Edition: March 2018

Issue: 33

NEWSLETTER

IN THIS ISSUE………

1. ***Cabinet ups guarantee to NAFED, clears anti-trafficking Bill***

The Centre approved the doubling of government guarantee given to lender banks for providing credit limited to the National Agricultural Cooperative Marketing Federation of India (NAFED). The Cabinet Committee on Economic Affairs has given its nod to increase the guarantee to Rs. 19,000 crore from existing Rs. 9,500 crore and cleared the continuation of the Prime Minister's Employment Generation Programme (PMEGP) for three years till FY20, with a total outlay of Rs. 5,500 crore.

The hike in guarantee would help NAFED increase its procurement so that farmers are prevented from resorting to distress sales as prices of almost all pulses and oilseeds are currently below the minimum support price (MSP) notified by the government. The Cabinet also regularised and extended guarantee given on credit given to the Small Farmers' Agri-Business Forum for Rs. 45 crore.

The PMEGP, for which the Khadi and Village Industries Commission (KVIC) is the nodal implementation agency at the national level, is estimated to create additional employment opportunities for 15 lakh people. Under the scheme, each district in the country will award a minimum of 75 projects that will help traditional artists and unemployed youth in rural as well as urban areas to set up micro-enterprises. First launched under the Ministry of Small and Medium Enterprises in 2008-09, the PMEGP scheme has helped create 4.55 lakh micro-enterprises providing employment to an estimated 38 lakh people with a margin money subsidy of Rs. 9,564 crore.

The Cabinet also gave the green signal to a proposal of the Department of Commerce to give focused attention to 12 identified service sectors, including accounting and financing, communications, construction, educational, environmental, information technology, tourism, hospitality, educational, logistics and transport. The initiative is contemplated to increase India's share in global services exports to 4.2 per cent by 2022 from 3.3 per cent in 2015, Union Telecom and IT Minister Ravi Shankar Prasad told. A dedicated fund of Rs. 5,000 crore has been created to support various sectoral action plans to be taken up under this champion services sectors initiative, which would be closely monitored by a committee of secretaries headed by the Cabinet Secretary.

The Cabinet also gave its approval to a new anti-tracking Bill, which Minister for Woman and Child Development Maneka Gandhi said will be tabled in Parliament in the ongoing session. The Trafficking of Persons (Prevention, Protection and Rehabilitation) Bill, 2018, she said, puts more emphasis on rehabilitating victims, independent of criminal proceedings initiated against the perpetrators.

This comprehensive law tries to address the issue of trafficking from the point of view of prevention, rescue and rehabilitation, she said. It would cover all forms of trafficking including for forced labour, begging, and for marriage, she added. Maneka also said the National Investigation Agency will perform the tasks of the Anti-Trafficking Bureau at the national level and a bill will be prepared separately by the Home Ministry for this purpose.

The Cabinet also cleared a slew of bilateral treaties between India and Jordan, whose King Abdullah II bin Al-Hussein visted India.

(Business Line, February 28th, 2018)

2. ***RBI lifts per-borrower loan cap for MSMEs***

In view of the increasing importance of the services sector and to encourage banks to lend more to this sector, the Reserve Bank of India has decided to do away with the per borrower loan limits to Micro/ Small and Medium Enterprises (Services) for classification under priority sector lending. So far, loans to Micro/ Small and Medium Enterprises (Services) up to Rs. 5 crore and Rs. 10 crore, respectively, were classified as priority sector lending (PSL).

Since the per borrower loan limits to Micro/ Small and Medium Enterprises (Services) have been removed, all bank loans to MSMEs engaged in providing or rendering services as defined in terms of investment in equipment under the MSMED Act, 2006, will qualify under priority sector without any credit cap, the RBI said in a notification. Priority Sector lending usually includes lending to segments such as agriculture; micro, small and medium enterprises; export credit; education; housing; social infrastructure; and renewable energy.

Meanwhile, the RBI said foreign banks with 20 or more branches will have to meet sub-targets for lending to small and marginal farmers and micro enterprises from FY2018-19, according to the Reserve Bank of India. This decision has been taken after undertaking a review of the priority sector lending profile of the foreign banks, and to create a level-playing field within banks.

According to RBI data, as on March-end 2017, only three foreign banks had 20 or more branches in India – Standard Chartered Bank (100 branches), Citibank N.A.(40), and Hong Kong and Shanghai Banking Corporation Ltd. (26).

The RBI said the sub-target of 8 per cent of Adjusted Net Bank Credit (ANBC), or Credit Equivalent Amount of Off-Balance Sheet Exposure (CEOBE), whichever is higher, will become applicable for the foreign banks with 20 branches and above for lending to small and marginal farmers from FY 2018-19.

(Business Line, March 1st, 2018)

3. *MSMEs to play key role in job creation in Haryana*

The Haryana government will table its last full-fledged Budget, before it begins preparations for the Assembly elections, to be held in 2019. Chief Minister Manohar Lal Khattar emphasized the importance of skill development among the youth and subsequent job creations among them. The head of the state raised the significance of micro, small-scale, medium enterprises (MSMEs) in absorbing the growing number of job aspirants.

Providing the figures, Khattar said that while 37,000 aspirants have been placed after the skill development, their target was over two lakh placements. With over 8,000 MSMEs, Gurugram is the leader in the state in the small scale enterprises. Auto ancillary, information technology and garment exports, for long, have played a crucial role in propelling the region's economy. However, most of these units are now facing various challenges.

A major contributor of revenue to the government, the garment exports units in the city is today facing financial difficulties. The situation does not look bright for other garment export units too, with foreign buyers now heading to markets like Bangladesh and South East Asia. Owners highlight that the margin of profits for most of the units in the city have reduced to 40 per cent.

Shortage of skilled labour and rising infrastructural costs is further resulting in losses to smaller garment export units, that are unable to meet the production standards of newer markets. Despite the numerous shortcoming, owners of over 800 garment export units had welcomed the Union Budget for keeping the slab of corporate tax to 25 per cent for companies with Rs 250 crore turnover.

(Millennium Post, March 4th, 2018)

4. *Committee to regulate fintech sector set up*

The Centre has set up a steering committee under the chairmanship of the Economic Affairs Secretary to look into the development and regulation of the fintech sector in India. The move follows an announcement by Finance Minister Arun Jaitley in the Budget. The objective of the panel is “to consider various issues relating to development of fintech space in India with a view to make fintech-related regulations more flexible and generate enhanced entrepreneurship in an area where India has distinctive comparative strengths vis-à-vis other emerging economies”

The panel will also focus on how fintech can be leveraged to enhance financial inclusion of Micro, Small and Medium Enterprises. The panel will also include among its members the Electronics and Information Technology Secretary, the Financial Services Secretary, the MSME Secretary, the Chairperson of the Central Board of Excise and Customs, Chief Executive Officer of the Unique Identification Authority of India, a Deputy Governor of the Reserve Bank of India, and a Joint Secretary Department of Economic Affairs.

(The Hindu, March 6th, 2018)

5. *Promoters of stressed MSMEs to get relief*

In a move aimed at providing relief to the micro, small and medium enterprises (MSMEs), a panel set up to look into various issues relating to the Insolvency and Bankruptcy Code (IBC) is considering allowing promoters of MSMEs to bid for their stressed assets even without clearing dues if they are not willful defaulters.

As part of its efforts to expedite the insolvency process, the panel is also examining the possibility of trimming the share of votes required for approving a resolution plan by the committee of creditors to anywhere between 60% and 66%, against the current 75%. It is also considering relaxing the related-person criterion without diluting the soul of it to enable a smoother implementation of the law, the sources said.

“These issues are being discussed but a final decision will be taken only after deliberations are over,” said a senior government official. “There are deliberations on how MSMEs can be given some relief, whether we can have a separate window to address their cases,” he said.

In November last year, the government disallowed wilful defaulters and dubious promoters from submitting insolvency resolution plan. It also barred those whose accounts have been classified as non-performing assets for at least a year. However, such defaulting promoters can bid for their companies only after they clear the overdue amounts with interests and other charges. The government also restricted the participation of those related to or connected to promoters in some way or the other in the resolution process.

The latest move comes amid the realisation that MSMEs are mostly driven by promoters, who are the ones that are interested in bidding for their stressed firms in an insolvency resolution process. Since there is hardly any third-party interest in a stressed MSME, unlike large companies, almost all of them are set to go for liquidation. This will result in job losses, a scenario the government wants to avoid. As such, all the 60-odd companies that are going for liquidation are MSMEs. By contrast, the large sick companies, including Bhushan Steel and Essar Steel, have gathered interests.

Of close to 600 firms where insolvency proceedings have so far been initiated, around 80% are MSMEs. According to the new classification, firms having annual turnover up to Rs 5 crore fall under the 'micro' category. Units having turnover between Rs 5 crore and Rs 75 crore will be classified as small enterprises, According to Mamta Binani, a member of the All India Insolvency Professionals Association, in the absence of bidders, MSMEs are compulsorily heading for liquidation once the resolution period is over.

(Financial Express, March 10th, 2018)

6. *Manufacturing outlook positive for Q4: Ficci*

Manufacturers in the country have a positive outlook for the sector in the January-March quarter on the back of higher production, a report by industry body FICCI said.

"the percentage of respondents reporting higher production in fourth quarter has increased significantly vis-à-vis previous quarter of 2017-18. The proportion of respondents reporting higher output growth during the Q4 2017-18 has increased significantly to 55% from 47% in Q3," FICCI said in its latest quarterly survey on manufacturing.

Also, the percentage of respondents reporting low production has come down to 11% in the fourth quarter from 15% in the preceding quarter, it added. In terms of order books, 51% of the respondents said they are expecting higher number of orders as against 42% in the previous quarter, which is "a sign of revival", the industry body said.

The survey assessed the expectations of manufacturers in 12 major sectors including automotive, capital goods, pharmaceuticals, food products and textiles among others. Responses have been drawn from over 300 manufacturing units from both large and SME segments with a combined annual turnover of over Rs3 lakh crore. The report said high growth is expected in the automotive and capital goods segments in Q4.

(Live Mint, March 11th, 2018)

7. *MoMSME launches Udyam Sakhi portal for women entrepreneurs*

On the occasion of International Women's Day, the Ministry of Micro, Small and Medium Enterprises(MSME) launched a portal for women entrepreneurs of India: www.udyamsakhi.org. The portal was unveiled by the Minister of State (Independent Charge) of MSME, Giriraj Singh, in a program at the Ambedkar International Centre, New Delhi. The portal is a network for nurturing entrepreneurship and creating business models for low cost products and services in order to empower women and make them self-reliant and self-sufficient. The portal provides assistance through its platform for entrepreneurship learning tools, incubation facility, training programs for fund raising etc.

(Press Information Bureau, March 8th, 2018)

8. SME loans under Rs 10L see 32% growth in 2017

The silver lining in the credit story is the 32% growth in loans to small businesses in the sub-Rs 10-lakh segment in 2017. The sector is getting more credit after a new law post-demonetisation barred cash transactions and introduction of GST forced businesses to formally report all sales. With only five million of the total 50 million small businesses in the country availing credit, this is likely to be the next big sector for lenders.

The first comprehensive report on credit to small businesses in India was released by the Small Industries Development Bank of India (SIDBI) and TransUnion Cibil. The report, which analyses repayment behaviour of all five million small businesses that have availed formal loans, shows that micro, small and medium enterprises (MSME's) have much lower non-performing asset (NPA) rates (8-12%) than large (16%) or mid corporates (15%). Specifically, MSMEs with exposure between Rs 10 lakh-5 crore have among the lowest delinquency rates.

"This report has been created to provide data on small industries in a structured form to policymakers and lenders for intervention," said Mohammed Mustafa, chairman, SIDBI. "There are many states which have a large number of MSMEs, but credit is not available to them. Policy intervention is required because there are still 45 million MSMEs without access to credit," he added. An interesting insight from the report is that as against Rs 77,000 crore of reported NPAs, there is Rs 8,000 crore of stressed loans and Rs 26,000 crore of loans where borrowers have been irregular in their repayments. This indicates that the stress in the sector is not fully recognized.

"There has been an information asymmetry in this segment. Within the states and industries, quantitative knowledge of what is good and bad is not known to lenders because this kind of data was not hitherto available," said Satish Pillai, MD & CEO, TU Cibil. Of the overall lending to commercial credit of over Rs 51 lakh crore, micro credit (loans below Rs 1 crore) account for only Rs 3.5 lakh crore, while SME loans (Rs 1-25 crore) add up to Rs 8.2 lakh crore. Within MSMEs, the Rs 10-50 lakh segment is growing at 17.1% and the Rs 50 lakh-1 crore has been growing at 15.6%. According to Pillai, after GST, four-lakh first-time borrowers took loans between July and December 2017. In the preceding six-month, only about 3 lakh new borrowers were added.

(The Times of India, March 13th, 2018)

9. *PSU banks lose ground to others in SME lending*

Public sector banks (PSBs), traditionally dominant in lending to small and medium enterprises (SMEs) are now facing a strong challenge mounted by private banks and finance companies to win away this business.

According to a TransUnion CIBIL analysis, a combination of high credit demand and relatively low bad loans (low rates of accumulation of non-performing assets or NPAs) makes lending to micro enterprises and SMEs (the MSME sector) among the most attractive of target segments. The MSME credit opportunity stands out in a period where credit growth to large corporates is somewhat constrained.

Private banks and non-bank financial companies (NBFCs) have made significant inroads in this segment. The market share here of private banks has grown from 25.4 per cent to 28.5 per cent and of NBFCs from 7.9 per cent to 10.4 per cent during the two year period from December 2015 to December 2017. In the same period, the market share of PSBs has reduced from 61.5 per cent to 55.4 per cent, CIBIL said.

The share of multinational banks has been low in this segment due to the relaxed priority sector lending norms for them. However, with the new Priority Sector Lending guidelines requiring these (with more than 20 branches) to be at par with Indian banks on MSME lending by March 2018, even they are expected to grow their loans to this segment.

On asset quality trends in MSME lending, there are significant differences across lenders. Private banks and finance companies exhibit NPAs in the range of 3.5-5 per cent. State-owned lenders show a higher level of bad loans, of 10-12 per cent; it rose here from 10.3 per cent in December 2015 to 12.4 per cent by December 2017. The NPA rate has been stable for private banks.

Meanwhile, even as the economy has largely recovered from the shocks of demonetisation and Goods and Services Tax implementation, micro enterprises with borrowings under Rs 1 million are yet to fully recover. "MSMEs with exposure from Rs 1 million to Rs 100 million have recovered to pre-demonetisation levels (but) the segment with exposure of less than Rs 1 million has not to that extent," according to the report.

It says the situation has improved in all segments except those with borrowings less than Rs 5 million, where systemic exposure has not caught up with pre-demonetisation levels. Overall exposure of the formal financial system to the MSME sector was Rs 11.75 trillion of the total credit of almost Rs 100 trillion.

(Business Standard, March 14th, 2018)

10. *Govt makes a case for national e-com policy*

The Government made a case for a national e-commerce policy and a related consolidated legal framework to address the challenges of the sector and realise the opportunities in the global business-to-consumer (B2C) space. "Most important for us at this point of time as policy-makers and also as stakeholders who are at the receiving end. We do not have a national e-commerce policy and we do not have a consolidated legal framework to deal with it.

"So if we look at the e-commerce. We do need a broad policy that looks at the broad elements, that we will use to realise the opportunities," Commerce Secretary Rita Teaotia said addressing a workshop on e-commerce. She said Department of Commerce was grappling with the issue of who owns the B2C e-commerce space as within the government, there are multiple policy-makers and regulators like departments of IT, industrial policy, revenue, posts, and RBI. "So there are a fairly large number of players in the government itself. And all of them need to come on the same page," Teaotia said.

She said India first needs to ensure readiness of its own companies for accessing global markets before talking about rule-making on the global front, observing that there are differences in the definition of MSME in the US, Germany and India. "The World Trade Organisation (WTO) is not a talk shop unlike the United Nations and UNCTAD. When you go to WTO you are talking about global rules for trade and when you talk about global rules you have to be ready. This is not lightly done.. Getting very excited about MSMEs on the global rule-making platform is unwise unless you know you are comparing apples to apples", Teaotia said.

(The Pioneer, March 15th, 2018)

11. *Defence firms eye opportunities as minister talks-up Chennai- Bengaluru industry corridor*

With the Budget announcing a Chennai-Bengaluru defence industrial corridor, firms in the Coimbatore industrial hub are gearing up for potentially lucrative opportunities in the defence manufacturing sector.

In New Delhi, Defence Minister Nirmala Sitharaman pledged her ministry's support to the "defence production corridor". She said the stretch from Chennai to Bengaluru, passing through Trichy, Coimbatore, Salem and Hosur, housed a sprawl of ordnance factories and defence public sector units, ready buyers for what small and medium industries in the corridor would produce.

Hoping to benefit are engineering firms such as the Coimbatore-based Shanthi Gears from the low-profile Murugappa Group, a Rs 300 billion group that employs 35,000 workers in 28 companies with 55 manufacturing locations worldwide. Shanthi Gears, a subsidiary of Tube Investments of India (TII), is currently a high-tech supplier of gearing to the automobile industry. It hopes the new corridor would lead to greater participation.

Like many defence small and medium enterprises that hope to benefit from the Chennai-Coimbatore corridor, Shanthi Gears focuses strongly on technology. Even though its parent company, TII, already operates a large R&D centre, Shanthi Gears got its own R&D Centre approved last year by the Department of Scientific and Industrial Research, which functions under the Ministry of Science and Technology.

Hoping to harness the expertise of firms such as Shanthi Gears, Sitharaman has been promising that the ministry will handhold private industry. More than half of her 23-minute talk at an industry gathering in Delhi was devoted to assuring support to private firms.

"In every town that is a milestone in the corridor — Chennai, Trichy, Coimbatore, Salem, Hosur — each has had extensive consultation process, [where the defence ministry] explained what we were looking for and what they want in turn from the ministry, so that their production capabilities can be enhanced. Investment in common facilities, testing labs, etc — anything they think would be better for the government to invest, we will work it out with them," said Sitharman.

"All this will culminate in the second week of April in the Defexpo 2018 (in Chennai). For SMEs, we have announced a 50 per cent reduction in space rental. Accent is being given for them to become active in finding buyers and partners and making sure they can display all that they can do," she said. While firms like Shanthi Gears are savouring this unaccustomed attention, their success or failure will eventually hinge on how much equipment the services procure, and whether the finance ministry supplements the allocations in the Budget, which have already been criticised by the military.

(Business Standard, March 16th, 2018)

12. *MSMEs get a big push*

The sector of micro, small and medium enterprises is on the path of revival as the government has increased its budgetary allocation by 59 per cent for 2018-19. Union Minister of State (I/C) for Micro, Small and Medium Enterprises Giriraj Singh emphasized the government's motivation to make MSME a conducive and dynamic sector.

The Government has set a target to provide employment through khadi to over five crore people. The department has started a project to establish khadi clusters in 800 villages. As per the project, the government has decided to rope in khadi institutions with a turnover ranging from Rs 2 crore to Rs 50 crore for adopting villages. The Ministry has already provided Rs 75 lakh to khadi institutions for adopting 400 villages. Since Prime Minister Narendra Modi has become the brand ambassador of khadi, its turnover has increased from Rs 811 crore to Rs 2,200 crore and the sale of village industries products has reached Rs 52,000 crore.

Government is also bringing in the solar charkha mission under which 500 clusters would be established in almost every parliamentary constituency, which would create employment for five crore people. Presently, the solar charkha scheme is in operation in Surat (Gujarat), Nawada (Bihar), and Varanasi (Uttar Pradesh).

MSME sector is the second largest sector of employment after agriculture, the government has increased the budgetary allocation for the ministry by 59 per cent for the year 2018-19, which shows how serious we are about the holistic growth of the MSME sector.

Government has also started preparing a data bank by creating the Udyog Aadhaar Memorandum to tabulate the actual data of the registered entrepreneurs in the sector. As per the NSSO data, there are six crore MSME entrepreneurs and 12 crore people are directly employed with the sector. Out of the six crore traders, there are over one crore female entrepreneurs.

The government has taken several key initiatives to make the MSME sector distress-free by bringing about changes in the law, pumping in funds, etc. Ministry has also increased the collateral free loan amount under the Credit Guarantee Fund Trust for Micro and Small Enterprises from Rs 1 crore to Rs 2 crore and the risk cover percentage has been increased from 50 per cent to 75 per cent. The government has also increased the corpus fund from Rs 2,500 crore to Rs 7,500 crore and from 2018-19 onwards, it will be above Rs 8,000 crore to better the fund availability for MSMEs.

Ministry has scrapped over 1,800 redundant legislations to ease the process of registration, business development, credit guarantee, etc. It has launched mobile apps to ensure that the registration process is hassle-free. Now, entrepreneurs would not have to run from pillar to post for the registration of their firms as they can do it through the mobile app by autonomously declaring their credentials. It's indeed a big move to create a stress-free environ for our entrepreneurs.

Ministry has created the Samadhan portal for the timely redressal of grievances related to delay in payment. The traders would only have to register themselves with the portal and their payments would be directly transferred to their registered account within 45 days. Just in few months, after the portal was started in last October, payment disputes of Rs 131 crore have been settled mutually without any ministerial-level interventional.

A total number of 3,558 complaints amounting to Rs 862 crore were registered on the portal and out of that payment, disputes of Rs 131 crore have been resolved while the remaining complaints would also be sorted out gradually. Since the portal is being monitored by all the departments including the PMO, it is acting as a game-changer in the process of payment recovery.

It is a landmark decision as the definition has been changed to provide a much-needed fillip to the MSME sector. As per the new classification, a microenterprise will be defined as a unit with an annual turnover of less than or equal to Rs 5 crore; a small enterprise with an annual turnover of more than Rs 5 crore and less than Rs 75 crore and a medium enterprise with an annual turnover of more than Rs 75 crore and less than Rs 250 crore. Now, there will be no inspector raj as no inspector would probe the MSME entrepreneurs on the purchase of costly machines. The definition of MSME is based on the investments in plant and machinery and it would improve the ease of doing business by avoiding unnecessary inspections and enabling the authorities to verify claims of businesses using the sales data they have generated from the GST Network, the company that processes goods and services tax (GST) returns.

Ministry has taken several initiatives to promote aspiring entrepreneurs from the Scheduled Caste and Scheduled Tribes categories. It launched an SC-ST Hub in 2016, which is an e-platform that serves as a support system exclusively for new age entrepreneurs from the SC & ST communities. The platform is providing assistance in marketing, vendor development, manufacturing and technology upgradation through various schemes.

On the lines of big players, the NSIC also helps small traders by procuring raw material in bulk and distributing the same to small enterprises at an affordable rate. The NSIC is helping in completing tender documents of the entrepreneurs apart from providing manufacturing and marketing assistance. The body of small entrepreneurs actively supports traders in payment recovery. Similarly, with the help of the Coir Board, which is providing employment to over seven lakh people, the government has started manufacturing Coir-based products in northern parts of the country by bringing in the raw materials from the South. It is the outcome of our dedicated efforts that the export of Coir Board has been doubled in about four years from Rs 11 crore to Rs 22 crore.

(Millennium Post, March 16th, 2018)

13. GSTN data may be used to reach out to MSMEs

The government is working on structuring a two-month programme, leveraging data captured by the GST Network, to apprise small businesses of the schemes it has implemented to support them and handhold them to avail of those, senior officials said. GSTN, a not-for-profit non-governmental organisation that manages the entire IT system of the goods and services tax portal, has more than 95 lakh micro, small and medium enterprises (MSMEs) listed on it.

The decision the launch the outreach programme was made over the past few weeks, officials said, after a meeting chaired by Prime Minister Narendra Modi where he tasked them to put together a working plan to communicate better with small businesses. "We have taken up with GSTN and we will sign an understanding with them on how the data can be used, specifically to reach out to lakhs of small and micro businesses. We have had several rounds of discussions,' MSME secretary Arun Kumar Panda told.

"The Centre wants much more credit flow into the micro and small enterprises, while looking to ensure more entrepreneurs, looking at starting ventures of their own, get access to finance. In this regard, we have taken several decisions to address the challenges of credit and delayed payment, and may look to overhaul the public procurement policy," he said.

The government wants to highlight the initiatives it has taken and ensure that the MSMEs have actually benefited from those. Just a month after demonetisation was announced, the PM, in December 2016, had said that the MSME was a priority area for the government, announcing a three-fold increase of the credit fund meant for the sector.

Officials said the focus of the outreach will be on 115 "aspirational" districts. Aspirational districts have been defined as among the most backward areas, but which have been prioritised by the Centre for the implementation of its schemes.

"States will have to decide how to go about it. But we will send our teams there and identify beneficiaries," Panda said. The initiative is mainly aimed at engaging with the small and micro businesses, and informing them of the structural reforms taken by the government, such as the threefold increase in the credit guarantee fund to Rs 7,500 crore.

"The problem was that the fund was over-leveraged. It has now been enhanced, which has solved the problem. Banks now have a greater comfort level that even if the loans go bad the credit fund can handle it. Also, the credit fund now can disburse loans to entrepreneurs requiring up to Rs 2 crore, instead of Rs 1 crore," an official said.

The Centre has also decided that if non-banking financial companies were willing to finance entrepreneurs, it would extend the guarantee to them as well.

(The Economic Times, March 20th, 2018)

14. Cabinet approves North-East Industrial Development Scheme (NEIDS) 2017

The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved the North East Industrial Development Scheme (NEIDS), 2017 with financial outlay of Rs.3000 crores upto March, 2020. Government will provide necessary allocations for remaining period of scheme after assessment before March 2020. NEIDS is a combination of the incentives covered under the earlier two schemes with a much larger outlay.

In order to promote employment in the North East States, Government is incentivizing primarily the MSME Sector through this scheme. Government is also providing specific incentive through the scheme to generate employment. All eligible industrial units, which are getting benefits of one or more components of other schemes of the Government of India, will also be considered for benefits of other components of this scheme. Under the Scheme, the following incentives shall be provided to new industrial units set up in the North Eastern States including Sikkim.

Central Capital Investment Incentive for Access to Credit (CCIIAC): 30% of the investment in Plant & Machinery with an upper limit of Rs.5 Crore on the incentive amount per unit.

Central Interest Incentive (CII): 3% on working capital credit advanced by eligible Banks/ Financial institutions for first 5 years from the date of commencement of commercial production by the unit.

Central Comprehensive Insurance Incentive (CCII): Reimbursement of 100% insurance premium on insurance of building and Plant & Machinery for 5 years from the date of commencement of commercial production by the unit.

Goods and Service Tax (GST) Reimbursement: Reimbursement up to the extent of Central Govt. share of CGST and IGST for 5 Years from the date of commencement of commercial production by the unit.

Income-Tax (IT) Reimbursement: Reimbursement of Centre's share of income tax for first 5 years including the year of commencement of commercial production by the unit.

Transport Incentive (TI): 20% of the cost of transportation including the subsidy currently provided by Railways/ Railway PSU for movement of finished goods by rail. 20% of cost of transportation for finished goods, for movement through Inland Waterways Authority of India. 33% of cost of transportation of air freight on perishable goods (as defined by IATA) from the airport nearest to place of production toany airport within the country.

Employment Incentive (EI): The Government shall pay 3.67% of the employer's contribution to the Employees Provident Fund (EPF) in addition to Government bearing 8.33% Employee Pension Scheme (EPS) contribution of the employer in the Pradhan MantriRojgarProtsahanYojana (PMRPY).

The overall cap for benefits under all components of incentives will be of Rs. 200 crores per unit. The newly introduced scheme shall promote industrialization in the States of the North Eastern Region and will boost employment and income generation.

(Business Standard, March 22nd, 2018)

15. ***Export, Job targets in draft defence production policy***

A draft defence production prepared by the government visualises India as one of the top five countries in the aerospace and defence sectors in the coming years, with defence goods and services accounting for a turnover of Rs. 1.7 lakh crore by 2025. The Draft Defence Production Policy 2018 said achieving the target would require an investment of Rs. 70,000 crore and create up to three million jobs. Another goal set out is to clock exports worth Rs. 35,000 crore by 2025. It seeks to cut down by 2025 the dependence on imported military hardware such as fighter jets, helicopters, warships, combat vehicles, missiles, small arms, ammunition, surveillance systems, and night fighting enablers.

The Centre had declared in Budget 2018-19 that it would introduce an industry-friendly production policy to boost domestic production by public sector, private sector and micro, small & medium enterprises (MSMEs). Stakeholders have been given time till March 30 for their comments on the policy.

The foreign direct investment (FDI) regime could also be further liberalised. “FDI up to 74% under automatic route will be allowed in niche technology areas,” the document said. It said start-ups will be involved in technology development in aerospace and defence sectors.

(The Hindustan Times, March 23rd, 2018)

16. ***MSME credit to grow at 12-14% in 5 yrs: ICRA***

The credit to micro, small and medium enterprises (MSMEs) is expected to grow at 12-14 per cent over the next five years, helped by higher lending by non banking finance companies (NBFC) to the segment, says a report. As on March 2017, credit to MSMEs stood at Rs 16 trillion.

NBFC and housing finance companies are expected to expand at about 20-21 per cent compounded annual growth rate (CAGR) in this space during the period, while bank credit to this segment, which accounted for about 84 per cent of total MSME credit, is estimated to grow at a lower CAGR of 9-11 per cent, according to a report by ICRA.

"Non-banks share in the MSME credit pie should expand to 22-23 per cent by March 2022 compared to 16 per cent in March 2017. Non-banks, with their niche positioning, differentiated product offering, good market knowledge and large unmet demand, would be able grow at a healthy rate vis-a-vis banks," the rating agency's assistant vice president and sector head, A M Karthik said. He added there is large unmet credit demand in the MSME segment, which was estimate to be about Rs 25 trillion in FY2017.

"Notwithstanding the estimated growth, the unmet credit demand quantum is likely to increase further, going forward," he said. With large corporate credit expected to remain sluggish, at least over the next one-two years, the bank credit to the MSME segment is expected to be around 9-11 per cent with public sector banks growing at 7-9 per cent and private banks at 16-18 per cent, the report said. Banking NPAs in the MSMEs segment stood high at about 8.4 per cent in March 2017 while that of non-banks stood at about 3 per cent as on that date.

The report said notwithstanding the moderate seasoning of the portfolio, non-banks have a more flexible and customised credit assessment for this segment and have steadily been moving to lower ticket loans, in view of the asset quality pressure in the large ticket loans and better yields in the smaller ticket loan categories. "While non-bank asset quality is expected to

worsen from current levels, the extent of deterioration may be lower than that witnessed in banks," the report said.
(The Times of India, March 19th, 2018)

17. *Food safety authority to reclassify businesses to align with GST*

Food safety and Standard Authority FSSAI said it will reclassify food businesses on the basis of turnover to align with the goods and services tax (GST). Under the GST regime, implemented from July 1, 2017, businesses with an annual turnover of over Rs 20 lakh are required to pay GST.

"We are in the process of amending the licensing and registration norms. Under this, we are going to reclassify the kind of food businesses (KoB) on the basis of turnover to align with GST and MSME norms," Food and Safety Standards Authority (FSSAI) CEO Pawan Kumar Agarwal said. Accordingly, the number of KoBs will be reduced from the current 17 to 8. For instance, a category of food businesses whose annual turnover is Rs 12 lakh will be increased to Rs 20 lakh, he added.

Alongside, FSSAI is developing an e-system to monitor if food businesses are complying with safety norms. The compliance monitoring system will be ready in the next 2-3 months. "A track record of each food business will help while issuing fresh license for new products. Right now, we don't have a proper record at one place," he added.

While issuing licence, the regulator will also see if the company has complied with labelling norms and product standards, among others, Agarwal said. "These parameters will also be attached while issuing licence," he said. To promote hygiene in restaurants and hotels, FSSAI has prepared a framework and awaiting provisions to be in place to hire a third-party agency to conduct the rating, he said.

"We are ready with the framework. But who will do the rating? Globally, it is done by the regulatory staff. Since our staff is limited, we are exploring a third party agency," he said. To begin with, states will be asked to do the hygiene rating in select cities. "As we gain confidence, we will make it compulsory," he added. Agarwal said the regulator is focusing on self-compliance of food safety norms, for which the businesses are being trained to ensure there is at least one trained food safety advisor/officer in each business.

So far, 800-odd training programmes have been conducted covering 18,000 personnel. "As we create the capacity, we are going to make it mandatory in phased manner in the next 1-2 years," he added.
(Money Control, March 27th, 2018)

SCORE

FICCI

International Labour Office

Opportunity for MSMEs to increase

'COST COMPETITIVENESS, QUALITY & ON-TIME DELIVERY'

effect on production cost)

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

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

Enroll in SCORE

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

SCORE Modules

Module 1:
Workplace Cooperation
- A foundation for business sucess

The starting point for all training

- **Unite employees around shared targets**
- **Involve the entire workplace in continuous improvement**

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

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

Our USPs

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

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

Contact us for details:
Ms. Shraddha S. Sabharwal
National Coordinator
FICCI-Centre for SCORE & IR Training Services in India
Federation House, Tansen Marg, New Delhi – 1100001
Ph: + 91 11 23708215, 23487230
Email: score@ficci.com

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.

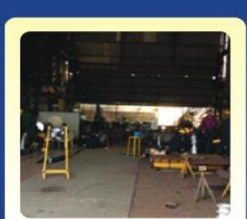
Results Achieved:

- 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:

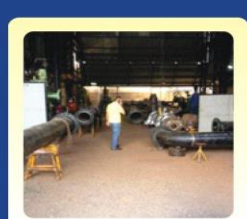
- SCORE program provided a new way of looking at the situation at the workplace and opportunity to brainstorm to find solutions within the available resources.
- Management and operators realized the benefits of 5S that it helps to identify hidden and unwanted materials and the monetary benefits that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

FICCI
CMSME

Empowering MSMEs

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

INVITING MEMBERSHIP




FICCI CMSME and IDBI Bank Partnership

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

Other Membership Benefits

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

For more details contact:

Hemant Seth
FICCI- CMSME, Federation House, 1, Tansen Marg, New Delhi 110 001
Tel: 91-11-23487307/ 23487260; Email: cmsme@ficci.com