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NEWSLETTER

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MSME News Update

1. ***Telangana plans hub for women entrepreneurs***

The Telangana government will set up a centre called 'WE Hub' to support women entrepreneurs and procure goods made by them.

As per state policy, the government mandatorily meets 20% of its procurement from micro, small and medium enterprises. A fourth of this will be procured from women entrepreneurs, Telangana information technology and industries minister K.T. Rama Rao said.

Rao announced a Rs 15 crore 'T-fund' to help entrepreneurs . "The WE stands for women entrepreneurs. Under the T-fund, entrepreneurs will be given a funding between Rs25 lakh and Rs1 crore," he also mentioned.

The WE Hub will be based on the model of the state government supported and successful start-up accelerator T-Hub, located in the International Institute of Technology (IIT) campus in Hyderabad. Rao said the state government is helping Assam and Goa establish similar centres. "Investing in women entrepreneurs is something the government will take up," he added.

(Live Mint, December 1st, 2017)

2. ***Different treatment likely for SMEs facing Insolvency***

Government may consider giving different treatment to small and medium enterprises (SMEs) under the Insolvency and Bankruptcy Code (IBC) since they usually have limited number of buyers and rely largely on promoters for a resolution.

"It is my view that we have to consider the case of SMEs objectively since they form the backbone of the country and create huge employment," PP Chaudhary, minister of state for corporate affairs and law & justice, told.

A recent ordinance has amended IBC barring promoters from presenting a resolution plan for companies facing insolvency. This has put SMEs at a disadvantage by limiting their resolution options and forcing them to liquidate.

"If they (SMEs) face a problem, then the government can seriously consider their case," Chaudhary said.

According to industry experts, cases of nearly 300 small and medium companies have been admitted by the National Company Law Tribunal and their resolution process has been started.

Government promulgated an ordinance to tighten the Insolvency and Bankruptcy Code barring willful defaulters, those with non-performing loans of over one year, undischarged insolvents and disqualified directors from bidding for their own companies in the resolution process.

(Economic Times, December 1st, 2017)

3. ***Budget to focus on rural sectors and infra***

The Union budget for 2018-19 will focus on infrastructure, rural spending and small and medium enterprises for higher growth and job creation, finance minister Arun Jaitley said.

Jaitley said there have been tectonic changes in the economy in the past one year and the government will now focus on infrastructure and rural sector in the budget.

"Now is the time really to concentrate. And the two areas to be concentrated on are infrastructure and rural India. I do expect that whatever the additional resources we have, a lot is going to be spent in these areas," he said.

Besides small and medium industries, essentially the manufacturing sector, Jaitley said the government will also focus on the informal sector for higher job creation.

This will also be the first budget after the Goods and Services Tax (GST) was implemented from July 1. The Centre now cannot on its own change the indirect tax structure, except for customs duties, as this would need approval of the GST Council. This may substantially shift the focus of the next budget to quality of government expenditure.

Jaitley had earlier said he will stick to the glide path for fiscal deficit announced in the last budget, ruling out a breach of the self-imposed fiscal discipline target to boost economic growth.

The government aims to contain the fiscal deficit at 3.2% of GDP in 2017-18 and 3% of GDP in 2018-19. However, given the expected revenue shortfall and additional burden due to public sector bank recapitalisation, the government is expected to revise its fiscal consolidation roadmap.

The ministry recently asked the 15th Finance Commission to recommend a fiscal consolidation roadmap for both the Centre and states, indicating that it may defer implementation of the NK Singh committee report by two years.

On the panel's recommendations on creating a fiscal council, Jaitley said this needs to be further debated as to whether more power should be vested in non-elected institutions.

Asked whether India can achieve double-digit growth, Jaitley said it is challenging as it will not depend merely on domestic factors. "It will also depend on how the world is moving. We managed a 7%-8% growth rate at a time the world was moving slowly. We effectively used that period to bring a series of structural changes in the economy," Jaitley said, hours before release of the third quarter GDP numbers that showed a growth of 6.3% after slowing down to a three-year low at 5.7% in the June quarter.

"Structural reforms have their own short-term impacts and then you pick up again. Certainly it will help us in the short to medium term to help expedite growth itself. But I am realistic that to reach a double-digit growth you need to have a kind of boom period that you had between 2003 and 2008," he added.

(Hindustan Times, November 30th, 2017)

4. *India poised to be become world's third largest economy: Prabhu*

India is poised to become the third largest economy in the world in the next few years, Union Minister Suresh Prabhu said, asserting that the government wants to take manufacturing to 20 per cent of the GDP, helped by SMEs.

"One of the great strategies we have is to bring economic development, take our manufacturing to at least 20 per cent of the GDP.

"So you can imagine that in the next few years time we will have USD 5 trillion of GDP, so USD 1 trillion of that will come from manufacturing and the substantial part of that, we are aiming to get from small and medium enterprises (SMEs)," he said.

Therefore, he said, the government is trying to be a part of the global supply chains, identifying and creating opportunities.

"In the process we will be very happy to collaborate with our friends from Africa, from other developing countries, to be a part of this process," Prabhu said.

He said the global recession in 2008 started when some countries said that there were banks which were too large to fail, hence pumping in billions of dollars in those banks.

"But they forgot that there are small enterprises which are too small to succeed. The banks are too big to fail, but the small enterprises are too small to succeed. So even if they had put a small amount of money into SMEs, by this time the global recovery would have been faster," Prabhu said.

The minister described small enterprises as the backbone of the global economy, highlighting that they contribute significantly to India's exports and create large employment.

(The Times of India, November 30th, 2017)

5. Rs. 8,450 cr. Export incentives to boost textiles, MSMEs

India has announced Rs 8,450 crore additional incentives to boost the country's exports. It is expected to primarily benefit sectors such as textile and medium and small-scale enterprises (MSMEs), the two most affected after demonetisation and GST roll out.

Commerce and industry minister Suresh Prabhu unveiled the mid-term review of the Foreign Trade Policy (FTP) 2015-20 with a view to boosting exports.

Announcing the decisions, he said the Merchandise Exports from India Scheme (MEIS) incentive rate would be raised by 2 per cent across the board for labour intensive and MSME sectors.

A one-time relaxation to meet export obligations might be provided to the industry so that they can escape the penal provisions, which will be disruptive and will provide an opportunity to add to exports besides providing employment.

The increase in annual incentive by 34 per cent to Rs 8,450 crore will benefit leather, handicraft, carpets, sports goods, agriculture, marine, electronic components and project exports, the minister said.

Prabhu said, "The aim is to promote exports by simplification of processes, enhancing support to high employment sectors, leveraging benefits of GST, promoting services exports and monitoring exports performance through state-of-the-art analytics."

The focus of the FTP, he said, will be on exploring new markets and products as well as increasing India's share in traditional markets and products. Emphasis will also be laid on enhancing participation of Indian industry in global and regional value chains, he added.

The increase of 2 per cent for MEIS and SEIS is good, but is valid up to June 2018 and is in respect of exports after November this year, said MS Mani, senior director, Deloitte India.
However, the mid-term review has not focused much on the GST linkages with exports and imports, which would possibly happen as an ongoing process, he said.
(Financial Chronicle, December 6th, 2017)

6. ***$900 billion exports seen by 2020***

The FTP will provide additional annual incentive of Rs 749 crore for the leather sector, Rs 921 crore for hand-made carpets of silk, handloom, coir, jute products, Rs 1,354 crore for agriculture products, Rs 759 crore for marine products, Rs 369 crore for telecom, electronic components and Rs 193 crore for medical equipment. The five-year FTP set an ambitious target of India's goods and services exports at $ 900 billion by 2020. It also has a goal of increasing India's share of world exports to 3.5 per cent, from 2 per cent.
But the government did not accept garments exporters' demand for measures, which improved market access and cost competitiveness. However, Ashok Rajani, chairman of Apparel Export Promotion Council, said with the provision of zero GST on sale of scrips, are surely going to help the industry.
(FC Bureau, December 6th, 2017)

7. ***India Inc seeks lower corporate tax in pre-Budget meet with FM***

Corporate India sought lower tax and more incentives for investments while exporters called for quicker GST refunds at a meeting with Finance Minister Arun Jaitley in the run-up to the last full-year Budget of the NDA government before 2019 general elections.
The industry bodies suggested lowering the corporate tax to 18-25 per cent, from up to 30 per cent at present. The exporters, who are grappling with blockage of working capital, pressed for exemption from tax on export income or lower levies on forex earnings and faster clearance of GST refunds.
"The finance minister has promised 25 per cent corporate tax rate long back and we expect that the finance minister will fulfil his promise in this Budget," Ficci President said. The industry body also sought support for innovation, employment generation through investment in the MSME and startup sector and specific incentives for new investments, highlighting the need to establish an export zone with manufacturing facilities but without any taxes or regulations.
"The implementation (of GST) and refund delays are a cause of concern, so we have suggested that if they can give us the IGST refund also, along with the drawback. In the US, there is a differential tax rate for export earnings, so we have sought a lower rate of tax on export earnings than the normal corporate rates," EEPC India Working Committee Member P K Shah said.
According to Shah, refunds of exporters to the tune of at least Rs 60,000-70,000 crore are stuck post GST rollout in July.
"We would urge the government to provide fiscal support to units that provide additional employment in the export sector. Such a scheme will also help the workers move from informal employment to formal employment, which is a priority of the government.
"Incentives may be provided based on twin criteria of growth in exports and growth in workers so that while export is increased, the employment intensive units also get a boost," exporters' body FIEO said.
"We have requested for reduction in the direct taxes and a scheme to boost women employment and expediting the refunds under GST as they have been delayed," said P R Aqueel Ahmed, Vice- Chairman of the Council for Leather Exports.
(Millennium Post, December 6th, 2017)

8. ***B2B start-ups see investments surge to 7- year high, but hurdles remain***

Nearly two decades after IndiaMart, an online trade directory, started out, investment is finally flowing into B2B (business-to-business) internet start-ups, but a shortage of credit to manufacturers and suppliers continues to hold back the expansion of the sector, founders and investors said.
So far this year, B2B e-commerce start-ups have raised a total of $196.5 million, the highest since 2010, according to Tracxn. The biggest deals: $100 million raised by Just Buy Live; Power2sme's $35 million series E and $12 million investment into Moglix. The data also shows most start-ups—247 out of 575 incorporated since 2010—came up in 2015.

These investments are supposed to accelerate the use of technology by B2B commerce start-ups to solve legacy problems in procurement and supply, logistics and financing. Many of these companies are trying to implement a shift from merely being discovery platforms to becoming full-fledged marketplaces.

There are a variety of business models. Start-ups are supplying industrial raw materials such Power2sme and OfBusiness, some like Moglix and Tolexo are selling industrial tools, others like Avysh, Udaan, Wydr that are fulfilling sourcing needs of intermediaries like wholesalers and distributors and those such as Just Buy Live looking to become the intermediary themselves.

Further, the implementation of the goods and services tax has forced companies, especially small and medium enterprises (SMEs), into the formal economy, opening a large pool of potential B2B customers (manufacturers, suppliers and wholesalers) looking for cheaper and transparent procurement options.

"GST has accelerated internet adoption… Now even Google and Facebook are becoming interested in SMEs," said R. Narayan, Senior Vice President, FICCI-CMSME & founder and chief executive, Power2sme.

Power2sme aggregates the demand for industrial inputs such as steel and polymers, procures from large producers and supplies to end-users (auto or electrical component-makers, OEMs) at lower prices.

Narayan said that over 60% of B2B procurement happens through credit, which, despite a surge in the number of lenders and NBFCs, continues to be a problem for SME manufacturers.

In a recent survey by the company and Greyhound Research of 200 SME owners, 92% said non-availability of finance or credit on easy terms was their biggest challenge.

International Finance Corporation (IFC), a unit of the World Bank, pegged the total financing gap in the SME space at Rs10.6 trillion. There are 29.8 million SMEs in India of which 94% are not registered, leaving little room for traditional lenders to serve them, according to a 2013 report by IFC.

To tackle the problem, start-ups are helping their customers raise credit, or least getting them registered with GST.

"The space is now getting into a zone where the companies are trying not only to ease fulfilment and logistics, but also become financing engines," said Vinod Murali, managing partner at debt firm Alteria Capital.

"Many of these platforms are either themselves becoming a financing engine or aligning themselves with financers to further boostSME consumption. Essentially this is a working capital play," he said.

Power2sme has a division called Finansme.com which helps companies secure loans through its partnering banks and non-banking financial companies. Moglix recently launched a software tool, GreenGST, for manufacturing entities to manage GST compliance.

Start-ups are also tying up with third-party courier services, instead of having their own fleet, for cost-efficient last-mile deliveries.

In any case, market participants have recoiled from the rosy estimates research firms were quick to jump onto from the success of B2C e-commerce defined by Amazon and Flipkart.

"We will have to wait a little time before there can be larger play for creating marketplaces and creating efficiencies out of that," said Rahul Garg, founder and chief executive of Moglix, a marketplace for manufacturing tools and machinery.

"The beauty is that there is a large market that exits and one can potentially apply technology in interesting ways but it's not only technology that will make it win, you need to go deeper into understanding the business and the pain points as against the approach in horizontal consumer e-commerce start-ups," said Garg.

(Live Mint, December 8th, 2017)

9. ***BOB's supply chain finance solution to raise working capital opportunities***

Small and Medium Enterprises (SMEs) has demonstrated high demand for finance, particularly debt, but of their total financial requirement, over three fourth is either self-financed or comes from informal sources. The demand of finance has also seen an increase due to the GST implementation and this is a good factor for the economy & banking industry. Prime Minister Narendra Modi's "Digital India" initiative – which aims to drive economic development through wide-ranging digital transformation across the country, is the inspiration behind our Digitized Supply Finance Platform.

This product aims to support bank's manufacturing clients across the country and this platform is a small contribution in helping Prime Minister's "Make in India" initiative become a reality – transforming India's economy into to a world-class manufacturing hub.

The Supply Chain Finance solution provides a range of supply chain finance products – covering pre- and post-shipment products – viz Dealer/Channel Finance, Vendor Finance and Payable Finance – and is highly flexible and scalable, with an omni-channel user interface that supports rich analytics.
(Press Release-Bank of Baroda, November 27th, 2017)

10. *'Social entrepreneurship is the need of the hour'*

Social entrepreneurship is the need of the hour with a focus on rural employment, especially in the face of increasing population in the country, said minister of state for Micro, Small and Medium Enterprises (MSME), Giriraj Singh.
"Problem is not just in what schemes the government has to come up with or how much money has to be pumped into them, the biggest problem is the increasing population," he said at an event.
He pointed out that India is home to 18.5 per cent of the global population, but has only 2.5 per cent of the land and 4.5 per cent of the water in the world.
Singh cited his solar charkha scheme and a model to process amino acid from human hair that is going to waste as innovative ideas with potential to generate employment.
"I request you to progress towards social entrepreneurship and think about rural employment as well. The rural base in manufacturing has increased, but employment has fallen because of shift towards automation," he said.
The union minister said that the country's biggest capital is its youth. "Europe progressed on the strength of its youth and India is fortunate that 65 per cent of its population is under the age of 35 years."
Saying that every year three crore children are born, he said his focus for the remainder of the term is on employment."Five crore jobs will created in the MSME sector between 2017 and 2020," said Singh.
When asked about GST's impact on the MSME sector, he said, "It is true that bad loans have increased in the MSME sector. We are trying to find a solution for that. NPAs and shutting down of businesses happen because of various reasons. Just government support is not the reason. The government is trying to do their rehabilitation and restructuring."
The minister had earlier said that around 4.5 lakh businesses in the MSME sector were forced to shut down due to lack of funds and power, among other reasons.With the Centre's two back-to-back moves of demonetisation and GST, traders complained that they were neglected while taking the decisions.
Textile traders, especially in Tamil Nadu, were among the most prominent group expressing their displeasure, and had sought for GST to be done away with on the category.While many revisions have since been done to rates of goods and services, the GST on textile was not changed.
Singh said the government is rethinking some of the policies around the category.He also said since MSME is largely an unorganised sector, it would be easier to assess the impact of GST if they came together on a platform.
"GST impact assessment hasn't been done so far for the sector, but what I have understood from speaking to the traders is that there is pain. But there will always be difficulty in the initial period of a reform."
Once the teething troubles are overcome, the vehicle can race ahead at, he added.
"The vehicle has started moving, it will gain speed eventually," he assured.
(Mail Today, December 8th, 2017)

11. *Minister wants technology to steer the growth of khadi*

Minister of state for micro, small and medium enterprises Giriraj Singh has said that the time has come to incorporate devotion with emotion to ensure the growth of Khadi. Addressing the Chairmen/CEOs of state Khadi and Village Industries Boards and State Directors of Khadi and Village Industries Commission, Singh laid stress on technological intervention for the growth of Khadi.
(Mail Today, December 8th, 2017)

12. *MSME Sambandh portal to monitor public procurement*

Micro, Small & Medium Enterprises (MSME) Sambandh, a portal to monitor the implementation of the public procurement by Central Public Sector Enterprises, was launched. Speaking on the occasion, Minister of State (Independent Charge) for MSME Giriraj Singh appealed to the stakeholders to take advantage of the portal that would help in "ease of doing business" and 'Make in India' initiatives of the Government of India.

Highlighting that 80 per cent of jobs in industry is given by MSME with just 20 per cent of investment, the Minister said MSME is not given its due importance but added that the Narendra Modi Government is ready to help the MSEs in all possible ways.
(The Pioneer, December 9th, 2017)

13. *Engineering MSMEs left out of sops*

Engineering exporters' body EEPC India said it was "extremely disappointed" to find that at least 25,000 labour-intensive industrial units in segments such as agriculture machinery have been left out of enhancement of incentives under the MEIS in the mid-term review of the foreign trade policy.
EEPC India Chairman T.S. Bhasin, in a letter to the Minister of State for Commerce and Industry C.R. Chaudhary, said that these micro small and medium enterprises units should be extended the 2% enhancement benefit under the Merchandise Exports from India Scheme.
"Our members, belonging to the MSME sector, have highlighted that many engineering sectors, which belong to the MSME and labour-intensive segments have been left out while carrying out the review exercise and hence I seek your kind intervention to help these sectors in retaining their global competitiveness," the EEPC India Chairman said.
(The Hindu, December 9th, 2017)

14. *Union Bank ties up with RXIL for TReDS*

Union Bank of India has partnered with (Receivable Exchange of India Ltd) RXIL as a (Trade Receivable Discounting System) TReDS partner for discounting invoice of MSMEs on digital platform. An agreement to this effect was signed between the bank& RXIL on December 5 by A.K.Dixit, General Manager (Credit Policy & MSME), Union Bank of India & Shri Kashinath Katakdhond, MD&CEO, RXIL. RXIL is a joint venture between SIDBI and NSE. TReDS is a digital platform to help MSMEs to get their trade receivables financed at a competitive rate through an auction mechanism where multiple financiers can bid on invoices accepted by PSUs / Corporate Buyers.
(Tribune, December 12th, 2017)

15. *Time for MSMEs in the machine tools sector to rejig*

Micro, small and medium enterprises (MSMEs) in the machine tools industry need to enhance their production capabilities if they are to grab a higher market share and grow, a CRISIL analysis indicates.
The analysis, covering over 100 rated MSMEs, highlights challenges such as lack of access to advanced technology, low investment in product development, smaller capacities, and high concentration in the automobile and auto ancillary sector.
The industry logged a healthy compound annual growth rate of 11 per cent in the past five fiscals, and is expected to continue growing at a healthy pace, given investments in end-user industries such as automobiles, consumer durables, defence, railways and infrastructure.
However, MSMEs, which make up three-fourths of the units in the sector, have not benefitted significantly from this growth. Large players and imports account for roughly 90 per cent of the '11,200 crore-a-year market, leaving MSMEs with barely 10 per cent. The analysis reveals there is very low investment in product development and limited skill-sets for customisation among MSMEs. Only one in every six spends on new product development, and that too a meagre one per cent of their annual revenue.
Given this, at least three imperatives emerge for MSMEs. First, they should improve competitiveness and quality through adoption of new technologies via global tie-ups. Second, they need to invest in capacity addition in order to grow, as most are operating close to optimal capacities. But, limited financial flexibility tends to restrict this. Joint ventures can help bring in necessary funds to expand capacities in line with demand, though this is not a favoured option for MSMEs, given fears of losing management control. Third, lack of diversity impedes MSMEs' consistency in growth, as the end-user industries, especially automobiles, are highly cyclical in nature. Diversification beyond automobiles can help tap demand from other sectors, thereby sustaining growth over a long period.
(Business Standard, December 12th, 2017)

16. ***SMEs claims may get higher priority in liquidation cases***

The government is looking at a proposal to give higher priority to the claims of small operational creditors in cases of liquidation under the bankruptcy code, an official said.

This comes after representations that small and medium enterprises (SMEs), which are suppliers of goods or services to a defaulting company, face huge losses during bankruptcy proceedings, pushing them towards bankruptcy in some cases and also leading to job losses for those employed with them.

"In a few cases which are presently under liquidation, it has been pointed out that SMEs face the brunt, putting them under severe stress," said the government official cited earlier. "We are examining the issue," the person said.

Under the recovery of balance dues, in terms of waterfall mechanism as set out in Section 53 of the Bankruptcy Act, the order of priority for operational creditors comes under unsecured creditors.

The National Company Law Tribunal have all over the country admitted around 300 bankrupt SMEs and their resolution processes have started.

A senior bank executive said with the government's focus on increasing credit growth towards MSME sector, giving such firms higher priority in bankruptcy proceedings can be looked at, but added that this should be done with stringent conditions.

"It should not be the case that some big suppliers are operating through smaller companies and getting benefitted over secured creditors," the banker said on condition of anonymity

(Economic Times, December 12th, 2017)

17. ***At WTO meet, India fumes over attempts to start talks on MSMEs***

Tempers are high in the Indian camp over attempts being made by some nations to begin discussions on market access for micro, small and medium enterprises (MSMEs) at the World Trade Organisation's Eleventh Ministerial Conference in Buenos Aires (MC 11).

New Delhi fears that this could lead to back-door entry for many issues that it has been resisting — such as e-commerce and investment facilitation; it has sought a meeting with the Chair of MC 11 Susana Malcorra, the Argentine Minister to register its protest.

"At the first heads of delegation meeting, there were aggressive attempts to introduce MSMEs in the talks," an Indian official told. "There was no opportunity to express one's resistance. This is totally unacceptable as it could lead to entry for new issues such as e-commerce, investment facilitation and public procurement."

The Indian negotiating team will meet Argentine Minister Malcorra, who is chairing all the important meetings, to protest against the move and stress that a separate discussion group on MSME was not on the mandate for MC 11.

A number of developed country members, including the US and the EU, who are pushing for negotiations on e-commerce and investment facilitation, are also championing the "supposed" cause of MSMEs.

"This is just a ploy to indirectly get market access in areas where they are being denied access by arguing that it would benefit MSMEs," the official said.

New Delhi is also adopting an aggressive posture in the agriculture negotiations stating that an outcome at the MC 11 without a permanent solution to the problem of public stockholding will affect the credibility of the WTO.

"The (Commerce) Minister, (Suresh Prabhu), has made it amply clear that India cannot envisage an outcome without a permanent solution," Commerce Secretary Rita Teaotia said at a press briefing.

She said that facilitator group meetings had started on agriculture, as on other areas, and members were trying to move towards a "common landing zone". While India has been demanding a permanent solution that goes beyond the existing peace clause with less onerous transparency and notification requirements, the EU and Brazil want to introduce harsher terms.

(Business Line, December 12th, 2017)

18. ***PM promises push for jobs, small biz***

Prime Minister Narendra Modi slammed the United Progressive Alliance (UPA) regime for leaving behind a messed-up banking sector as well as hapless homebuyers, while asserting that the current National Democratic Alliance (NDA) government was replacing old and archaic policies with new frameworks to generate employment and help small and medium businesses compete globally.

He also reiterated that his government had carried out 87 major reforms across 21 sectors, including defence, construction, food processing and financial services.

Modi batted for small and medium enterprises (SMEs), saying their dues were not paid on time by big entities. The SMEs have now been allowed to directly sell to the government through e-marketplace, the PM pointed out while addressing the 90th annual general meeting of the Federation of Indian Chambers of Commerce and Industry (Ficci). As PM, this was the first time he was attending an AGM of a leading business chamber.

(Stocks Market.in, December 14th, 2017)

19. *Strengthening banks crucial in next year agenda*

Having implemented the Goods and Services Tax (GST), Finance Minister Arun Jaitley said strengthening the public sector banks is most important agenda for the next year.

"There are important tasks when we look at the next year..fixing the banks and completing the unfinished task of strengthening the public sector banks (PSBs), I think, is unquestionably one of the most important agendas on table today," he said while addressing FICCI's annual general meeting.

He further said the government has already announced the detailed recap plans and the idea behind this move is to ensure that banks are able to support growth and their lending capacity more particularly to the MSME sector is enhanced.

"We want MSME sector to strengthen. This sector has been at the receiving end in last few years particularly with lending capacity of banks being depleted as a result of NPAs.

The lending capacity of banks will improve as capital adequacy strengthens," he added.

Jaitley in October had announced an unprecedented Rs 2.11 lakh crore two-year road map to strengthen PSBs, reeling under high non performing assets (NPAs) or bad loans. Their NPAs have increased to Rs 7.33 lakh crore as of June 2017, from Rs 2.75 lakh crore in March 2015.

Asked if 180 days is inadequate for resolution of NPAs under the Insolvency and Bankruptcy Code, the finance minister gave a curt reply saying "well I think if you stop thinking like lawyers it can happen".

Giving different scenarios, he said for the simple reason that if an asset has been mismanaged or an asset is incapable of being managed by a particular management, then the whole object is expeditious resolution.

"Otherwise if you allow the status quo, its (banks are) starved of funds, its net worth is eroding and if you allow it to continue then you are only perpetuating the problem and making it unresolvable.

"But if at the appropriate time you enter expeditiously and expeditiously you either allow the same promoter to continue, if he is capable of resolution, and if it's not capable of resolution and you find another resolution, then it has to be done fast," he said.

Pointing that courts are used to delay, he said assets can rust away if the resolution is not undertaken in a time bound manner.

"And therefore I said that if you stop thinking like a lawyer then we realise what the cost of delay in an asset can be," he said.

Terming GST council as a body that is maturing as federal institution, Jaitley said it is working with regard to reduction of compliance burden.

Besides, he said, the Council has prepared schedule with regard to eway bill to check evasion.

"I think Council has already taken decision with regard to time schedule with regard to eway bill itself. That will help in enhancing collection," he said.

Earlier Bihar Finance Minister Sushil Modi said eway bill in a phased manner would be implemented from January 1.The finance minister said that after the unified GST is implemented it would take some time to rationalise taxes.

It was important to continue with structural reforms for greater formalisation of the economy, he said adding that it was only when the tax base is widened in a formalised economy, the rationalisation of direct and indirect taxes is possible. All efforts are being made to make India tax compliant society, Jaitley said.

(Millennium Post, December 14th, 2017)

20. *Banks want to revive Trade & Warehouse Insurance*

Indian banks are lobbying with the Reserve Bank of India and the insurance regulator to revive trade and warehouse insurance as the rise of digital tracking and traceable payments has become a lot more robust under TReDS, unlike in the past where inventories could not be tracked and malpractices were rampant in the absence of tech-based tracking.

"We have represented to the RBI that trade insurance should be made available to banks as most of the factoring is done by banks, and we are taking the credit risk when financing lower-rated MSMEs," said a banker.

TReDS is an online electronic institutional mechanism which facilitates the financing of trade receivables of MSMEs through multiple financiers. The platform enables discounting of invoices of MSME sellers against large buyers through an auction mechanism that ensures prompt realisation of trade receivables at competitive market rates. Banks, till a few years ago, were eligible to get an insurance cover for any money lent to trade and trade receivables, but it was later rolled back after several instances of mis-selling, and bogus bills were brought to Irdai notice.

"If Irdai can extend the insurance cover for trade insurance to banks, it will help us in a big way," said Kalyan Basu, MD, Invoicemart. "Today, banks want collateral for loans which is a huge impediment for MSME finance. Trade insurance can be taken by MSMEs and buyers, but it is not assignable... if the bank is taking a trade exposure and the insurance cover is not assigned to the bank, then it makes no sense."

"Today, banks are only taking risks on select corporates. In due course, this can be expanded to corporates with low rating and for those corporates this insurance risk will play a substantial role," said Sundeep Mohindru, founder, M1 Exchange.

(Economic Times, December 15th, 2017)

21. *States revenue shortfall post- GST at Rs 36,000 crore*

There has been a shortfall of Rs 36,000 crore in projected revenues in the first four months post Goods and Services Tax (GST) implementation, West Bengal Finance Minister Amit Mitra said.

While the projected collection at 14 per cent growth was Rs 1,72,000 crore, the actual figure realised had been Rs 1,36,000 crore, resulting in a deficit of Rs 36,000 crore for the first four months till November, Mitra, who is also a GST Council member, told reporters on the sidelines of an event here.

GST was rolled out from July 1, this year.

He said the compensation amount, in case of revenue loss of the states after GST was Rs 55,000 crore. This amount semed inadequate in the collection figures as it did not gain traction.

According to Mitra, the main reason for the deficit was the inability of a vast section of Micro Small and Medium Enterprises (MSMEs) to register themselves on the GSTN portal.

"Due to this, many of them had gone back to the manual mode", he said.In this regard, Mitra said he had urged the Centre to raise the compensation amount

(The Times of India, December 15th, 2017)

22. *Leather, Footwear sector get a boost in hope of jobs*

The government approved a ` 2,600 crore special package for employment generation in the leather and footwear sectors, which has the potential to generate 3.24 lakh new jobs in three years and assist in the formalisation of two lakh jobs.

The decision was taken at a meeting of the Union Cabinet chaired by Prime Minister Narendra Modi.

The package involves implementation of a central scheme ' Indian Footwear, Leather & Accessories Development Programme' with an approved expenditure of ` 2,600 crore over the three fiscals to FY20.

"The scheme would lead to development of infrastructure for the leather sector, address environment concerns specific to the leather sector, facilitate additional investments, employment generation and increase in production.

"Enhanced Tax incentive would attract large scale investments in the sector and reform in labour law in view of seasonal nature of the sector will support economies of scale," a statement said.

The package has the potential to generate 3.24 lakh new jobs in three years and assist in formalisation of two lakh jobs as cumulative impact in footwear, leather and accessories sector, the statement added.

It also includes measures for simplification of labour laws and incentives for job generation.

Moreover, the provisions of minimum 240 days employment in a year to a workman under Section 80JJAA would be further

relaxed to 150 days for footwear, leather and accessories sector considering the seasonal nature of this industry.
(Press Reader, December 16th, 2017)

23. *Interim compensation for bounced cheques*

The Union Cabinet cleared draft amendments in the Negotiable Instruments Act, 1881, that could award interim compensation in cases relating to dishonoured cheques, both at the trial and appellate stages.
The changes would enable a trial court to order payment of a part of the cheque amount as interim compensation to the receiver. If the drawer is acquitted, the court may direct the receiver to repay the amount paid as interim compensation with interest. Similar provisions would be enabled in case of appeals.
"Dishonour of cheques due to inadequate funds in the account of the drawer of the cheque or for other reasons causes serious distress in the trade, business and MSME sectors. It causes incalculable loss and inconvenience to payees and erodes the credibility of cheques to a large extent," said a government official in the know of the matter, who refused to be named.The proposed changes will be placed before the winter session of Parliament, the official said. The changes are meant to address various representations from the public and the trading community.
Legal recourse against dishonoured cheques is long drawn as it is relatively easy to file appeals and obtain a stay on proceedings. A receiver of a dishonoured cheque has to spend considerable time and resources in court proceedings to realise the value of the cheque.
"Such delays compromise the sanctity of the cheque transactions," said the official quoted above.
Cheques are an integral part of the payments system, and form the backbone of trade, which often serve as the security for underlying trade transactions.
(Hindustan Times, December 15th, 2017)

24. *FinMin asks banks to open MSME intensive branches*

In order to increase credit availability to small businesses, the finance ministry has asked public sector banks to open MSME intensive branches.
Micro, small and medium enterprises (MSMEs), which are a huge employment generator in the country, contribute 40 per cent of the India's manufacturing.
To cater to the segment, banks have been advised to open specialised branches with skilled manpower to handle the requirement of employment intensive MSME sector, sources said.The decision to this respect was taken in the 'PSB Manthan' organised by the finance ministry.
Besides, they were also advised to strengthen cluster based lending, sources said, adding that branches would help in channelising loans to the sector which is engine of growth.
As many as 50 clusters have been identified for enhanced access to financing, sources added.
Small Industries Development Bank of India has revamped udyamimitra.in portal, so that banks compete for financing MSME projects.
The capital infusion, Jaitley had said, will be accompanied by reforms to enable the state-owned banks to play major role in the financial system and give a strong push to the job-creating MSME sector.
(The Times of India, December 17th, 2017)

25. *Govt to remove kerosene subsidy*

With the Centre's flagship energy schemes Pradhan Mantri Ujjwala Yojana (PMUY) and Saubhagya set to achieve their targets in the next two years, the subsidy on kerosene is likely to be phased out by 2020."We expect at least 95 per cent penetration (into households) of liquefied petroleum gas through the PMUY and also 100 per cent electrification (pushed by the Saubhagya scheme) to be a reality by 2020.
With the consumption of kerosene declining on a daily basis, the aim is to do away with the subsidy by then," said an official.
While there could be an increase in the subsidy on LPG (cooking gas), analysts said there would not be much net increase. For the first six months of FY18, the cumulative subsidy claims on LPG and kerosene to the petroleum ministry stood at Rs 9,079 crore. This will rise with the recent increase in global oil prices. The kerosene subsidy is expected to decline by 40 per cent from Rs 7,595 crore in 2016-17 to Rs 4,500 crore this financial year. According to the ministry's Petroleum Planning and

Analysis Cell (PPAC), kerosene consumption fell 33.7 per cent for the period April to October from the same period last year. "This was mainly because of reduced allocation to states and voluntary surrender of Public Distribution System quota by a few states.

(Business Standard, December 15th, 2017)

26. *Over 20-fold rise in KVIC honey exports to West Asia*

Honey, papad, hand-made paper and products made by the Khadi and Village Industries Corporation (KVIC) have emerged as the top export items. Export value of honey zoomed to Rs. 133.49 crore in 2016-17 to West Asian countries, from a mereRs.6.5 crore in 2015-16 and Rs.5.4 crore lakh in 2014-15.

The top importers of honey are countries such as the United Arab Emirates, Saudi Arabia, Libya, Oman and the US, according to a written reply by Giriraj Singh, MSME Minister (Independent Charge), to Lok Sabha.

The export value of papad in 2016-17 stood at Rs.69.4 crore (Rs.69.7 crore in 2015-16) to the US, the UK, France, Germany, Italy, the UAE, among others, while that of handmade paper & products traders through merchant exporters was at Rs.31.5 crore in 2016-17 — down from Rs.42.8 crore in 2015-16.

Overall, the export of KVIC products rose to about Rs.269.38 crore in 2016-17, up from Rs.140.12 crore in 2015-16 and Rs.124.39 crore in 2014-15. The products include Khadi woollen and silk, brass and metal, soaps, shampoos and lotions, readymade garments, hair oil and other cosmetics, handicrafts, pottery, silver nitrate among others.

"The Ministry is providing special incentives for promotion and introduction of KVIC products in international markets," the Minister said, adding that KVIC had obtained the status of Deemed Export Promotion Council from the Ministry of Commerce and Industry.

The Minister also informed the House that KVIC had applied to register "Khadi" as a word mark and "Khadi India" as a trade mark in 27 classes of various products. An online application for registration of "Khadi" as a trade mark under the international bureau in the European Union and other countries under 16 different classes has also been filed, Singh added.

(Business Line, December 18th, 2017)

27. *Insurance for MSME workers key to sector's growth: report*

In an effort to analyse workforce welfare in terms of healthcare coverage, Federation of Indian Chambers of Commerce and Industry (FICCI) and KPMG have conducted a joint study covering 219 Micro, Small & Medium Enterprises (MSMEs) across 15 manufacturing and services sectors.

The report titled 'MSME group health insurance penetration in India' was released by T. S. Vijayan, chairman, Insurance Regulatory and Development Authority (IRDAI). Among the major findings of the report is that "approximately 90% of MSMEs do not offer any financial aid for medical purposes to the families of employees and that most micro and medium enterprises offer no financial support to their employees and their families".

It also said that MSMEs preferred a basic cover of personal accident and critical illness with a focus on a reduction in premiums and coverage of employees and that they primarily prefer to purchase insurance through broking channels and bancassurance, with group health insurance penetration through online channels at a minimal level of about 6%.

Speaking after the report was released, G. Srinivasan, chairman, FICCI Health Insurance Committee and chairman and managing director, New India Assurance, said: "The MSME sector in the country is highly under penetrated in terms of healthcare cover. Hence, this segment offers a great opportunity for the health insurance industry to expand its outreach and increase accessibility to affordable healthcare."

Shashwat Sharma, partner and head, insurance, KPMG, said: "The Indian economy is one of the fastest growing in the world and the success of MSMEs is critical for maintaining India's growth story. A key aspect of this story would be providing access to quality healthcare and social security coverage to the largely informal or unorganised workforce employed in this sector. This could result in significant productivity improvement in this sector. The goal of improving healthcare coverage to the MSME workforce can be fulfilled through both development of infrastructure and delivering effective and affordable healthcare."

He added: "The government, the insurance regulator [IRDAI] and the insurance industry can together play a critical role in achieving this objective."

(The Hindu, December 20th, 2017)

28. *Funds raised via IPOs soar in Apr-Nov FY18*

As many as 117 companies have garnered a staggering Rs 62,736 crore through IPOs in the first eight months of 2017-18, much higher than the cumulative amount raised in the last five fiscals, Parliament was informed.

These 117 initial public offers (IPOs) include 28 main- board public offers and the remaining for small and medium enterprises (SMEs), Minister of State for Finance Pon Radhakrishnan said in a written reply to Lok Sabha.

During April-November of 2017-18 fiscal, a total of 117 companies raised Rs 62,736 crore through IPO route. This was much more than the cumulative amount of Rs 62,147 crore garnered in the last five financial years.

Besides, the ongoing fiscal has witnessed the highest IPO activity since 2007-08, when companies had mopped up Rs 52,219 crore through the route.

(Economic Times, December 22nd, 2017)

29. *Cisco India added 5,000 small and medium clients this year*

U.S.-based tech giant Cisco said it has seen strong traction in the small and medium business (SMB) segment and has added 5,000 new customers this year in India.

SMB is the fastest growing segment for Cisco in India, expanding at about 20% year-on-year.

"We are seeing significant traction in our SMB business, thanks to 'Start' portfolio. Since the launch of Cisco Start portfolio in FY17, we have on-boarded 5,000 new customers in a year," Cisco India and SAARC managing director (commercial sales) Sudhir Nayar told PTI.

He added that the company is on track to reach its aim of tripling its SMB customer base to 75,000 by 2020. The company currently has about 25,000-30,000 SMBs as its customers in India.

Earlier this year, Cisco had unveiled 'Start' to offer a new set of solutions to help clients go digital with wireless, secure connectivity for as less as $70 per user per year. The largest sector in SMBs for Cisco is IT/IT-enabled services. "We are also seeing strong demand from small scale manufacturing, retail, e-commerce, logistics, education, logistics, hospitality," he said.

(The Hindu, December 25th, 2017)

30. *Promotion of exports by MSMEs*

The Government's Foreign Trade Policy (FTP) recognizes the contribution of Micro, Small and Medium Enterprises (MSMEs) in exports. MSMEs contribute about 45 percent of the manufacturing output, over 40 per cent of the total exports of the country, and around 8 percent of the country's GDP.

i.The Foreign Trade Policy supports the MSMEs by offering specific incentives such as Interest Equalization scheme, under which all exporters who are MSMEs across all ITC (HS) codes are granted 3% rate subvention for pre and post shipment Rupee Export Credit with effect from 1st April, 2015 for five years.

ii.Further, the Merchandise Exports from India Scheme (MEIS) under the FTP incentivizes exports of all notified products manufactured/ produced in India including those manufactured/produced by MSMEs by granting duty credit scrips at the rate of 2, 3, 4, 5, and 7% of the FOB value of exported goods.

iii.Under the FTP the exporters achieving exports beyond a threshold limit are granted Status Recognition which entitles them for certain privileges like faster clearance of goods by customs and provision for free of cost exports, exemption from furnishing Bank Guarantee under the Export Promotion Schemes, etc. The MSMEs units are entitled for double weight-age in counting export performance while recognizing their eligibility for Status Certificate.

iv.Under the NiryatBandhu Scheme, 90 MSME clusters, which have been identified by DGFT are being targeted for imparting training/seminars regarding issues of international trade.

The highlights of the Mid Term review of the FTP announced in December, 2017 include

i.Under Merchandise Exports from India (MEIS), rate of incentives has been increased by 2% for labour intensive MSME sectors.

ii.This is in addition to already announced increase in MEIS incentives from 2% to 4% for Ready-made Garments and Made Ups in the labour intensive Textiles Sector.

iii.Incentives under Services Exports from India Scheme (SEIS) for notified Service providers have been increased by 2%

iv. A new scheme of Self-Assessment based duty free procurement of inputs required for exports has been introduced.

v.A new Logistics Division has been created in the Department of Commerce to develop and coordinate integrated development of the logistics sector, by way of policy changes, improvement in existing procedures and introduction of technology based interventions in this sector.

The Minister of State for Commerce and Industry Shri C.R.Chaudhary gave this information in a written reply to a question in Rajya Sabha.

(Ministry of Commerce & Industry, December 27th, 2017)

31. *Non-food credit offtake rises 8.8% SME loans up 4.6%*

Aided by a rise in loan offtake by the industry, overall non-food credit offtake rose by 8.8 per cent in November 2017 as against 4.8 per cent in the same month a year ago, the Reserve Bank of India (RBI) said. In October this year, non-food bank credit had risen by 6.6 per cent.

Significantly, advances to the industry rose by one percentage point in the reporting month compared to a 3.4 per cent point contraction in the year-ago month. According to the Reserve Bank of India data, loan offtake by small and micro industry rose by 4.6 per cent during the year ended November 2017 as against a decline of 7.7 per cent in the previous year. Loans to this sector rose by Rs 15,700 crore to Rs 359,200 crore in a year.

Soon after demonetisation of Rs 500 and Rs 1,000 notes in November 2016, thousands of small units were in dire straits and many of them had shut down operations. Most of them also defaulted on loan repayments.

Credit offtake by big industry rose by 0.8 per cent as against a contraction of 2.3 per cent in the previous year.

However, credit offtake by medium industry continued to decline by 8.3 per cent as against a decline of 10.1 per cent. The overall credit outstandings to the industry were Rs 26,04,100 crore as of November 2017.

However, credit to agriculture and allied activities increased by 8.4 per cent in the reporting month which is slower than the 10.3 per cent growth in the same month last year. Personal loans increased by 17.3 per cent compared to 15.2 per cent growth in the same moths last year.

“Credit to major sub-sectors such as infrastructure, vehicles, vehicle parts and transport equipment, basic metal and metal products and mining & quarrying contracted,” the central bank said. However, credit growth to textiles, chemical & chemical products, all engineering, food processing and construction accelerated.

Loans to the services sector increased by 14 per cent in the month, compared with 7.1 per cent in November last year, according to the Reserve Bank of India data

(The Indian Express, December 30th, 2017)

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effect on production cost)

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M - Motion (unnecessary motion within work area resulting in time waste)	D - Defects (repeated errors, avoidable errors)
W - Waiting (materials, information)	H - Human Resources (absenteeism, lack of team effort)

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

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The starting point for all training
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vi. Training results in improved robust management systems and practices.
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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.

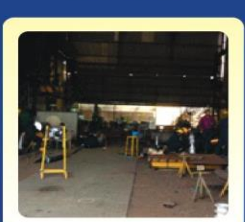
Results Achieved:

- 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:

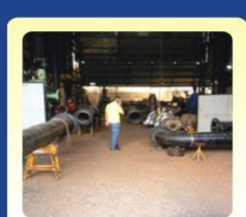
- SCORE program provided a new way of looking at the situation at the workplace and opportunity to brainstorm to find solutions within the available resources.
- Management and operators realized the benefits of 5S that it helps to identify hidden and unwanted materials and the monetary benefits that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