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NEWSLETTER

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MSME News Update

1. ***22,000 rural markets to be linked to e-NAM by 2020: Govt***

The Centre announced that 22,000 rural markets would be linked to the Electronic National Agriculture Market (e-NAM) by 2020 as part of its drive to double the income of farmers.

The e-NAM is a pan-India electronic trading portal, a network of the existing Agricultural Produce Market Committee (APMC) mandis to create a unified national market for agricultural commodities. The portal provides a single window service for all APMC related information and services.

"22,000 rural haats will be upgraded to Gramin Agricultural Markets and linked with the e-National Agriculture Market to enable farmers sale directly to potential buyers," Union Minister of State for Agriculture Gajendra Singh Shekhawat said.

Shekhawat was addressing the "AgriVikas 2018", a conclave on agriculture and allied sectors, here.

Stating that 585 e-mandis were connected to the e-NAM under agricultural market reforms, he said it is essential to develop entrepreneurship in the farm sector as India is capable of meeting the demand of global food industry.

Shekhawat made a slew of suggestions on development of farm sector and emphasised the need to make farmers aware of the latest information on scientific research on the sector.

Inaugurating the two-day meet, Union Petroleum Minister Dharmendra Pradhan said the Central government is committed to translate the dream of doubling the income of farmers into a reality for which many steps are being taken.

Union MSME Minister Giriraj Singh elaborated on the methods by which the ministry was promoting value addition of agricultural products.

(Financial Express, June 29th, 2018)

2. ***Govt to roll out interest subvention scheme for smaller drug makers***

The Union government is ready to roll out an interest subvention scheme for small pharma companies, who wish to upgrade their infrastructure and technology. Under the scheme, the government will bear interest burden of 6% on loans up to ₹4 crore for a period of three years.

The department of pharmaceuticals (DoP), which has proposed the scheme, has budgeted ₹144 crore for 2018-20, and aims to help around 250 pharma small and medium enterprises (SMEs), according to documents reviewed by Mint.

Pharma companies utilizing the scheme must achieve incremental export revenue in excess of the sanctioned loan amount within 36 months of the last draw of the loan; failure to do so will attract penalty and the loan will be converted into a regular loan by the financial institution.

The subvention amount credited to the loan account with the sanctioning commercial bank/financial institution will stand withdrawn.

The scheme is aimed at providing interest subvention to small and medium-scale pharmaceutical units having good manufacturing practices (GMP)-compliant manufacturing facilities both for bulk drugs and formulations.

"This has been intended to improve the manufacturing practices and, therefore, quality of the medicines," said Navdeep Rinwa, joint secretary in the DoP.

According to another official aware of the scheme, the government has for long felt the need to upgrade standards and promote Make in India. The scheme will be implemented through a public sector financial institution that will be selected through a process of open competitive bidding.

"The scheme is aimed to facilitate small and medium pharma enterprises of proven track record to migrate from Schedule M to World Health Organization (WHO)/Good Manufacturing Practices (GMP) norms to enable them to participate and compete in global markets and earn foreign exchange," said the proposal.

The financial institution extending the loan must ensure that the beneficiary SME obtains WHO-GMP certification within two years from the date of first disbursement of the loan. The scheme allows procurement of new machinery. "Only machinery and electronic management information systems (MIS) required for upgrading a schedule M plant into a WHO-GMP i.e., machinery to meet the gap, are to be considered," added the proposal.

To ensure effective implementation, a steering committee led by the DoP secretary will be formed to lay down norms. The panel will also set the penalty for erring companies.

"I think during this critical transition phase of very strict regulatory compliance when the government expects Indian pharma companies to graduate to the next level, SMEs would need handholding and support. I am sure that pharma SMEs will be

able to play a more effective role in furthering India's exports and further consolidate India's march towards becoming a global pharma superpower."
(Live Mint, July 2nd, 2018)

3. MSME credit growth driven by services: RBI

While credit to medium, small and micro enterprises (MSMEs) has been seeing double-digit growth, much of it may have benefited MSME players in the services sector rather than those in manufacturing. Bank credit outstanding to MSMEs grew a mere 0.2% year-on-year (y-o-y) to Rs 3.61 lakh crore, as on May 25, shows data released by the Reserve Bank of India (RBI).
This suggests there has been little improvement in manufacturing MSMEs' access to credit from a year ago. On May 26, 2017, bank credit outstanding to manufucturing MSMEs stood at R3.6 lakh crore, 0.1% higher than a year ago.
Credit to MSMEs as a whole grew 9% y-o-y in May 2018, with the growth being driven almost entirely by enterprises in the services sector. Outstanding loans to services MSMEs grew 15% y-o-y to `5.9 lakh crore. Credit growth in this category showed a significant improvement from the previous year, when it had grown by 5% y-o-y.
Credit bureau TransUnion Cibil and the Small Industries Development Bank of India (Sidbi) had released a report which stated that for the period March 2017 to March 2018, entities with a credit exposure of under R25 crore saw a credit growth of 15.4%.
Enterprises with a credit exposure of under Rs 10 lakh saw a credit growth of 35%, while those with an exposure between R10 lakh and R50 lakh clocked 21%. Enterprises whose credit exposure ranges between R1 crore and R5 crore saw credit grow by 17% on a y-o-y basis, according to the report, which did not make a distinction between manufacturing and services enterprises.
Also, public-sector banks' (PSB) market share in credit to MSMEs dropped to 50.4% in March 2018 from 57% in March 2017 and 60.4% in March 2016. "The market share of private banks has grown from 27.5% (March 2017) to 30.3% (March 2018) and for NBFCs, it has grown from 9.1% to 10.9% during the period March 2017 to March 2018," observed the report, titled MSME Pulse.
(Financial Express, July 3rd, 2018)

4. KVIC launches single umbrella pan-India e-marketing platform

In As a fusion of 'Digital India' and 'Made in India', the Khadi and Village Industries Commission (KVIC), launched its first in-house single-umbrella e-marketing system – Khadi Institution Management and Information System (KIMIS), recently.
The system can be accessed from anywhere in pan-India for the sale and purchase of Khadi and Village Industries products.
The system was inaugurated by Vinai Kumar Saxena, Chairman, KVIC. He said that since KVIC firmly believes in transparency in all of its aspects, it was need of the hour to develop some in-house single umbrella billing software for sale and purchase that could be used to monitor round-the-clock from any remotest place.
"It gives me immense pleasure and satisfaction that KVIC IT team has developed such a full-proof software in-house, which might have cost millions of rupees if bought from any third party. This in-house software will not only give a real-time data of sales, it will also give the updated status of stocks of our bhawans and godowns, subsequently smoothing the planning procedure, along with controlling the inventory of KVIC," he added.
Giving more insights about the system and its functioning, he told, "Not only 480 Khadi institutions and our showrooms are linked with this billing software but it is also very useful in raising demand and supply of goods in high demand, from institutions located at faraway places in seconds. Even I am aware of the sale at far-off places in seconds. It will also nullify the chances of any dearth or burden of any bhawan."
Saxena said, "Since this system is at the nascent stage, few hiccups might arise sooner or later." "In the earlier system, our staff had to face a lot of problems in deletion or updating of bills, but now with this new software, it is now a game of seconds, with an eagle's eye of the server at our head office. We will provide proper training to all our staff so that they can be accustomed to the new software soon," he added.
(Millennium Post, July 3rd, 2018)

5. IFC invests $100 mn in Mahindra Finance

International Finance Corp. (IFC), a member of the World Bank Group, said it has invested ₹640 crore ($100 million) in Mahindra and Mahindra Financial Services Ltd (Mahindra Finance).

The investment will enable Mahindra Finance to boost growth, by extending loans to individuals, including farmers, to buy tractors, vehicles and other equipment, along with financing small and medium enterprises.

"The investment in Mahindra Finance, the country's leading rural finance company and India's largest tractor financier that reaches more than half of India's 600,000 inhabited villages, will be through secured non-convertible debentures," a statement said.

Mahindra Finance is a non-banking financial company(NBFC), focused on the rural and semi-urban sector. The company has over 5.3 million customers and has assets under management of over $8.49 billion. The company's business lines include vehicle and tractor financing and offering fixed deposits and loans to SMEs. It has 1,284 offices across the country.

In May 2017, IFC had said that it was evaluating an investment of $100 million in Mahindra Finance.

"Mechanized farming can cut costs by 25% and raise productivity by 20%. That will help meet the government's target of doubling farmers' incomes by 2022. At present, less than 30% of India's farmers use modern equipment. To compound matters, 80% of farms in India are classified as "small and marginal", and require financing for smaller mechanization solutions," IFC said in the statement.

The new loan will help the company expand further and cater to the needs of small landholders, it added.

"Since its inception in 1991, Mahindra Finance has been working in the rural and semi-urban areas of India, catalyzing financial inclusion of the unbanked and under-served communities and also partnering with them in their difficult times. Our focus has been on enabling these customers with innovative financial solutions, tailor made to their evolving needs, fueling entrepreneurial aspirations, promoting self-reliance and transforming lives," said Ramesh Iyer, vice-chairman and managing director of Mahindra Finance.

(Live Mint, July 3rd, 2018)

6. ***Small loans rise 4 times faster than total credit***

Small ticket, unsecured loans have grown four times as much as the overall banking sector's credit growth, according to a study by Crisil Research.

The report said between financial years 2015 and 2018, unsecured loans, including personal loans, SME credit and credit card loans — clocked a CAGR of 27%, or almost four times the growth in bank credit.

"Given attractive yields, return on assets are 2.5-3% for personal and SME loans, and 3-4% for credit cards, compared with less than 2% for home loans, financiers are expected to maintain sharp focus on the segment," it said.

(The Hindu, July 04th, 2018)

7. ***Task force on e-commerce discusses taxation, FDI issues***

Commerce Secretary Rita Teaotia discussed suggestions on a wide range of issues in the e-commerce sector such as cross border data flows, taxation, trade facilitation and logistics, consumer confidence, IPR , foreign direct investment and competition issues with senior officials from other Ministries and Departments.

The first meeting of the task force on e-commerce, which is working on the framework for a national policy on e-commerce, was attended by officials from the Ministries of MSME, Consumer Affairs, Electronics and Information Technology, Corporate Affairs and Department of Telecommunications. There was also representation from the Competition Commission of India and the Directorate General of Foreign Trade, according to an official release.

"The meeting deliberated upon the suggestions emerging from the sub-group meetings held on June 20-22," the release said.

The sub-groups had participants from various ministries and departments, high level representatives from the industry bodies, e-commerce companies, telecommunication and IT companies and independent experts.

The suggestions emerging from the Task Force meeting will be submitted to the think-tank on e-commerce, headed by Commerce & Industry Minister Suresh Prabhu, for consideration.

It was decided to set up a task force in the first meeting of the think tank in April. The task force was further divided into nine sub-groups for preparing recommendations for India's national policy on e-commerce.

India's e-commerce market is currently valued at about $ 27 billion and is one of the fastest growing in the world.

(Business Line, July 6th, 2018)

8. ***GST makes life tough for MSMEs in peenya***

There are over 6,000 small businesses in Peenya alone and an estimated three lakh units across Karnataka that are fighting all odds, courtesy GST. Peenya Industrial Estate is home to over 12,500 micro, small and medium enterprises, of which around

7,000 units are job contractors. As per the GST rules, these businesses are exempt from registering with GST authorities, as their turnover does not exceed Rs 20 lakh.

Traversing through the narrow alleys, many of which are non-motorable, in one of the Asia's largest industrial estates, situated on the outskirts of tech city Bengaluru, one can come across many such small businesses and job contractors who have a similar story to tell post-introduction of GST.

Another job contractor in Peenya, Kempegowda, who runs a small business with only one machine and one worker also complains about long credit cycle impacting his finances. "I have to pay 18% GST upfront. We have to pay these taxes immediately after the sale, but our credit cycle is atleast 60-90 days," one said.

In fact, Prime Minister Narendra Modi, in his speech on the first anniversary of GST said, "It would have been very simple to have just one slab, but it would have meant we could not have food items at 0% tax rate. Can we have milk and Mercedes at the same rate?"

Making this statement, Modi negated single-tax rate under GST, as suggested by the outgoing Chief Economic Adviser Arvind Subramanian.

Though the small-scale industries are not facing much stress after GST, they seem to be affected by a cascading effect of job loss.

In fact, SME manufacturers seem to have benefited from GST - but only in case they were paying both VAT and Excise Duty earlier. In that case, their effective tax rate has come down from 19% to 3.5%, courtesy GST.

"GST has in a way benefited us, even as our businesses are facing severe stress and our business associates are the worst hit," says Shrinath Bandhary, Managing Director, Innospacer Engineering Technologies.

Although the government has exempted businesses of below Rs 20 lakh annual turnover from registration under GST, job workers are forced to register. Otherwise, they will not get employment at large enterprises, who have been told to buy only from registered enterprises in the garb of formalization.

(Deccan Herald, July 8th, 2018)

9. *Right call on 'reverse charge', DigitalPay relief*

It is true that, with multiple rates of taxation, and even with multiple rates of cesses, the GST introduced on July 1 was nowhere near the ideal GST recommended by tax experts and economists. And, it did not help that there were huge glitches in the tax filings as a result of which both big and small taxpayers were unable to upload their documents—it is not clear if this was due to the faulty design of the system by the taxman or whether the software firm, Infosys, got it wrong—the finance secretary's latest comments suggest Infosys did not do as good a job as expected. While a final view on who was to blame requires a more detailed and dispassionate exercise, this newspaper's view has been that while multiple rates were unfortunate, these were unavoidable in a federal set up where so many states were involved in every tax rate and in deciding which commodities should be taxed at what rate. If this was not bad enough, powerful manufacturing states like Gujarat even pushed for a 1% compensation for CST-removal—and the prime minister was said to be backing this. Yet, this was, correctly, dismissed in the final GST structure.

And, when businesses, large and small, complained about the problems they were facing in the compliance required, several filing requirements were put off from time to time; several of these would have helped invoice-matching, and would therefore have checked tax-avoidance. But, the GST Council wisely decided that it was more important that business not be unduly disrupted. To be sure, GST has disrupted business, but a lot of this is behind us—no solution on exporters' refunds, though, has been figured out as yet and this remains a big problem area. During this period, Infosys chairman Nandan Nilekani has come up with another solution to make the process simpler and some version of this is going to be implemented. Several applications, interestingly, have also been developed to detect tax avoidance—you can enter the GSTIN number and get a status of the GSTN filings made and, in some cases, this can be done by just photographing the bill—in a few months, once GSTN opens its database to invoice queries, you can even know if the tax you paid on that latte has been deposited.

As part of the attempt to make sure all states were on board—despite public protestations by a few state finance ministers, all GST Council decisions have been unanimous—the GST Council also set up smaller groups to do detailed analyses of complex issues. One such Group of Ministers (GoM) headed by Bihar deputy chief minister Sushil Modi, was asked to look into the 'reverse charge mechanism' (RCM) as well as give sops—a lower GST—for payments made digitally, through debit/credit cards, for instance. It has, rightly, rejected both for now. The RCM requires buyers to pay the GST on behalf of their suppliers

if they are small—this, undoubtedly, betters compliance but, given that policing hundreds of suppliers is a chore, it would have resulted in large buyers preferring to deal with larger suppliers that pay GST instead of small ones who do not. Given that just 5-10% of taxpayers contribute 80-90% of collections, dropping the RCM is a good idea as the hit to SMEs would be large. Similarly, giving a lower GST rate for digital payments—and that too only up to a certain invoice value—would have further complicated an already complex tax system. If the government wants to incentivise digital payments, it is much better to give them direct rebates or cash-backs instead of cluttering the GST system.
(Financial Express, July 10th, 2018)

10. *Keen to reignite long-term financing in India: Goyal*

Union Finance Minister Piyush Goyal said he was keen to reignite long-term financing in the country and had floated the idea with a large bank.
"I am worried about long-term financing in India after the transformation of financial institutions like ICICI and IDBI into universal banks," Mr. Goyal, who is looking after the Finance Ministry owing to the indisposition of Arun Jaitley, said at an Indian Chamber of Commerce event here.
The Union Minister wondered why banks were not floating long-term infra bonds with fixed coupon rates to raise money.
"Why the banks cannot float long-term infra bonds for a period of 25 years with a fixed coupon rate? It is a thought which is open for discussion," Mr. Goyal, who also looks after Coal, Railways and Corporate Affairs, said.
Mr. Goyal said that such bonds would also provide a stable income flow to retired persons as well.
Speaking on the lending activity of banks, the Minister said "I had been focusing on the ability of the banking system to lend. We are trying to ensure that."
Talking about MUDRA loans, Mr. Goyal said 12 crore people had availed of the advances involving an amount of ₹4 lakh crore.
Micro, small and medium enterprises and industry projects would start seeing a flow of credit shortly, the Minister said, adding that credit growth was already in double digits now.
(The Hindu, July 9th, 2018)

11. *Instamojo's MSME platform sees more digital payments*

Instamojo, an online payment and e-commerce platform for Micro, Small & Medium Enterprises (MSMEs) said of late there had been faster adoption of electronic payments in the sector even from tier 2 and tier 3 cities.
The company, which has enrolled 5 lakh MSMEs on its platform, is now aiming to double enrolments by the end of this year.
"MSMEs form the backbone of the Indian economy contributing to 8% of the GDP each year. But, for them, adopting digital modes of payment is challenging," said Sampad Swain, co-founder and CEO, Instamojo Technologies.
"With our various products and services, we are working towards digitising and easing the process of payments for these companies. We not only assist MSMEs with accepting online payments, but also contribute with easier on-boarding, building up web-stores and ensuring optimum levels of cybersecurity for the transactions to take place in a secured environment."
The firm has introduced 'Free payments' to all merchants using NEFT.
(The Hindu, July 9th, 2018)

12. *SME IPOs may get more anchor investment as SEBI tweaks norms*

The recent decision by the Securities and Exchange Board of India (SEBI) to reduce the minimum anchor allocation size in initial public offers (IPOs) by small and medium enterprises (SMEs) has come as a shot in the arm for the segment.
Data shows that while there has been increasing participation from institutional investors like mutual funds and foreign portfolio investors (FPIs) in the SME IPO segment, only nine among the more than 410 such public issues that have hit the market till date managed to get anchor investors.
SEBI decided that the minimum anchor investor size would be reduced from ₹10 crore to ₹2 crore for SME IPOs.
Merchant bankers say that while the appetite for SME IPOs is steadily increasing among institutional investors, anchor portion was an issue due to the individual base minimum requirement of ₹10 crore.
"The recent change of reduction in minimum anchor portion will attract more organised investors to SME stocks and further provide fundamental strength to this developing marketplace," said Mahavir Lunawat, MD, Pantomath Capital, a merchant banking entity that handled six SME IPOs that got anchor investors

Some SME IPOs that saw anchor investor participation were Accuracy Shipping, Sirca Paints India, Innovators Facade Systems, AVG Logistics, South West Pinnacle Exploration and One Point One Solutions.

"The extant regulatory framework for anchor investment with a base minimum of ₹10 crore poses practical challenges in SME IPOs. This is primarily due to the smaller size of SME IPOs. The average IPO size is around ₹10-12 crore. Only 20 IPOs out of 418 listed so far were eligible for anchor allocation," added Mr. Lunawat.

Incidentally, the SME segment, that was unveiled separately in 2012 by BSE and the National Stock Exchange (NSE), has shown signs of maturity with many institutional investors coming in.

Recently, fund houses like HSBC Mutual Fund, DSP BlackRock Mutual Fund and Sundaram Mutual Fund had subscribed to some SME IPOs. Last year saw the ₹25 crore IPO by Bohra Industries in which an FPI bid for almost 35% of the issue. The IPO was subscribed more than three times with bids worth ₹80 crore coming in.

According to Prime Database, the current calendar year had seen 88 SME IPOs till June that collectively raised ₹1,486 crore. At this pace, 2018 could break last year's record of ₹1,680 crore raised by 133 companies.

(The Hindu, July 11th, 2018)

13. *Clickbait the success*

We all know how globaliation has contributed towards creation of wealth, improving standards of living, allowed consumption of greater variety of goods, created employment and promoted convergence of income across economies. Though the initial beneficiaries definitely had been the larger corporations but the time has now come to shift the focus towards SMEs, the largest segment of economy for the majority of the nations.

In the Indian context this focus on SME becomes all the more critical due to the all- round impact that the segment brings in, from driving employment to leading innovation. At the same time, SMEs are central to the efforts to achieve environmental sustainability and more so the inclusive growth that the country needs the most.

The internet has empowered SMEs to sell to much bigger markets and grow their business at a fast pace. Now with over 80 per cent of global trade taking place through global supply chains, the agenda should be how to facilitate this access of SMEs' to participate in these global value chains (GVCs). The successful SMEs have been getting connected to the e-commerce marketplace platforms Amazon, Flipkart which are opening up a much bigger market for SMEs' products both domestically and internationally.

The ecommerce marketplace platform contributes the maximum from the SME's seller's perspective by providing them with wider reach and instant credibility to their offerings. This allows the SMEs platform to continue to focus upon its core work and keep innovating to be unique and relevant from buyer's perspective.

As in the case of eBay, its registered online sellers, in the selected APEC economies are able to export globally, compared to a relatively small percentage of SMEs in traditional (offline) business. In the US, while 95 per cent of online seller's export, less than 5 per cent of traditional business SMEs do so offline.

Among APEC economies, Thailand, China, Korea, and Chile have a relatively higher percentage of exporting SMEs offline, but this is still less compared to 100 per cent online sellers who export. In addition, SMEs that sell online are able to reach more markets than those in traditional business. On average, firms are able to reach an average of 30 different economies using platforms for e-commerce.

There are estimated to be around 42.50 million SMEs in India accounting for 95 per cent of the total industrial units, contributing 45 per cent towards country's GDP, which is almost three times than what the corporate India contributes. Not only that, SME is also driving employment by employing 106 million, which is 40 per cent of India's workforce. The large SME base in the country presents itself not only as sellers who get global access for their products but also the eco system attached with it, could also be the consumers for e-commerce Marketplace.

SMEs continue to get plagued by various challenges ranging from poor infrastructure to production capacity, lack of adequate funds, low on innovation and technology knowledge gaps. India needs to augment its innovation capacity when compared to global peers and stands at 66th position among 130 nations. India is also the third-largest and the fastest growing e-commerce market after China and the US. But, to compete with these two countries, it has to improve its performance. The SME sector is also poised to become a $25.8 billion market for emerging technologies by 2020.

Since SMEs can be instrumental in pushing innovation, e-commerce and technology, it is imperative that they embrace digitisation which would enhance their participation in an open and integrated economy. A sound business environment and a well-functioning entrepreneurial "eco-system" for business would foster participation of SMEs in a globalised economy.

This is even more important in the current context, as increased competitive pressures and the fast pace of technological change demand agility, innovative behaviour and ease of access to strategic resources are critical. The ecommerce Marketplace platform like Flipkart, Amazon, etc. can be the perfect enabler to successfully address these critical issues from SME perspective.

In India, e-commerce Marketplace like Amazon, Flipkart, etc. have developed an ecosystem with multiple stakeholders that helps make the system work smoothly and efficiently. Though many among SMEs lack awareness of business possibilities through e-commerce and even lack basic business skills such as knowledge of excel or the importance of attractive packaging and product photos and information.

With ever expanding opportunities for SMEs from e-commerce more SMEs can benefit from the expected growth in online consumer demand in the coming years. Forecast by eMarketer made in 2015 indicated that retail e-commerce will increase from $1.3 trillion in 2014 to $3.6 trillion in 2019, and its share to total retail sales will more than double from 6.3 to 12.8 per cent between 2014 and 2019. Asia-Pacific, North America and Latin America are collectively expected to increase its share of retail e-commerce sales to 85 per cent by 2019.

As per a January 2018 eMarketer update, in 2017 itself, retail ecommerce sales worldwide reached $2.304 trillion, a 24.8 per cent increase over the previous year. In India there are still very few SMEs who are able to take advantage of the huge potential of e-commerce marketplace. Therefore, a big catching is to be done and if not done in time then we would be out of a competitive landscape for the Indian SMEs.

(Daily Hunt, July 12th, 2018)

14. *Banks fear mudra loans sans collateral may become NPAs*

Sensing a bigger credit risk on the government's Mudra loan disbursement to the tune of Rs 6 lakh crore till date, mostly to first-time entrepreneurs, the lender community has expressed concerns in this regard to the finance ministry and sought stricter procedures to prevent the segment from becoming the latest poster boy for bad loans.

The lenders have a genuine concern on Mudra loans as these constitute small sums in the range of Rs 50,000-Rs 10 lakh but are without any collateral. The probability of them turning into non-performing assets (NPAs) is also high. Raising an alarm, the chief of a leading public sector bank, requesting anonymity, told FC that though credit growth is recovering banks may come under a fear cloud. "We are happy that Pradhan Mantri Mudra Yojana (PMMY) is an encouraging scheme which generates self-employment and instil confidence among jobless people, but at the same time its recovery from the loan takers is not guaranteed as the tag of no-collateral is attached to it. Therefore, we urge the government to find out a proper mechanism to prevent this small loan segment from becoming bad loans and protect bankers as well," he added.

In the last meeting of Parliamentary Standing Committee of Finance, chiefs of state-owned banks, including SBI and PNB, expressed similar concerns on the issue of Mudra loan fallout.

"We are discussing NPAs. At one stage that credit growth is recovering and at another stage only a few sectors are doing good. What is the percentage of retail lending by the banks? What is sector-wise growth of lending across sectors? For example, the government is saying that a lot of money has been disbursed under Mudra, to the tune of Rs 6 lakh crore for over 12 crore consumers have been given the Mudra loans in which there is no need to produce collateral from the loanee side. Do you not see that it would pose a big NPA problem in the near future?" asked the CMD of public sector bank quoted earlier.

The PMMY scheme was launched by prime minister Narendra Modi in April 2015 to improve access to micro finance for non-corporate, non-farm small/micro enterprises and stimulate job creation in the country. Any individual can apply to private or public banks for loans of up to Rs 10 lakh without having to provide any collateral. PMMY scheme is mainly divided into three categories — Shishu Loans, Kishor Loans and Tarun Loans. The government has already disbursed around Rs 5,54,703 crore till date to almost 12 crore consumers. Out of three categories, Kishor Loans has given out its loans to maximum number of consumers (93,86,837 people) in last three years.

But the bankers have different view on this issue. "The total amount of NPA, including priority sector and non-priority sector, is beyond anybody's imagination. If you can go through the composition of NPAs of public sector banks since 1995, the total amount of NPAs in 1995 was Rs 38,300 crore. Till 2009 it was hovering between Rs 38,300 crore to Rs 45,000 crore or Rs 50,000 crore and Rs 53,200 crore. After that, in 2010 it has surged to Rs 59,900 crore, while in 2015 it was Rs 2,78,400 crore. But in 2017

it reached to almost Rs 684,732 crore," the banker said.
(Financial Chronicle, July 12th, 2018)

15. *Exports up 17.57% in June, trade deficit widens to 43-mth high*

Exports grew by 17.5% to $27.7 billion in June on account of healthy growth in sectors such as petroleum and chemicals but trade deficit widened to a 43-month high of $16.6 billion due to costlier crude oil imports.
Imports rose by 21.31% to $44.3 billion during the month, according to the data released by the commerce ministry.
The trade deficit in June 2018 is the highest since November 2014 when the gap was $16.86 billion. The deficit in June 2017 stood at $12.96 billion.
During April-June this fiscal, exports rose by 14.21% to $82.47 billion.
Exports of petroleum products, chemicals, pharmaceuticals, gems and jewellery, and engineering goods registered a positive growth.
However, shipments of textiles, leather, marine products, poultry, cashew, rice and coffee recorded negative growth.
MSME sectors of exports are still feeling the pinch of liquidity crunch as banks and lending agencies have continuously been tightening their lending norms.
Imports during the first quarter of the fiscal increased by 13.49% to $127.41 billion. Trade deficit during the period widened to $44.94 billion as against $40 billion in April-June 2017.
Oil imports during the month were up by 56.61% to $12.73 billion. These imports during April- June 2018-19 were valued at $34.64 billion which was 49.44% higher as compared to the same period last year.
Gold imports in June dipped by about 3% to $2.38 billion.
Meanwhile, the Reserve Bank data showed that services exports in May contacted by 7.91% to $16.17 billion.
(Hindustan Times, July 13th, 2018)

16. *MSME is the new retail*

We are living in a financially critical time cycle. Global growth outlook remains positive for the year 2018 despite threats from an expansionary US fiscal policy, rising oil prices, protectionism etc. On the domestic front, while the economy is firming up with GDP growth rate scaling to 7.7% in the last quarter of FY18, developments in the global market and a sensitive inflation rate warrant a cautious approach in dealing. Historically, economic growth, especially corporate expansions in the country, had remained highly dependent on bank finance. Structural shifts in the financial market by introduction of Asset Quality Review (AQR), followed by Insolvency & Bankruptcy Code, has brought greater transparency and superior governance levels in functioning of banks for a sustainable credit culture, which is altering the rules of credit intermediation. This resulted in higher NPA numbers, which led to higher provision costs and affected the profitability of banks, causing pressure on them.
Corporate credit, by and large, has been a major driver of bank credit growth after the liberalisation of the Indian economy in the early 1990s. In recent times, when the noose is being tightened on defaulting borrowers and the easy money regime has been put to end with welcome moves by RBI in terms of AQR, tighter exposure caps and other directives on lending and provisioning practices by banks, the corporate sector has also lost its appetite and ability to grow. As a result, the credit growth in the large corporate segment has slowed down. On a year-on-year basis, though the non-food bank credit increased by 11.1% in May 2018 as compared with 4.1% in May 2017, credit growth in the large industries segment has remained muted in the last few years. Also, MSMEs are drawing the attention of the lenders, with high credit growth in the segment.
Now that has affected banks' growth and income is not visible due to higher dependence on corporate credit. Banks need to look for new segments that can drive growth the same way retail did in the past. The MSME sector, which is the second largest employer after agriculture, is emerging as a lending sweet spot. The role played by MSMEs in the Indian economy cannot be overstated, whether it is GDP, manufacturing output, exports and employment generation. MSMEs also help address geographic disparities through dispersal of entrepreneurial activities. Historically, MSMEs have a smaller share in available bank credit in proportion to their contribution to GDP. Information asymmetry, lack of collateral and higher lending costs deter desired credit flow to the sector. Moreover, the gap in overall available non-food credit and credit to MSMEs has increased over the years. Credit flow to this segment has been mainly owing to the priority sector lending targets, despite of the low NPA percentage and higher margins for lenders. The contribution of MSMEs towards GDP is not reflected in the

available credit to the sector through formal channel. Banks argue the cost of serving customers is high, but seeing better asset quality and higher growth it is even stronger argument to lend to this sector.

The stress in the banking sector continues as gross non-performing advances (GNPA) ratio rises further. As per the Financial Stability Report released by RBI in June 2018, GNPA ratio of scheduled commercial banks (SCB) rose sharply from 10.2% in September 2017 to 11.6% in March 2018. The performance of the industry sector was even worse, with a GNPA ratio at 22.8%. In view of the increasing stress, tighter exposure caps and diminishing scope in lending to large corporates, banks and other financial intermediaries have initiated course corrections to shift their focus to MSMEs. At the same time, smaller loans are evolving as a new growth engine for the financial sector, which is also indicated in the latest MSME Pulse report, a quarterly by SIDBI and TransUnion CIBIL. The report gives meaningful insights about the MSME sector, based on analysis of credit data of more than 5 million borrower accounts, which are divided into four categories as per credit exposure:

Micro: Exposure less than Rs 1 crore;

SME: Exposure between Rs 1 crore and Rs 25 crore;

Mid: Exposure between Rs 25 crore and Rs 100 crore;

Large: Exposure above Rs 100 crore.

As per the report, while asset quality deterioration in the large segment continued, the MSME space portrayed a relatively stable and range-bound asset quality. Within the MSME segment, the NPA rates are higher for larger sized exposures. GNPA for loans below Rs 25 crore has actually declined.

Although the segment brings new opportunity for banks, it becomes extremely critical for banks to avoid any irrational exuberance if they aim towards building a sustainable MSME portfolio. Overall, the recognised NPA exposure for MSMEs was Rs 81,000 crore as of March 2018. There was another Rs 11,000 crore of non-NPA exposure, whose other exposures are tagged as NPA by at least one other bank and exposure of Rs 1,20,000 crore belonged to entities that are high risk category. Banks need to be proactive but cautious. New private sector banks have a superior acquisition profile in the MSME space in terms of credit growth and targeting less risky enterprises. Even their riskier loan acquisitions are asset backed in nature, which partially mitigates lending risk to the segment. At the same time, public sector banks do not exhibit the same acquisition skills in the segment as they are extending plain working capital and term loan structures in the high-risk segment. It is a great opportunity for PSBs.

The appetite of banks and financial intermediaries for lending in the MSME space has been increasing gradually, though a huge gap still remains in MSME financing. There is a clear shift in focus towards smaller loans as credit growth rate in loans up to Rs 1 crore was 22.2% and credit growth rate in loans in the segment of Rs 1 crore to Rs 25 crore was 12.8% on a year-on-year basis, as of March 2018, which are the highest among all segments in the commercial lending space. The report analyses that credit growth in the very small segment (less than Rs 10 lakh) has been around 35%.

Entering the small loan segment is not a cakewalk for banks. Besides NBFCs, banks have new competitors in the form of digital banks, fintechs and even e-commerce firms. Markets are getting innovative and new models of lending are emerging every now and then. While high-tech models are targeting a segment that has primary or surrogate data as a proof of creditworthiness, banks are required to adopt a high touch model to serve the MSME segment, which needs a lot of hand holding and mentoring for entering a formal credit channel. At the same time, banks are also required to remain competitive by reducing the cost of running a high touch model and need to adopt to complementary technologies to serve with a blend of high-tech and high-touch model.

MSMEs were temporarily affected by structural reforms such as demonetisation and GST but are back in business, which is evident from the level of utilisation of working capital facilities availed by them from banks. Working capital facilities of MSMEs, which are closely associated with the levels of economic activity reflected in production, trade, revenue etc, have surpassed the pre-demonetisation level of activity in all segments. Specifically, MSMEs with exposures from Rs 10 lakh to Rs 10 crore had recovered business activity to pre-demonetisation levels of September 2017. Formalisation of business and push for cashless transaction are encouraging informal sectors to transit into the formal economy. This is expected to add around 10 lakh new-to-credit (NTC) MSME borrowers to the system annually. A recent NTC portfolio study suggests 60% first-time borrowers sustain or increase their credit exposures, in the two-year period following their first formal loan. The gap between the formal credit available and the economic activity exhibited by the MSME is still huge. Banks can achieve more priority sector lending targets by lending to MSMEs, which means lesser investment in the low-yielding Rural Infrastructure

Development Fund and high profitability.

Banks and NBFCs have used retail lending as a tool for growth and profitability during the period 2012-16. MSME is the only category that offers hope in terms of demand and asset quality. It is the new retail.

(Financial Express, July 16th, 2018)

17. *Risk of higher SME LAP delinquencies on rising rates: Moody's*

Interest costs on loan against property (LAP) are set to rise due to hardening rates and will adversely affect small business, which are already reeling under the impact of the note-ban and GST, warns a report.

"Introduction of the goods and services tax (GST) in July 2017 and demonetisation have also placed stress on the SME (small and medium enterprises) sector, which with the rising interest rates will exacerbate," rating agency Moody's Investor Service said.

Hike in interest rates by the Reserve Bank and hardening of yields since late-2017 have led to an increase in the cost of borrowing for non-banking lenders, which will prompt them to hike the rates at which LAP is extended to SMEs, it said.

"We consider that the expected rise in interest rates for LAP will reduce refinancing options for small business owners, adversely affecting existing borrowers," Moody's assistant vice-president and analyst, Dipanshu Rustagi, said in the report.

He further said the higher interest rates will lead to an increase in loan repayment for SME borrowers, who cannot extend loan terms. It can be noted that the LAP is one of the most sought-after routes by SME promoters for short-term finance as they can raise money through pledging of property, which serves as a collateral for lenders. In the recent past, there have been multiple warnings on LAP portfolios issued by analysts, especially in the wake of an extra focus by lenders on the retail segment considered resilient.

Moody's said it expects delinquencies on LAP portfolios, but added this will not pinch hard as the loans have low loan-to-value ratios and are 'secured' with property as collateral.

It said the legislative amendments in 2016, which lets non-banking finance companies recover money under the Sarfaesi Act, will also help restrict losses.

Improvements in property registration systems also lower the administrative and legal hurdles lenders face in limiting their losses during default, it said.

Apart from that, asset-backed securities (ABS) include structural features, non-amortising cash reserves, substantial excess spread and the possibility to extend the life of the loans, and consequently, the principal repayment schedule that can mitigate the risks posed by higher interest rates, it said.

(Business Line, July 16th, 2018)

18. *PhonePe acquires PoS platform zopper*

Flipkart's PhonePe has acquired Zopper Retail, a hyper-local point-of-sale (PoS) platform for small and medium businesses. As part of the acquisition, Zopper founder and CEO Neeraj Jain will join PhonePe as head of product, offline merchant solutions. With PhonePe looking at increasing its list of online and offline merchants, the acquisition will play to some of Zopper Retail's strength in the offline space.

PhonePe CEO Sameer Nigam said, "We are excited about leveraging their domain expertise to rapidly expand our offline merchant network across India. Zopper Retail is designed to meet the needs of millions of small retailers in India, and their strategy ties in very well with our overall vision of making digital payments universally accepted across the country." PhonePe has about 3 lakh offline and online merchants. Jain said, "By joining forces with PhonePe, we strengthen our commitment of using technology for simplifying our merchant's billing and payments systems.

(The Times of India, July 17th, 2018)

19. *NBFCs eye stressed SMEs for lending opportunities*

Non-banking financial companies (NBFCs) in India have started to explore funding opportunities for distressed small and medium enterprises (SMEs). While some NBFCs would be looking to help the promoters of such firms by helping them with one-time settlements, others will be looking to fund the promoter at the bidding stage, as the government is looking to allow SME promoters to participate as resolution applicants.

To be sure, on 23 May, the Union Cabinet approved an ordinance to amend the insolvency and bankruptcy code allowing promoters of micro, medium and small enterprises to submit their resolution plans during the resolution process under the IBC in accordance with suggestions made by a 14-member.

insolvency law committee to the ministry of corporate affairs. The ordinance, which secured the president's assent on 6 June, however, bars wilful defaulters from bidding.

"Most SMEs will be pitching for one-time settlement, as resolution through IBC will be long-drawn and at the same time many suitors may not be available for the firm on the block. Considering the SME universe is large, NBFCs with a strong SME focus will be looking at funding opportunities in the distressed SME segment as well. Their decision, however, will largely be decided by the quality of assets and collateral along with the Reserve Bank of India's view on such refinancing," said Nachiket Naik, managing director at IREP Credit Capital Pvt Ltd, a Mumbai-based NBFC.

Naik said one-time settlements will also be more beneficial for the lenders as the haircut may be less than what they may have to take in a resolution through the IBC route. "The NBFCs will also be keen on assisting the SME promoters at this stage with respect to providing funding for bidding," said Naik.

NBFCs are seeing an accelerated pace of growth as public sector banks and the Indian banking system on the whole grapples with a huge pile of non-performing assets and financial frauds.

Additionally, NBFCs are seeing a robust growth in their loan book due to their growing aided by a more adaptable and flexible operating model than that of banks.

"ICRA expects the NBFC-retail credit, which stood at Rs.7.5 trillion as on March 31, 2018, to expand at 19-21% during fiscal 2019. On the other hand, SME credit, driven by sizeable unmet demand, increased working capital requirement post GST implementation and, limited credit availability from banks, is expected to grow at 23-25% in fiscal 2019," ICRA Ltd said.

IIFL Finance is also exploring the business opportunities presented by the amendment. "We have already started discussions internally on the kind of funding we can provide to distressed SMEs who have reasonable models and quality collateral to offer. Considering the current environment, it is a good idea to be in the distressed assets business. While we are discussing both equity and debt funding opportunities, we will be biased towards debt funding as this is something we have been doing traditionally," said G.L. Kumar, head of MSME business at IIFL Finance.

Differential treatment for SMEs for the resolution has been suggested by multiple stakeholders as the firms may not see much interest from bidders and may end up in liquidation, thereby defeating the objective of IBC. "For an SME, resolution under the IBC can prove to be very long-drawn and expensive. Hence, it is advisable to resolve them outside the NCLT through one time settlement," said R.K. Bansal, managing director at Edelweiss Asset Reconstruction Co.

(Live Mint, July 25th, 2018)

20. *Cabinet clears bills to amend IBC and withdraw FRDI*

The government is set to withdraw the Financial Resolution and Deposit Insurance (FRDI) Bill, 2017 following persistent opposition and widespread concern over the controversial 'bail-in' clause.

The union cabinet gave its nod to the withdrawal of the bill, people aware of the development told ET.

The cabinet also approved the Insolvency and Bankruptcy Code (IBC) Amendment Bill 2018 that will replace the ordinance the government had promulgated to recognise homebuyers as financial creditors to real estate developers.

The FRDI bill, introduced in the Lok Sabha on August 11, 2017, is currently with a joint committee of Parliament. The committee was to submit its report by the last day on the monsoon session of Parliament that began. The bill provides a framework for resolution of failed financial business, which is not covered by the Insolvency and Bankruptcy Code.

The bill proposed to set up a resolution corporation that will look after the process and prevent banks from going bankrupt by "writing down of the liabilities" — a phrase that many experts have interpreted as a bail-in. Resolution Corporation was to be empowered to cancel the liability of a failing bank or convert the nature of the liability, a provision that is seen harming depositors as they would lose money in case of bankruptcy. The government has repeatedly said deposits are protected. The IBC amendment bill will be tabled in Parliament in the ongoing monsoon session.

"Government moves to make insolvency resolution more transparent, efficient and equitable; approves Insolvency and Bankruptcy Code (Amendment) Bill, 2018," government spokesperson Sitanshu Kar tweeted. A senior government official said the amendment bill is on the lines of the ordinance issued in May this year. The ordinance provided that homebuyers will get due representation in the committee of creditors (CoC) that takes a call on resolution proposals, making them an integral part of the resolution process. The ordinance also provides some reliefs for micro, small and medium enterprises (MSMEs).

Promoter of a bankrupt MSME undergoing resolution can bid for his enterprise, provided the person is not a wilful defaulter and does not attract other disqualifications not related to default.

(The Economics Times, July 19th, 2018)

21. *LOTS wholesale solutions opens first store in India*

LOTS Wholesale Solution, a wholly owned subsidiary of Thailand-based Siam Makro Public Company, will adopt a cluster approach and focus initially on launching stores in the northern region in the country. The company opened its first cash-and-carry store in the country New Delhi.

The B2B retail chain plans to open 15 stores in the next three years in the northern region. The company had earlier also said that it will invest ₹1,000 crore for expansion in the next five years.

Tanit Chearavanont, Managing Director, LOTS Wholesale Solutions said, "Our plans to open 15 stores in the next three years are on track. We plan to have three stores in the Delhi-NCR region operational by the end of this year."

The company will next look at States such as Uttar Pradesh, Rajasthan and Punjab to grow its footprint in India. Its stores will cater to registered members including hotels, restaurants, kirana stores institutions and MSMEs.

"One of our key focus will be on sourcing and offering fresh food products to our consumers and we are investing in developing cold-chain infrastructure. Grocery is a sizeable portion of our business. We are also looking at increasing sourcing from India to be exported to our operations in Thailand," he added. The cash and carry stores of the company will offer products in categories such as food and beverages, kitchenware, household appliances, home decor among others.

The company also plans to launch its e-commerce platform for its registered members soon.

(Business Line, July 18th, 2018)

22. *A new dispute settlement mantra in Rajasthan*

Conciliation has emerged as an alternative method for resolution of disputes among micro, small and medium enterprises in Rajasthan with the matters, mostly relating to payments for goods and services, being disposed of in the meetings held regularly during the last six months.

The Rajasthan Micro and Small Enterprises Facilitation Council has intervened in the disputes and invited applications from entrepreneurs for getting relief. Over 95 matters were resolved at the council's 41st meeting held here earlier this week, as the two sides arrived at a settlement through conciliation.

Industries Commissioner Krishna Kunal said here that the enterprises not getting payment for their goods and services in 45 days could submit their plea to the council for getting relief under the provisions of the Micro, Small and Medium Enterprises Development Act, 2006.

The party not making the payment is directed by the council to pay the original amount along with interest to the applicant. The council is headed by the Industries Commissioner, while its convenor is the representative of the State-level Bankers' Committee.

The council heard a total of 181 cases in its meeting and disposed of over 95 matters, which included the cases in which the entrepreneurs were not getting payments from the purchasers based in far-off States such as Uttarakhand and Kerala. The council also issued specific awards in three cases.

(The Hindu, July 19th, 2018)

23. *Govt aims to promote khadi as global fabric: Prabhu*

The government aims to promote Khadi as a global fabric as it has the potential to boost economic growth, Commerce and Industry Minister Suresh Prabhu said.

To achieve this aim, new designs and styles in Khadi are essential, he said.

His remarks came through a video message at a conclave jointly organised by Ficci, IIFT and Khadi India.

The minister said district-level development is the key to promote Khadi as a global fabric which in turn will promote economic growth. For this, 6 districts in 5 states have been identified and taken up as pilot projects.

Besides, Directorate General of Foreign Trade Alok Vardhan Chaturvedi said Khadi sector employs 80 lakh people and government assistance and promotions can provide once-in-a-while push, but long-term sustainability requires inherent demand. He said there is huge opportunity for Indian fashion industry in textile sector, both in domestic and international market, and Khadi needs to create demand.

Ashwani Lohani, Chairman, Indian Railway Board, said there is a need to make Khadi a symbol of national pride. Lohani said the railways on a daily basis require four lakh bedrolls and would be willing to partner Khadi and Village Industries Commission.

(KVIC) in developing a strategy to provide disposable Khadi bedrolls and towels at economical rates.

(The Economic Times, July 19th, 2018)

24. *Timely payments to MSMEs are crucial*

Micro, small and medium enterprises (MSMEs) are the backbone of the Indian economy, contributing as much as 45% of industrial production and 40% of country's exports. With 63.3 million MSMEs in the country, they are the largest employers, next only to agriculture, which provides employment to 110.9 million people.

MSMEs have long been facing a problem of delayed realisation of their bills and receivables, particularly from large corporate buyers and government organisations, leading to financial hardships and liquidity constraints—a key reason for many of them turning into non-performing assets (NPAs), affecting their sustainability. With the introduction of the Insolvency and Bankruptcy Code and strict measures recommended by RBI for taking stringent action against NPA accounts, MSMEs face two-fold pressure: delayed payments of their bills and the looming threat of turning into an NPA (for defaults in honouring bank commitments).

The Micro, Small and Medium Enterprises Development Act, 2006, made provisions to mitigate the problem of delayed payment, whereby any buyer who fails to make payment to MSMEs, as per agreed terms or a maximum of 45 days, would be liable to pay monthly compounded interest at three times the bank rate notified by RBI. Further, in case of any dispute with regard to realisation of principal and interest, MSMEs could make a reference to the Micro and Small Enterprises Facilitation Council. Section 20 of the MSMED Act provided that these facilitation councils would be established by state governments and would conduct proceedings to resolve all referred cases within a period of 90 days from the date of receiving references.

At the time of the enactment of the MSMED Act in 2006, it was felt that the aforementioned provisions would deter buyers of MSMEs' products from committing payment defaults, but instead very few cases were brought to the facilitation centres as MSMEs feared losing out on business. The slow pace of resolution through this mechanism is visible.

The ministry of MSME has launched a specialised portal for facilitating MSMEs to report cases of the delayed payment of bills to draw the attention of their buyers, the facilitation councils and the ministry of MSME. They file an online application, which would be reviewed by the facilitation councils, and is also visible to the concerned central ministries, state governments and central public sector enterprises (CPSEs) for proactive actions.

This facility is gradually gaining popularity, proving to be an asset for the aggrieved MSMEs.

RBI recently launched a scheme called the Trade Receivables Discounting System (TReDS) to facilitate the discounting of invoices and bills of exchange of MSME suppliers. The process of TReDS involves uploading of invoices and bills by MSMEs for discounting, which is achieved by converting them into factoring units, which then have to be accepted by corporate buyers before their discounting can take place by financiers, who will then receive their payments from the bank of the corporate buyer.

- It requires corporate buyers to accept the factoring units which underline an invoice or a bill of exchange before it can be discounted. Prior acceptance of bill for payment on due date was not granted by buyers in a majority of cases;
- The buyers' bank may not agree to honour the payment obligation on due date by debiting the buyers account;
- Very few MSME suppliers could avail the facility of TReDS due to lengthy process involved;
- Eligibility criteria to set up and operate TReDS requires minimum of paid-up voting capital of `100 crore which would restrict entry of financiers into the system;
- TReDS does not address the problem of delayed payments by buyers to MSMEs with interest for delayed payments. Under TReDS, discounting and financing charges will have to be borne by MSME suppliers.

MSMEs supplying to various corporate and other buyers should be able to get their bills realised on due dates as per agreed terms. In cases of delays, buyers should bear interest for such delays, thereby transferring the burden of interest payment on the discounting of such bills for the period of delay to buyers.

RBI should permit setting up of NBFCs specifically for this purpose. This would enable MSME players with an e-platform to discount bills and finance their receivables, along with the provision to transfer interest liability on delayed payments to buyers.

The above alternative mechanism will help in the resolution of a two-pronged problem—that of realisation of their bills and receivables, and the issue of delayed payments faced by the MSME sector without disturbing the relationship between MSMEs and their buyers.

(Financial Express, July 20th, 2018)

25. *CCI nod must before lenders finalise resolution plan*

Lenders will need to seek prior approval of the competition regulator before finalising resolution plans, according to amendments to the Insolvency and Bankruptcy Code (IBC) that were approved by the cabinet. The measure seeks to prevent litigation that can derail the resolution process at a later stage, said a top government official and two bank executives. The official said Competition Commission of India (CCI) assent will be needed before the committee of creditors (COC) finalises a resolution plan. Currently, the winning bidder approaches CCINSE for clearance before formally taking over the asset.

The cabinet approved the IBC Amendment Bill 2018 that will replace the ordinance the government had promulgated earlier.

(The Economic Times, July 20th, 2018)

26. *Help Desk for IGST refunds for MSMEs*

A customs help desk has been set up at FIEO offices in Chennai, Bangalore, Kochi, Coimbatore, Hyderabad and at the AEPC office in Tirupur for settling IGST refund issues of exporters. A Sakthivel, Regional Chairman, FIEO-Southern Region, while thanking the CBITC said, it will help expatiate resolution of IGST refund related issues. This help desk will be up till August 1, 2018. Urging exporters to make use of the opportunity, he said that the desk would handle the issues related to all ports, irrespective of the city the exporter is representing.

(Business Line, July 20, 2018)

27. *GST rates slashed on 50 items*

In the run-up to the General Election next year, the Goods and Services Tax (GST) Council comprising the Centre and states brought relief to the middle class consumers by reducing the rates on more than 50 goods and 100 items, if concessions on certain services are also included.

Among the 50 items where relief has been given are sanitary pads, washing machines, refrigerators, cosmetics, broom, mixers, paints, footwear, rakhis and handicrafts.

In addition, the 28th GST Council meeting, chaired by Finance Minister Piyush Goyal, eased the compliance burden on small traders and businesses by enhancing the threshold limit for quarterly returns to Rs 5 crore.

This would mean that 93 per cent of the taxpayers will now be filing returns on a quarterly basis but taxes on a monthly basis. Two new simpler return formats have also been approved.

In what appeared to be a mini-Budget announcement to create a feel good factor, the council announced significant reductions in many goods and services.

Goyal said “simplification, rationalisation and relief for common man” were the guiding principles. On the revenue loss from these cuts, he said with simplification of processes, compliance would improve which would in turn boost revenue.

(The Tribune, July 22nd, 2018)

28. *SME mop up Rs. 1,546 cr through IPOs in H1 2018*

Small and medium enterprises (SMEs) raised Rs 1,546 crore through initial public offerings during the first six months of the year, more than two-fold jump from the same period last year.

Funds raised through initial public offers (IPOs) were used for business expansion plans, working capital requirements and other general corporate purposes, as per the offer documents filed by them.

About 88 companies got listed with initial share sale offers worth Rs 1,546 crore during January-June 2018 compared with 50 firms which tapped the IPO route to garner Rs 660 crore in the same period of the previous year.

This reflects a significant rise in the amount raised through SME platforms of both the Bombay Stock Exchange and National Stock Exchange.

Further, the average issue size also increased to Rs 17.5 crore during the period under review from Rs 13 crore in the first six months of 2017.

"It has been more than six years since SME market opened up and we have witnessed this market evolving gradually with varying trends: high over-subscriptions, widening shareholder base, venture capital exits through this platform, anchor investor participation and the like.

"This segment will continue to be of interest and will grow leaps and bounds in time to come," said Mahavir Lunawat Group Managing Director, at Pantomath Advisory Services Group.

Out of 88 IPOs, as many as four got subscribed more than 100 times. Further, participation from anchor investors has been increasing in the SME segment too.

"Pricing of SME IPOs is generally attractive; and due to high demand post listing, the prices rally up to a significant number. Markets have been corrected sharply in 2018 so far and SMEs are no exceptions. Decline in prices of some of the SME scrips was also seen during the first six months of the year, " Lunawat added.

(The Times of India, July 17th, 2018)

29. *Govt to ask MSMEs to obtain Udyog Aadhaar*

The government will urge about one crore MSMEs registered under the GST Network to obtain Udyog Aadhaar number to avail benefits of various government schemes, a top official said.

The finance ministry is likely to send an email to the micro, small and medium enterprises soon, detailing the services that can be obtained using Udyog Aadhaar.

The move is aimed convergence of the data-base of GSTN with Udyog Aadhaar and at procuring the MSMEs' contact details and information about their business verticals, so that government policies can be tailored to match their needs.

The Finance Ministry cannot obtain the details of the enterprises without their consent, owing to data privacy provisions under the GST Act, MSME Secretary A K Panda said.

Over 48 lakh MSMEs are presently registered under Udyog Aadhaar, which enables these units to seek information and apply online about various services being offered by all ministries and departments.

"I wanted if we can get details, at least their contact point, the vertical in which they are working, but I was told that the GST Act has issues of privacy, that this data cannot be shared without the consent of the enterprise," Panda said.

However, he said the e-mail will not make it mandatory for micro, small and medium enterprises (MSMEs) to register with Udyog Aadhaar but only suggest the enterprises to opt for it, entailing the benefits of registration.

(DNA, July 22nd, 2018)

30. *Govt's plan for PSUs to procure from Dalit SMEs fails to take off*

The government's ambitious plan to get Central PSUs to make 4% of their procurement from Dalit enterprises has not made much headway over the last six years.

In 2017-18, Central PSUs bought Rs 543.86 crore worth goods and services from SC/ST enterprises, accounting for just 0.46% of their total procurement of Rs 1,16,837.27 crore. Five years ago, in 2012-13, SC/ST enterprises sold goods and services valued Rs 419.93 crore, or 0.5% of the total procurement of Rs 85,155.18 crore by Central PSUs then.

The 'Public Procurement Order for Micro and Small Enterprises Order, 2012', issued by the UPA-II government on March 23, 2012, required Central PSUs to procure 20% of their annual value of goods produced and services rendered from MSMEs. A sub-target of 4% (20% of 20%) was earmarked for procurement from MSMEs owned by SC/ST entrepreneurs. The procurement goal of 20% from MSMEs was made mandatory from April 1, 2015. Those not meeting this were required to provide reasons to a review committee set up by the ministry.

The decision of the GST Council to cut rates and simplification of return filing process will increase the compliance rate and add to revenue buoyancy.

The attention to reducing rates and simplification of filing of returns as well as widening of input tax credit shall certainly increase the compliance rate and add to revenue buoyancy.

The government and GST Council have been responsive and proactive to the requirements of trade and industry since the very roll out of GST, which has made its implementation the shortest period of adjustment as compared to other countries.

Raising the limit for composition scheme from Rs 1 crore to Rs 1.5 crore, permitting composition dealers to supply services (other than restaurants) for up to a value not exceeding 10 per cent of turnover in preceding financial year or up to Rs 5 lakh and other decisions shall particularly benefit the SME sector.

GST Council also allowed businesses with turnover of up to Rs 5 crore to file quarterly returns -- a move which will benefit 93 per cent of the GST registered taxpayers. They will have to, however, pay taxes monthly.

((The Times of India, July 22nd, 2018)

31. *Govt's plan for PSU's to procure from Dalit SMEs*

Information obtained from the Office of the Development Commissioner, Micro Small and Medium Enterprises, under the Right To Information Act and from the Ministry of MSME website shows that Central PSUs' purchase of products and services from MSMEs and from SC/ST MSMEs dipped sharply in the first year (2014-15) of the NDA government, and rose in the subsequent years. While MSMEs accounted for almost 23% of the total procurement by Central PSUs in 2017-18, the share of SC/ST MSMEs was less than even 0.5%.

"The government did increase transparency by asking Central PSUs to not only make public their annual procurement targets, but also post the list of all goods purchased from and services rendered by MSMEs and SC/ST enterprises on separate websites," a government official told The Indian Express.

However, data obtained from the MSME ministry shows that of the total 330 PSUs administered by 37 ministries in 2017-18, 233 did not report their annual/monthly procurement targets from MSMEs and SC/ST enterprises or the services and goods procured from the MSMEs. "This suggests that less than a third of the Central PSUs were providing information as required. Consistent follow up is required," said an industry executive.

While the total number of MSMEs that benefited from the procurement policy during 2017-18 stood at 86,671, only 2,235 belonged to the disadvantaged communities (SCs and STs).

Six PSUs (BEL, BHEL, BPCL, ECGC Ltd, HPCL and National Small Industries Corporation Ltd) procured from more than 50% of all SC/ST MSMEs that benefited from the procurement policy.

In value terms, of the total Rs 543.86 crore procured from SC/ST MSMEs, the PSUs under the Defence and Petroleum and Natural Gas ministries accounted for four-fifths of the purchases. But even these PSUs were far short of their annual target (defence PSUs procured Rs 80.16 crore against a target of Rs 472.53 crore from SC/ST entrepreneurs and oil PSUs procured Rs 335.34 crore worth goods and services against a target of Rs 2,110.17 crore).

The public procurement order of 2012 was part of the UPA-II government's overall 'affirmative action' policy. While this order forced ministries and government departments to prevail upon PSUs to buy more from MSMEs and Dalit enterprises, the Prime Minister's Office separately monitored the private sector's affirmative action plan in meetings with industry chambers.

(The Indian Express, July 23rd, 2018)

32. *Tata Tech in pact with Vidarbha Defence*

Engineering services provider Tata Technologies has signed an MoU with the Vidarbha Defence Industries Association (VDIA) to set up of a new aerospace and defence centre in Nagpur.

The centre will help establish Maharashtra as the preferred investment destination for aerospace and defence manufacturing and promote indigenous and modernised technological capabilities.

It will also help in developing skilled resources to support micro, small & medium enterprises (MSMEs) to be globally competitive in the aerospace and defence sectors, Tata Technologies said in a statement. This will be done by setting up 'Nirman', a not-for-profit common facilitation centre for aerospace and defence, and 'UDAN', an initiative to create high-end skilling centres and provide competency-based education for engineering institutes and universities.

"Our objective is to create an aerospace and defence manufacturing hub in the Nagpur and Vidarbha region.

"Tata Technologies is well-positioned to provide the right impetus to this initiative by leveraging their domain expertise," said Ravindra Thodge, Chairman of VDIA.
The MoU was signed in the presence of Chief Minister Devendra Fadnavis.
(Business Line, July 23rd, 2018)

33. *To spread awareness about Schemes MSME Ministry sends Teams to 117 Aspirational Districts*

Ministry of Micro, Small & Medium Enterprises (MSME) will send teams of officials to 117 most backward and naxalite affected Aspirational Districts identified by NITI Aayog to spread awareness about existing schemes of the Ministry and to obtain proposals to set up and strengthen micro and small enterprises . This information was given by Minister of State (I/C) for MSME, Giriraj Singh in the Lok Sabha.

The Minister also informed that MSMEs are significantly present in all States and UTs and they are the second largest employer after agriculture in the country. These enterprises have supported inclusive growth and development across the country thereby reducing the regional imbalances. Replying to another query, Giriraj Singh said that the schemes of the Ministry are central sector schemes in which specific percentage of the budgetary allocation are earmarked for SC, ST and North Eastern Region's population. Most of these schemes are demand driven and expenditure is made in the specific States as per the proposals received. He said that over 40 lakh persons gained employment under the Credit Guarantee Fund Scheme from 2015-16 to 30th June 2018. Under this scheme, loan guarantees are provided to MSEs which in turn result in employment generation. Recently the loan limit under Credit Guarantee Fund Scheme has been increased to Rs 2 crore.

Besides, Prime Minister's Employment Generation Programme, PMEGP is estimated to have generated employment for over 12.29 lakh people during the same period. PMEGP is a major credit-linked subsidy programme aimed at generating self-employment opportunities through establishment of micro-enterprises in the non-farm sector by helping traditional artisans and unemployed youth. Uttar Pradesh has been the largest beneficiary of the PMEGP scheme with over 1.35 lakh estimated employment generation. Other states like Tamil Nadu, Maharashtra, Bihar, Karnataka, Assam, Odisha, West Bengal, Jammu and Kashmir generated employment ranging from around 63,000 to 84,000 people.

The Ministry of MSME has 18 Technology Centres which impart training to help in generating employment. It has been decided to set up 15 new technology centres in various parts of the country. Recently, a job portal called "MSME Sampark" has been launched on 27 June, 2018, on the occasion of UN SME day. The portal is a digital platform where jobseekers who are passed out trainees and students of MSME Technology Centres and recruiters may register for mutually beneficial interaction.
(Press Information Bureau, July 23rd, 2018)

34. *IBC amendment allows firms to bid for multiple stressed assets*

Corporate houses with deep pockets can bid for multiple distressed assets under the insolvency process without getting themselves disqualified under Section 29A of the Insolvency and Bankruptcy Code (IBC).

This is provided in the IBC (Second Amendment) Bill, 2018 — tabled in the Lok Sabha— in the form of a carve-out to the much-talked-about Section 29A, which specifies the parties ineligible to be a resolution applicant.

Under the new Bill, Section 29A will not apply to a resolution applicant holding a non-performing asset (NPA) account due to the acquisition of a distressed asset with a non-performing account for three years from the date of such acquisition. This will ensure that corporates that have already bought a distressed asset are not prohibited from bidding for more such assets.

The Bill also offers a disqualification breather to financial entities holding NPAs: they, too, will be exempted from Section 29A.

Interim Finance Minister Piyush Goyal introduced the Bill in the Lok Sabha, after the Cabinet, on July 18, gave its consent for a Bill to replace the June 6 insolvency ordinance.

The June 6 ordinance — IBC (Amendment) Ordinance 2018 — was the second one issued by the government to make changes in the IBC, which was enacted in 2016.

The Bill treats home buyers as "financial creditors", giving them a better say in the resolution plan of developers. Any amount raised from an allottee of a real estate project will be deemed to be an amount having the commercial effect of debt (borrowing). The Bill has also defined the expressions "allottee" and "real estate project".

Further, the Bill allows the promoters of MSMEs to bid for their companies in any insolvency process. It also empowers the Centre, in public interest, to exempt MSMEs from the application of any other provisions of the Code.

The Bill provides for the insertion of a new section — Section 12A — to permit the withdrawal of application admitted for initiation of insolvency resolution process. The application can be made only with the approval of 90 per cent of voting share of the committee of directors.

The Bill also provides for the lowering of the voting threshold for various decisions of the committee of creditors to 66 per cent for important decisions and 51 per cent for routine decisions.

The Insolvency and Bankruptcy Board of India's (IBBI) will be given a "developmental" role similar to other regulators such as IRDAI and PFRDA. It will also be given the power to regulate the working and practices of certain professionals under the IBC.

The Bill further provides that the Limitation Act 1963 will apply to the proceedings or appeals under the IBC.

(Business Line, July 23rd, 2018)

35. *Copper shortage puts small, medium units in a bid*

Copper consuming units in the South, especially small- and medium-sized ones, find themselves in a jam.

An acute shortage of copper has not only thrown their cost calculations haywire but also impacted their delivery schedules.

Articulating their escalating pain at a press conference here, representatives of Copper Consumers' Association of South India said the closure of the Thoothukudi unit of Sterlite had pushed the 75-odd member units into a crisis. The Sterlite unit, they said, accounted for almost 40% of the country's total production. The small and medium copper consuming units in the south depended on the Sterlite unit for their copper needs. The closure of Sterlite's factory had forced many of these units to default on their delivery schedules.

To a question, Hemanth Mehta, treasurer of the association, said, "Import of copper at such short notice is not possible as most of the contracts are already done.

"Transit time is long and the overall cost of imports is much higher compared to sourcing from within." Also, imported copper pushed up costs close to 10%, he said. The situation could have cost implications for their downstream clients, he said.

The 75-odd members of the association together employed 15,000-20,000 people.

(The Hindu, July 25th, 2018)

36. *India cautions against attempts to formulate e-commerce rules outside WTO framework*

India has warned that attempts by developed countries to frame rules on e-commerce outside the World Trade Organization (WTO) framework could undermine the consensus principle at the multilateral body, as there is an existing mandate for similar discussions to take place within the WTO.

In a statement at the informal trade negotiating body meeting at Geneva, India's WTO ambassador J.S. Deepak said that though proponents are suggesting that these are new pathways and approaches to multilateral agreements, India does not see the advantages of this approach and feels that this would further undermine multilateral work, mandates and the consensus principle.

During the Buenos Aires Ministerial of WTO in December last year, 71 members led by countries like China, Japan and the US in a joint statement said they would initiate exploratory work towards future WTO negotiations on trade-related aspects of electronic commerce.

India plans to bring out a national e-commerce policy in next three months as lack of a domestic policy prevents it from taking a firm stand on the matter at WTO.

South Africa and India in a submission to WTO have proposed that "electronic transmission" under e-commerce be clearly defined as the present moratorium on customs duties on electronic transmissions could imply a loss of competitiveness for developing countries who have higher tariffs on physical products while the same products in digital form attract zero duty.

Deepak said India believes that while e-commerce can bring transformational changes and opportunities in trade and investment, it also poses significant infrastructure, regulatory and other challenges, particularly for developing countries which will not benefit from the opportunity due to the huge digital divide.

India also opposed the introduction of new issues such as investment facilitation and MSMEs (micro, small and medium enterprises) in the WTO agenda till existing mandates have been addressed.

Somewhat miffed with the WTO secretariat for not following a member-driven process while deciding the work programme, Deepak said: "The work of the secretariat should be based on mandates rather than areas for which funds are available. We would not like to see the day where the golden rule in the WTO becomes: one who has the gold, makes the rules! Or even decides the work programme or the areas on which we work!"

(Live Mint, July 25th, 2018)

37. *Digital lending a $1 trillion opportunity*

As more customers in India get used to the idea of shopping and transacting online, a large portion of them will also begin seeking credit digitally. Fintechs, banks and even large Internet companies are working frantically to solve problems that stand in the way of disbursing credit quickly, safely and more efficiently. Their efforts are being accelerated through the development of the India Stack, which can be used as an underlying layer to seek a user's consent, do documentation digitally and make payments online. The Boston Consulting Group estimates that because of these developments, India's digital lending market represents a $1 trillion (approx Rs 68 trillion) opportunity in the next five years.

((Business Standard, July 26th, 2018)

38. *States get two common facility centres*

The Union Government has sanctioned two common facility centres (CFCs) worth Rs 30 crore to boost the industrial development of Punjab, an official press release stated.

The CFCs were approved by the Ministry of Micro, Small & Medium Enterprises (MSME) at a meeting held in New Delhi under the chairmanship of Secretary, MSME, Arun Kumar Panda. Director, Industries and Commerce, DPS Kharbanda, too, was part of the meeting.

(The Tribune, July 26th, 2018)

39. *Dividend payers excel on SME platform*

Dividend givers seem to be outperforming the others on the SME platform: On the Main Board, however, growth companies typically do just the opposite, outrunning dividend payers.

An ET study shows 47 dividend paying companies on the SME platform have clocked 45 per cent average returns from the date of listing to date. By contrast, non-dividend paying companies could fetch 25 per cent on an average. Notably, of 363 companies listed on SME platforms excluding those migrated on to the Main Board, 47 have paid dividend in FY18. Further, out of a total pool of dividend paying companies, stocks of 68 per cent issuers trade above the IPO price, whereas only 52 per cent of the non-dividend paying companies are trading above IPO price.

In comparison with the BSE Small Cap Index companies, out of 855 members, 511 have declared dividends, representing 60 per cent of the total. The overall BSE SME Small Cap Index has clocked 16 per cent CAGR returns over a period of last 3 years. This shows that SME companies are catching up with larger board.

Companies like Zota Health Care, RKEC Projects and Shrenik paid Rs 5.26 crore, Rs 2.4 crore and Rs 2.04 crore as dividend last year.

It is a matter of debate whether high-growth companies should declare dividends or plough back earnings for wealth optimization, but experts believe dividend payment would boost investor confidence.

"It is heartening to note SME companies declaring dividend payouts in reasonably handsome numbers. In a poll conducted by us on Twitter, 44 per cent votes were in favour of dividend declaration," said Mahavir Lunawat, managing director, Pantomath Capital Advisory Services Group. "Certainly, dividend declaration helps build investor confidence and reflects positively on management intention."

(The Economic Times, July 30th, 2018)

40. *Redefining MSMEs*

The Centre has set in motion a long-pending reform in its policy dispensation for MSMEs (Micro Small and Medium Enterprises), by tabling the MSME Development (Amendment) Bill 2018 in Parliament this week. The Bill's most significant provision is the proposed change in the decade-old official definition of an MSME. As per the current definition, manufacturing units are defined as micro, small or medium enterprises depending on whether their investments in plant and machinery were below ₹25 lakh, ₹25 lakh to ₹5 crore or ₹5 crore to ₹10 crore. The thresholds were lower for services units. But the new Bill proposes a uniform MSME definition based on more realistic turnover criteria. Now, units will be 'micro' enterprises if their annual sales turnover is less than ₹5 crore, 'small' if they fall in the ₹5-75 crore range and 'medium' if they are in the ₹75-250 crore band. This change in the outmoded MSME definition has much to commend it.

For starters, the new definition will result in fairer comparisons between older and newer ventures in a sector for utilising MSME sops. Given steady escalation in project costs, comparing investments in plant and machinery over time illogically puts newer units at a disadvantage over older ones, actively militating against modernisation efforts in industry. Two, annual turnover criteria can be directly verified from the GST Network, thus putting an end to physical inspections, and the Inspector Raj necessitated by the investment-based regime. Three, turnover-based sops may be friendlier to technology-intensive sectors such as engineering, auto components or pharmaceuticals where substantial capital investments are needed to ensure even minimal scale. Hopefully, the rebooted definition will allow more MSMEs to benefit from recent policy incentives. Turnover criteria will also allow a unit to graduate from its MSME status on reaching a fair size and discourage the proliferation of inefficient units created mainly with an eye to tax sops.

Some industry bodies have expressed the concern that under the new dispensation, medium enterprises with ₹250 crore turnover may crowd out smaller peers in cornering the sops. But a higher turnover limit is welcome because one of the primary problems plaguing Indian industry is the mushrooming of tiny units that stand little chance against competition. The latest NSSO survey of 6.34 crore unincorporated ventures in India noted that 84 per cent of these were own-account enterprises which didn't employ even one worker. For the Make in India initiative to take wing, and for Indian firms to stand a fighting chance in the export market, the policy regime for MSMEs needs to actively push them to scale up over time, rather than shower them with sops to remain small-scale. In fact, the Centre should mull a sunset clause on MSME benefits to encourage these units to climb up the value chain.

(Business Line, July 29th, 2018)

41. *Govt plays swadeshi card with e-commerce policy*

The draft e-commerce policy is seen as a swadeshi boost for Indian promoters of domestic startups, while helping strengthen RuPay (India's answer to Visa and Mastercard) along with micro, small and medium enterprises (MSMEs) of the country.

The policy comes amid growing complaints from traditional retailers who fear being wiped out due to the onslaught from online platforms, and is meant to create a regime that will also help India deal with a global framework on e-commerce at the World Trade Organization, which is being demanded by countries such as the US and China. The 19-page document circulated by the government has explicitly talked about "boosting the domestic digital economy to find its rightful place with dominant and potentially non-competitive global players".

A part of pro-swadeshi policy stance also emanates from demands from promoters of Indian startups such as Flipkart, Ola and virtually-defunct Snapdeal, which seem to have prompted the government task force to suggest amendments to the Companies Act so that founders retain control over their companies, despite having small stakes. While the modalities are yet to be spelt out, the task force, headed by commerce and industry minister Suresh Prabhu, has suggested in the draft that the plan should be examined in the light of experiences of ecommerce companies.

In late 2016, some of the successful startup founders — such as Sachin Bansal, who will exit Flipkart once the Walmart deal is completed, along with Ola's Bhavish Aggarwal and Snapdeal's Kunal Bahl — had publicly spoken about the need for protection amid an intense fight with global giants such as Amazon and Uber that have gained market shares. The government had then rejected the demand, but now seems to be reviewing its position. Some of the founders are now left with small shareholdings as they raised capital from global investors, which are keen to grab a large slice of the pie in a rapidly growing market.

Further, a special plan for promoting RuPay has been proposed, which mandates its listing (like Visa, Mastercard) as a payment option in e-commerce transactions, apart from allocation to increase its branding and changing its perception of being a "poor man's card".

The draft policy has also proposed that global e-commerce platforms comply with Indian rules, a move that will impact purchases by consumers from sites such as Alibaba. These sites will have to adhere to current procedures for payment systems, such as twofactor authentication, applicable to domestic companies.

There is also a plan to build a retail platform for MSMEs through the public-private partnership (PPP) mode that will cover vendors, suppliers as well as products from clusters such as Moradabad, Ludhiana, Aurangabad and Meerut. Besides, there is a plan to incentivise online platforms and aggregators to engage MSME vendors.

The first part of the plan is being put in place by the ministry of MSMEs and is meant to create a platform through which international buyers can buy Indian goods.

(The Times of India, July 31st, 2018)

42. *Small units, big contributors*

Micro, Small and Medium Enterprises (MSMEs) are the backbone of any country, driving employment generation and GDP growth.

In India, MSMEs manufacture over 6,000 products and contribute about 45 per cent to manufacturing and about 40 per cent to exports. This sector can help realise the National Manufacturing Policy target of raising the share of the sector in GDP from the current 16 per cent to 25 per cent by the end of 2022.

Tamil Nadu has a strong and vibrant MSME segment across all the major industries, including textiles and garments, engineering products, auto-ancillaries, leather products and plastics.

According to State government data, around 18 lakh entrepreneurs provide employment opportunities to about 114 lakh persons with a total investment of ₹1,93,704 crore.

The State government has also announced a slew of initiatives to reinvigorate MSMEs.

The most important is the Single Window Clearance Committee for the sector, at www.easybusiness.tn.gov.in/msme, launched in May this year.

Entrepreneurs planning to set up a unit can get licences/approvals from various departments via this single window.

These include the Directorate of Town and Country Planning, the Tamil Nadu Pollution Control Board and the Directorate of Industrial Safety and Health.

The second most important initiative of the State government to help MSMEs is the Business Facilitation Act/Rules, 2018.

This ensures the single-point receipt of applications to secure clearances required to establish or expand an enterprise, and in normal course of business, including renewals, in a time-bound manner.

The Act also provides for an effective grievance redress mechanism and penalties in case the competent authority fails to act within a time frame.

The Act covers 54 clearances, including pre-establishment, pre-operation, renewals and incentives. It provides for a three-tier institutional structure — District MSME Single Window Committee, State MSME Single Window Committee and MSME Investment Promotion and Monitoring Board — to monitor and review the progress of the single-window mechanism.

At the Global Investors Meet in September 2015, an investment of ₹16,532 crore by 10,073 MSMEs was announced.

As on March 31, 2018, 5,358 enterprises that had signed MoUs had commenced production with an investment of ₹6,182.03 crore, creating employment for 71,691 persons.

(Business Line, July 31st, 2018)

43. *Punjab okays fiscal incentives under new industrial policy*

The Punjab government gave its approval to detailed schemes and operational guidelines for availing of fiscal incentives under the new industrial policy.

The operational guidelines include schemes for exemption from payment of stamp duty or reimbursement thereof to the industrial units. "The Cabinet also approved detailed guidelines for grant of exemption from payment of electricity duty, property tax and approving another scheme for investment subsidy by way of reimbursement of VAT-SGST. Operational guidelines have been also finalised for providing fiscal incentives, interest subsidy to MSMEs," said an official statement.

The Cabinet also approved a scheme for 'Early Bird Units' and another scheme for setting up the first unit in the Border Zone (BZ). To facilitate industrial units to migrate to the new policy, the Cabinet has approved a scheme for migration to the new policy 2017. It has also okayed a special relief package for sick MSME and large units.

The Cabinet also agreed to revise the terms and conditions of the Paddy Straw Challenge Fund, as per the suggestions from the Punjab State Farmers' and Farm Workers' Commission and Punjab Agricultural University, to find a viable technological solution to combat the menace of paddy straw burning.

It may be recalled that the State government had notified establishment of Paddy Straw Challenge Fund for accelerating in-situ degradation of paddy straw in 2017.

"The Cabinet felt the terms and conditions of the Paddy Straw Challenge Fund should be easy and simple, allowing a larger number of institutions, individuals offering different technological solutions to participate in the contest. This move would not only help retain the fertility of the soil but also make environment pollution-free," said the statement.

The Cabinet also gave its nod to the proposal for restoration of the reservation of 14% to SC employees in Group-A and Group-B and 20% in Group-C and Group-D services for filling up the vacancies by promotion.

"The Cabinet gave its nod to the proposal mooted by the Social Justice, Empowerment and Minorities Department and authorised the CM to approve the final draft of the ordinance in this behalf. The reservation would also be applicable to proforma promotion and appointment by transfer to the SC employees," said the statement.

(The Hindu, July 31st, 2018)

44. *NSIC signs MoU with SBC of South Korea*

NSIC signed an MOU with Small Business Corporation (SBC) of South Korea to facilitate, assist and provide necessary support to MSMEs of both the countries to identify and exchange latest technologies, share management expertise, Product development, technology applications for productive development coinciding with the inauguration of Indo Korea, Technology Exchange Centre at NSIC campus, Okhla Industrial Estate, New Delhi.

The MOU was signed by CMD, NSIC Ravindra Nath and Chairman of Small Business Corporation (SBC), South Korea Lee Sang Jik in the presence of Minister of State (Independent Charge), Ministry of Micro, Small and Medium Enterprises Giriraj Singh and Hong Jong Haak.

Secretary, MSME A.K. Panda and Joint Secretary Alka Nangia Arora along with senior officials of Ministry of MSME and NSIC were also present on this occasion.

(Business Standard, July 11th, 2018)

ARTICLE

The law on prevention of sexual harassment at the workplace - For compliance and culture

By: Hemangini Kalra
Heads legal and compliance at Serein Inc., a diversity and inclusion consultancy

With rapidly growing participation of women in the workforce, it is imperative for organisations to ensure that they provide safe workplaces, free from any form of sexual harassment, to their female employees, in order to further improve this welcome participation.

The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("the Act") was passed with this very objective in mind. It provides a clear understanding of what behaviour, physical, verbal and non-verbal, constitutes sexual harassment at the workplace, who is guaranteed protection from said behaviour at a workplace, and what are the forms of redressal available to a woman who is at the receiving end of such harassing behavior.

The Act includes, within its scope, both government sector and private sector organisations, co-operatives, dwelling places or homes (thereby extending protection to domestic workers), as well as the unorganised sector. It places the onus of ensuring a safe work environment on the employer.
The employer in every such organisation, that has over ten employees, is required to implement the following mandates-

1. Constitute an Internal Complaints Committee ("IC") - This is the internal body that is entrusted with the responsibility of ensuring effective and time bound redressal of complaints against sexual harassment at the workplace. The IC is constituted of a Presiding Officer who shall be a woman employed at a senior level at the workplace; at least two members from amongst the employees either committed to cause of women or who have experience in social work or have legal knowledge; and one external member from an association committed to the cause of women or a person familiar with issues relating to sexual harassment.
2. Awareness programmes for the employees - The employer is obligated to organize workshops and awareness programmes at regular intervals, so that employees are aware of the protection available to them and are sensitised to the provisions of the Act.
3. Awareness training for the IC - Additionally, orientation programmes must be conducted for the members of the IC, so that they are equipped with the skills to handle a complaint when it is made to them, sensitively, and conduct an inquiry within the timelines prescribed under the Act.
4. Assistance to the IC - The employer must provide necessary facilities to the IC for dealing with the complaint and conducting the inquiry.
5. Assistance in filing a criminal complaint - Should the aggrieved woman choose to file a complaint against the offence under the Indian Penal Code, the employer must assist her in doing so.
6. Filing of Annual Report - Lastly, the Act requires employers to file an Annual Report to the concerned District officer, including information pertaining to the number of cases filed and disposed of by them in

in that particular year.

For organisations that have fewer than ten employees, complaints can be made to Local Complaints Committees (LCCs) that have been constituted by the government, in line with the Act, in each district.

The Act is highly exhaustive in terms of who can file a complaint as an 'aggrieved woman', who is classified as an employee, and what is considered a 'workplace' for the purpose of implementation.

An 'aggrieved woman' in relation to a workplace, is a woman of any age, whether employed or not, who alleges to have been subjected to any act of sexual harassment. Thus, a woman need not necessarily be an employee to claim protection under the Act - even a customer, volunteer, or client can do so, if she is sexually harassed at the workplace.

The definition of an 'employee' covers regular, temporary, permanent, ad hoc employees, individuals engaged on a daily wage basis, either directly or through an agent, contract labourers, probationers, trainees, and apprentices, with or without the knowledge of the principal employer, whether for remuneration or not, working on a voluntary basis or otherwise, whether the terms of employment are express or implied. Thus, the IC is obligated to take up a complaint made by any woman who is sexually harassed at the workplace by anyone employed with the organisation in any such capacity.

Along similar lines, the Act also includes the concept of an 'extended workplace' with workplace being defined as any place visited by the employee arising out of or during the course of employment, including even transportation provided by the employer for the purpose of commuting to and from the place of employment.

Non-compliance with the law will have stringent consequences for an employer, including a fine that may extend to Rs. 50,000. A repeat offence will attract twice the punishment amount, which may have been imposed on a first conviction, with the possibility of de-registration, or revocation of license for carrying on business. Apart from these financial and business repercussions, there is also bound to be severe reputation damage.

The aim of an employer should be to not only to implement the letter of the law from a compliance standpoint, but also to embody the spirit of the law in their organisation's culture, truly making their workplace a safe one for employees to work at. In line with this, trainings are of utmost importance. They should be conducted in a way that employees and IC members understand the detailed definition the Act provides of what constitutes sexual harassment, the explicit and subtle forms of it, as well as the two manifestations which any instance of sexual harassment typically have, namely quid pro quo and creating a hostile work environment. But additionally, and more importantly, they begin to recognise offending behaviour when they see it or engage in it, and see the worth in discouraging others from it and refraining from it themselves.

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International Labour Organization

SCORE SUCCESS STORIES

Case Study 1:

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

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.

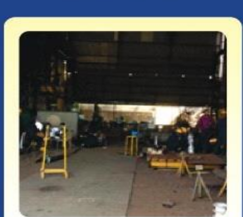
Results Achieved:

- 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:

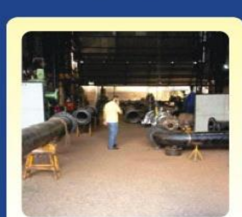
- SCORE program provided a new way of looking at the situation at the workplace and opportunity to brainstorm to find solutions within the available resources.
- Management and operators realized the benefits of 5S that it helps to identify hidden and unwanted materials and the monetary benefits that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