narmada valley areas. In my last visit to Onkareshwar, I had promised to open a Khadi production centre to provide better job opportunities for the women of this area. The new centre is equipped with 45 charkhas and 60 trained artisans, with adequate training and remuneration. Malwa Bheel Sewak Sangh, a financially-aided institution of KVIC, has been assigned to run this centre," he said.

"We are trying to engage the youths in this sector for formation and innovation of Khadi institutions, besides implementing the target and incentives relating to Khadi production set by the Ministry."

Comparing women artisans as the spinal cord of the Khadi industry, Saxena further said that it was the sheer determination of the women artisans that Khadi had been achieving new milestones every day. "The all 45 women artisans, after imparting proper training, have virtually become a role model for the other tribal women. Keeping in mind the continuous demand of more charkhas, we have asked the running agency to increase the capacity of Charkhas to 100, which will soon be done," he said.

Saxena went onto add that he was impressed by the kind of confidence the tribal women displayed on ramp walk. Since the Narmada Valley has immense flora and fauna, KVIC has decided to launch bee-keeping programme here soon, to increase the job opportunities and income avenues for the locals here, he said.

"We are leaving no stone unturned to take Khadi to new heights across the globe, with the mission of our PM Narendra Modiji and the determination of our adroit artisans," he further added.

(The Pioneer, August 28th, 2017)

20. Gujarat halts solar pump tender after taking advance from farmers

The Gujarat government has halted its solar pump programme after making headway in both procurement and distribution, it is learnt.

In January, the state government came up with a tender for 5,000 solar-powered agriculture pumps worth ~200 crore. Around 25 small & medium enterprises (SMEs) were awarded the contracts. Ten per cent of the cost of each pump was also collected from 7,500 farmers as guarantee money. The state government even wrote multiple letters to contractors to expedite the work.

Now six months later, in its communication with contractors and discoms, the state government has confessed its inability to fund the programme, saying funds from the Union ministry of new and renewable energy (MNRE) are not adequate. Executives at the contractor firms claim the Gujarat government removed the criteria in the tender to get any funding from the MNRE.

While the farmers are upset, SMEs who were banking on this large contract are in the soup with orders in the backyard and no takers. One of them is learnt to have even threatened suicide in a communication to the state authorities.

Other contractors are caught between queries from the farmers and inaction from the government department. While 10 per cent of the cost was collected from farmers, the remaining was to be financed by the state or Centre. A typical solar pump costs ~3.5 lakh, the executives said.

Barely six months ago, the Gujarat Urja Vikas Nigam Limited (GUVNL) had directed the five state-owned power distribution companies to call for tenders to install solar water pumping systems. Cumulatively 5,457 pumps were directed to be installed in different areas under the jurisdiction of the respective discoms. In July, GUVNL wrote to managing directors of all the discoms asking for "abeyance of the project".

"MNRE has sanctioned central finance assistance of ~46.25 crore towards installation of 5,000 solar pumps against proposal of 10,309 solar pumps. The sanction is subject to fulfilment of certain conditions. Since there are differences in conditions specified by the MNRE, and scheme implementation by GUVNL, the competent authority has decided to put further activity of the tender in abeyance till further instruction," said the letter, reviewed by Business Standard. A similar letter was sent by the discoms to all contractors.

A GUVNL spokesperson did not respond to a message seeking official comment. The MNRE secretary could not be reached, despite several attempts.

The contractors claim they are under pressure, as farmers are directing their queries to them, having submitted an initial amount. "No contract is sacred if the government backs out and it belittles their all efforts and contracts. All the contractors have placed the orders and will suffer losses if this project doesn't go through," said one contractor.

While most contractors are looking at a major loss, some are worried about their loss of credibility. Among the 25 contractors, most are local SMEs active in water and energy solutions, while and one is a major Delhi player in the solar off-grid space. The Gujarat government had proposed installing solar pumps for the 400,000 farmers without any power connection. The state has installed close to 20,000 pumps till date.

(Press Reader, August 28th, 2017)

21. *Union Bank plans tie-ups with fintechs for retail loans*

Union Bank of India is planning tie-ups with financial technology (fintech) companies to source leads for retail loans.

Speaking to BusinessLine during his visit to Mangaluru recently, Rajkiran Rai G, Managing Director and CEO of the bank, said that sourcing of retail loans is now driven by the branches and the marketing wing.

Stating that a number of fintech companies generate the lead and pass it on to the banking system, he said the bank is planning to source the applications from fintech companies.

"We have started it on a trial basis. We want to go in a big way within two months. My target is to source at least 50 per cent of my retail loans from fintech companies. We are going to tie up with fintech companies," he said.

Explaining the rationale behind this, Rai said more and more customers are applying for retail loans through the websites of fintech companies instead of going to the banks. "I need to have a tie-up with these fintech companies so that I get the leads," he said.

To a query on the cost involved in such a process, Rai said there is a small fee which has to be paid. But it is much cheaper than using the services of marketing officers. The bank will go for tie-ups with fintech companies instead of increasing the number of marketing officers. When the volume of such leads increases, the cost becomes much lower.

Asked if the bank is planning to replicate this model for any other kind of loans, Rai said he has this idea for MSME (micro, small and medium enterprise) loans also. He said that most of the non-banking finance companies are using fintech companies for sourcing MSME leads.

Before sourcing leads from fintech companies, the bank needs to strengthen its delivery system. The processing and sanctioning of loans have to be much faster and quicker. The bank is working on this, he said.

"Once my delivery system is stable and once the leads start coming in, I need to dispose of those. That is why I am on the way to stabilising and strengthening my loan sanctioning and processing system. Once that stabilises I will go for tie-ups.

That will increase my lead generation manifold and the range of customers to choose from," he said.
(Business Line, August 28th, 2017)

22. *Attractive returns drive FIIs, hedge funds to invest in SME companies*

Foreign institutional investors and hedge funds participating in the initial public offering made on the small and medium enterprises (SME) exchange platforms is fast gaining traction.

Investors are flocking to SME stocks as the reward for the risk taken on the SME platform is more attractive than the stocks on the main board.

Mahavir Lunawat, Managing Director, Pantomath Group, said foreign investors and hedge funds have been active investors in IPOs of companies listing on the SME platform, having invested about Rs 700 crore this year in IPOs.

Their role has become significant as the size of each issue on the SME platform has increased to Rs 30-40 crore from Rs 7-8 crore last year, he said.

Some of the foreign institutions that have participated in the IPOs floated on NSE Emerge include Kuber India Fund, Maven India Fund, Elara India Opportunities Fund and Anchor Global Opportunities Fund while Category III Alternative Investment Fund EW Clover Scheme has also invested in a recent IPO.

Total Transport System, which launched an IPO to raise Rs 17 core by listing on NSE Emerge attracted investment interest of Rs 2,200 crore and was oversubscribed 130 times. Similarly, InfoBeans Technologies received bids worth Rs 1,150 crore while it was in the market to raise just ₹36 crore. "The NSE initiative to provide hand-holding and do the necessary due diligence of companies listing on the Emerge platform has given the much-needed comfort to foreign investors and hedge funds to park money in IPO," said an NSE spokesperson. Small companies are finding it more convenient to raise money through the exchange platform as bank finance to SMEs has shrunk after the surge in bad loans in the banking sector, he added.

In the last two months, eight companies have listed on the NSE Emerge platform. On the whole, 76 companies have raised about Rs 912 crore. Of the 72 IPOs launched so far this year on the SME platform, 31 companies from Gujarat raised Rs 373 crore followed by 22 companies from Maharashtra mopping up Rs 257 crore.

Lunawat said some of the retail investors are also considering investment through the secondary market in stocks listed on the SME platform as part of portfolio diversification.

Companies that were listed on the SME platform this year are from varied sectors such as finance, media and entertainment, real estate and infrastructure, manufacturing, agriculture, aquaculture, food and food processing, and IT and IT-enabled services.

The BSE and NSE had launched the SME platform in March 2012.
(Business Line, August 29th, 2017)

23. *DIPP to release new industrial policy by October, will review FDI regime*

The department of industrial policy and promotion (DIPP) under the commerce and industry ministry will release a new industrial policy by October that will focus on encouraging Indian branded products with higher value addition and will review the existing foreign direct investment (FDI) policy regime to facilitate greater technology transfer.

The policy is expected to replace the United Progressive Alliance government's National Manufacturing Policy (NMP) released in 2011, which sought to create 100 million jobs by 2022.

"It is time to shift from a policy of 'continuity with change' in 1991 to radical and accelerated reforms for greater strategic engagement with the world. A comprehensive, actionable, outcome-oriented industrial policy will enable industry to deliver a larger role in the economy; to fulfil its role as the engine of growth and to shoulder the responsibility of adding more value and jobs," a discussion paper released by DIPP said.

DIPP has adopted a consultative approach for formulating the industrial policy by setting up six thematic focus groups and an online survey on the department's website to obtain inputs. The six thematic areas are "Manufacturing and MSME"; "Technology and Innovation"; "Ease of Doing Business"; "Infrastructure, Investment, Trade and Fiscal Policy"; and "Skills and Employability for the Future".

A task force on artificial intelligence has also been constituted under V. Kamakoti, a professor in the department of computer science and engineering at the Indian Institute of Technology Madras; the task force will also provide inputs for the policy.

The proposed policy will aim to set a clear vision for the role of industry and industrial growth in the growth and development of the economy.

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effect on production cost)

I - Inventory (stock of materials, finished goods, storage)	O - Over Processing (poor quality, lack of employee efficiency)
M - Motion (unnecessary motion within work area resulting in time waste)	D - Defects (repeated errors, avoidable errors)
W - Waiting (materials, information)	H - Human Resources (absenteeism, lack of team effort)

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

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- **Involve the entire workplace in continuous improvement**

Module	Objectives
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

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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.

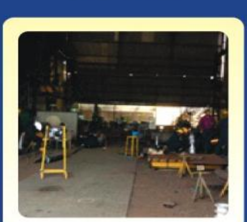
Results Achieved:

- 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:

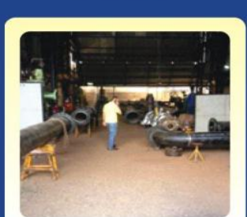
- SCORE program provided a new way of looking at the situation at the workplace and opportunity to brainstorm to find solutions within the available resources.
- Management and operators realized the benefits of 5S that it helps to identify hidden and unwanted materials and the monetary benefits that 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

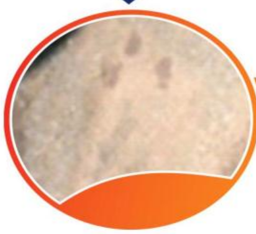


Lot of free space by implementing 1S & 2S

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

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