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MSME News Update

1. India, Morocco ink pact in MSME sector

India and Morocco have entered into an agreement for deepening cooperation in the Micro Small and Medium Enterprises (MSMEs) sector, a move will facilitate transfer of Indian technologies and products to the North African nation.

The MoU was signed in Rabat, Morocco, recently by National Small Industries Corporation (NSIC), Chairman and Managing Director Ravindra Nath and Director General, Maroc PME, Rabri Barrazouka, an official statement said.

Through this MoU, NSIC and Maroc PME will work together to enhance cooperation opportunities between the micro, small and medium enterprises (MSMEs) of the two countries.

Besides, Alka Arora, Joint Secretary, Ministry of MSME, who is leading the official delegation along with CMD NSIC to Morocco, held bilateral meetings with Othman El Ferdaous, Secretary of State in the Ministry of Industry, Investment and Trade and Digital Economy and with other related departments.

“Both sides discussed the ways and means to synergize the strengths of both countries in MSME Sector in terms of capacity building, sharing of experiences, exchange of business delegations for creating linkages, JVs and technology transfers,” the statement added.

Morocco mainly relies on its export of minerals and ores and service sector. It has very small MSME sector in manufacturing, whereas India has strong MSME sector especially in manufacturing. India is one of the major markets for Moroccan phosphate and its derivatives.

An India-Morocco joint venture in fertilizer sector in Morocco, called IMACID, was set up in November 1999. At present the JV is producing around 430,000 MT per annum of phosphoric acid, nearly all of which is imported by India. The Morocco phosphate company, OCP, has invested in Paradip Phosphates Ltd in India. Other main items of exports to India are metallic ores and metal scrap, semi-finished products and inorganic chemicals.

The main items of India’s exports to Morocco includes cotton yarn, synthetic fibre, transport equipment, pharmaceuticals, agricultural implements, chemicals, spices and manufactured metals. The balance of trade has been in favour of Morocco because of imports of phosphoric acid and rock phosphate by India.

The quantum of bilateral trade, which was \$1.63 billion in 2010, reached to 42.04 billion in 2011. However, in 2014, it decreased and stood at \$1.36 billion. Indian exports to Morocco in 2014 decreased by 21.6 per cent compared to the previous year while Moroccan exports to India registered an increase of 10.2 per cent in 2014.

(The Times of India, September 26th, 2018)

2. Garg gets additional charge of NSIC Chairman

Sudhir Garg, Joint Secretary, Ministry of Micro, Small and Medium Enterprises, has assumed charge as interim CMD of National Small Industries Corporation (NSIC) after the Public Enterprises Selection Board did not find a suitable candidate for the post. Ministry sources said Mr. Garg has been given additional charge of the post from October 1, for a period of three months or until further orders, whichever is earlier.

(The Hindu, October 3rd, 2018)

3. Govt raises loan limit for MSMEs to over Rs. 1 crore

The government has enhanced the loan limit for micro, small and medium entrepreneurs to over ₹1 crore under the Prime Minister Employment Generation programme.

Giriraj Singh, Minister, Micro, Small and Medium Enterprises, said the government was lending between ₹25 lakh and ₹1 crore to successful entrepreneurs at 15 per cent interest subsidy but such entrepreneurs can now apply for loan over and above the limit.

Inaugurating the Khadi Fest 2018 in Mumbai, he dedicated an online portal for entrepreneurs to seek financial assistance and emphasised on the government’s aim to generate employment in rural India.

Khadi and Village Industries Commission turnover last fiscal was up 34 per cent at ₹2,508 crore largely led by innovative initiatives taken by the government to promote khadi clothes and household articles.

KVIC has set sales target of ₹3,200 crore for this fiscal. It had organised 50 exhibition on the occasion of Gandhi Jayanti and plans to conduct 150 exhibition globally in the next two months.

Vinai Kumar Saxena, Chairman, KVIC, said the sales growth which was about 6.8 percent between 2004 and 2014 revived sharply to register an average growth of 133 per cent at present.
(The Hindu, October 2nd, 2018)

4. **Govt clears MOU to boost cooperation among India-Russia MSMEs**

The government approved the signing of an agreement to promote cooperation between the small and medium enterprises of India and Russia, which will open more opportunities for Indian MSME sector by way of new markets, joint ventures, sharing of best practices and technology collaborations.

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

"The objective of the MoU is to promote cooperation between the SMEs of the two countries. It would provide a structured framework and enabling environment to the MSME sector of the two countries to understand each other's strengths, markets, technologies, policies etc," an official statement said. The agreement aims to enhance enterprise to enterprise cooperation and help initiate sustainable business alliances in terms of technology transfers, joint ventures and business partnerships in MSME sector between the two countries.

"Cooperation in the field of capacity building, rapid incubation for entrepreneurship development, exposure to each other's market by encouraging participation in exhibitions are also envisaged in this MoU," the statement said.

(Daily Hunt, October 3rd, 2018)

5. **Rajan wrong on CGTMSE**

Last month, as part of replies submitted to the estimates committee of the Lok Sabha, former RBI Governor Raghuram Rajan had warned about growing contingent liability at the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) as the next set of NPAs. However, the operating structure of CGTMSE shows Rajan's comments are "mis" founded, more so in the light of recent structural changes in CGTMSE operations that limit its liabilities. CGTMSE has been functioning for over 17 years, and over this period, the trust has never faced issues related to shortage of funds. It has been self-sustaining, with capital seeded by the Centre. The period of the trust's existence has covered a full economic cycle, and thus, it can be concluded that the model is sustainable.

CGTMSE has always been responsive and proactive in ensuring its own sustainable growth while meeting the needs of the MSME sector.

Over the past three years, CGTMSE has experienced healthy growth, with outstanding guarantees at ~Rs 70,000 crore. CGTMSE, thus, has been self-sustaining, able to meet its claims every year based on the income generated from operations and interest accrued from corpus.

The ratio of total claims received to outstanding guarantee amounts has shown a decreasing trend.

The trust has registered a net surplus in all years of its operations, with the surplus increasing significantly in the past three years. This helped grow its fund amount to sustain it during a downturn or crisis.

CGTMSE has implemented multiple reforms in past financial year with an aim of efficiently managing the overall risk. The two key features implemented in the past financial year are:

Introducing risk premium in guarantee fee, with premium reviewed every year based on historical claim rates of member lending institutions (MLI). It extends guarantees for MSE credit extended by MLIs. The cover is extended after charging a fee to MLI. The fee depends upon default rates experienced by the trust on loans guaranteed by the MLI. This ensures risk-based pricing.

Implementing payout cap, i.e., putting an upper ceiling to the amount of claims that a MLI can make.

This payout cap currently stands at twice the fee paid and the recoveries in a particular year by the MLI, thus limiting the overall liability of the trust to two times the inflow. This measure ensures overall liability to the trust for its guaranteed loans is limited and measureable, and thus can be accounted for.

CGTMSE is currently operating at a leverage of 7.15 (August 31)—in line with guarantee schemes in Asia and globally. Operating leverage has been significantly improved from the past financial year due to fresh corpus allotment by the government. The government has also committed another Rs 1,300 crore more, which should further improve the operating leverage of the trust.

In an extremely stressed scenario, where the MSE sector experiences significant defaults and all MLIs claim their maximum redeemable limit, CGTMSE would still be sustainable and would experience only 4.5% reduction in its corpus, with 95% still

intact to run the scheme. As per our calculation, for all cases where claims made by MLIs total is 80% or less of their allowed overall cap, there would be no change in corpus and, hence, CGTMSE would be able to meet the liabilities on its own.

CGTMSE being a forward-looking trust, it has embedded effective risk management tools to ensure sustainable running and growth of the MSE sector. There is no liability on the government of India due to guarantees extended by the trust and the funds available with CGTMSE are sufficient to sustain it even under the severe stress scenarios. The sustainability of trust over past 17 years and it is constantly benchmarking its performance with global benchmarks, ensuring that the trust runs on solid foundation.

(Financial Express, October 4th, 2018)

6. **Commerce Ministry to focus on nine keys sectors to promote exports**

The Commerce Ministry has identified nine sectors for export promotion, which include gems and jewellery, leather, textile and apparel, engineering, electronics, chemicals and petrochemicals, pharmaceuticals, agriculture and allied and marine products.

At the recent inter-ministerial meeting on export promotion, Commerce & Industry Minister Suresh Prabhu proposed that possible barter arrangements with specific countries may be explored, according to an official release.

Commerce Ministry officials had earlier said the Ministry was exploring barter mechanisms with countries such as Iran, Russia and Venezuela.

"Commerce Secretary Anup Wadhawan apprised that discussions are also on to provide priority sector status to export credit, to enhance the volume of credit and for enhancement of allocation for the interest subvention scheme and for the SEIS and MEIS schemes," the official release said.

The Commerce Minister appreciated the inter-ministerial teamwork leading to formulation of the current sectoral export strategy. "He urged the ministries to work on tapping opportunities with countries in this region, particularly in South Asia, as there is huge potential to increase India's exports," the release added.

This was the third inter-ministerial meeting on sectoral export promotion strategy. The meeting was attended by Commerce Secretary, DG Foreign Trade, the Secretaries of Textiles and Chemicals and Petrochemicals and other senior officers from the Ministries and Departments of Electronics, MSME, Agriculture, Animal Husbandry and Defence Production.

The Minister emphasised the need to create more jobs in India with a focus on labour-intensive manufacturing Special Economic Zones. He also suggested that the possibility of collaborative exports in partnership with other countries.

Drawing attention to India's multilateral obligations, Prabhu asked the line ministries to adhere to India's World Trade Organisation commitments, while designing their export promotion policies.

He suggested a separate meeting on the services sector to examine issues relating to remittances and other capital flows.

The Minister said China and the US were emerging opportunities and industries, which are relocating from China on account of rising labour cost and may be invited to invest in India after immediately revising regulatory procedures.

The DGFT pointed out that merchandise exports were up by 16.13 per cent to \$136.10 billion in April-August 2018-19.

(Business Line, October 3rd, 2018)

7. **857 start-ups and 1234 MSMEs registered on GeM in the ongoing National Mission**

The National Mission on GeM was launched by Union Minister of Commerce & Industry and Civil Aviation, Suresh Prabhu, on 5th of September 2018. Twenty States and UTs joined the Mission which aims at creating awareness about GeM, train buyers and sellers, get them registered on GeM and increase the procurement through GeM. This drive has been taken up for the promotion of inclusiveness of all sections of categories of sellers and service providers, highlighting and communicating the value addition in joining.

(Press Information Bureau, October 3rd, 2018)

8. **E-commerce can boost small businesses in India**

India's 633.88 lakh non-agricultural Micro Small and Medium Enterprises (MSMEs) were responsible for over 11 crore jobs in 2015-16 and contributed 28.77% to the Indian GDP, according to the 2017-18 report of the Ministry of MSME. Yet, most of these small businesses remain just that—small. The reasons are many—from lack of infrastructure, absence of technological competencies and scarcity of capital.

But the biggest hurdle can be summed up in three questions: how do I find new customers?; how do I reach them?; and how do I serve them well? E-commerce is the answer.

The internet helps Small and Medium Businesses (SMBs) break free from the limitations of location. Traditionally, Indian businesses had to invest in a capital intensive and multi-tiered distribution network to have a nationwide footprint. Not anymore. Studies have shown that small businesses selling online grow faster—with profits growing by over two times—than those that do not.

This is directly linked to the larger customer base that e-commerce opens up for them. Digital commerce, which grew at 34% Compound Annual Growth Rate (CAGR) between December 2011 and December 2017, is expected to reach Rs 2.37 lakh crore by end of this year, according to a research report. That is a sizeable and fast-growing market.

Online commerce also does away with numerous inefficiencies. Historically, it was the middleman who had all the power with his understanding of market knowledge. E-commerce is transparent—even a seller in a small town has visibility over pricing trends across the country and is no longer dependent on a middleman for that piece of information.

So why isn't everyone online yet? Putting up a basic website is easy, but not every business knows how to drive traffic, showcase products, ensure that inventory is mapped, order management is seamless and, after a sale takes place, how to fulfil that order.

This is why a marketplace, with the ability to service a large footprint nationally and even globally, becomes important. However, organisations working with small businesses need to understand that sellers need options.

Some might be equipped to handle storage, packaging and logistics, while others need support in some or all of these areas.

The recently announced National Digital Communications Policy, 2018, has the stated objective of bringing broadband to all Indians by 2022. That will be a game-changer for small businesses. More jobs will get created and the Indian economy will grow faster.

(Hindustan Times, October 15th, 2018)

9. *Impetus for innovation*

The Government of Tamil Nadu has recently launched an initiative called Innovation Voucher Program (IVP) to encourage innovation among MSMEs in the manufacturing sector. The timing of this initiative appears to be right since MSMEs are under pressure to adapt to two key trends. The acceleration of technology trends such as Industry 4.0, 3D printing and relaxation in regulatory processes for electric vehicles, defence and space manufacturing are creating new challenges and opportunities for the MSMEs.

The IVP is based on a model that has been successful in other parts of the world such as Europe and Australia. It encourages formation of a virtuous cycle (referred to as the Triple-Helix model) among MSMEs, Knowledge Partners such as academic and research institutions, and the government. The programme has two grants ranging from ₹ 2-5 lakhs to support product and process innovation among MSMEs. The programme is being implemented by the Entrepreneurship Development and Innovation Institute (EDII) and the Department of Industries and Commerce. The Government is launching an awareness campaigns to encourage the MSMEs to take the initiative to identify the opportunities for innovation, partner with suitable Knowledge Partners and submit the proposals for the grant.

However, MSMEs may encounter challenges to take advantage of this programme, given the information asymmetries in finding suitable Knowledge Partners with relevant research capabilities, and their own everyday challenges and time constraints. It is therefore important for Knowledge Partners to play a proactive role in this initiative. Knowledge partners (especially engineering colleges) have a great opportunity to contribute to this programme and benefit from it. However, instead of waiting for MSMEs to come up with design challenges, faculty and students should reach out to their local MSMEs with proactive proposals. A guestimate is that about 300-400 faculty and at least 1,200-1,500 students can benefit by participating in this programme. Focused and committed work in this direction will not only help students gain very good experience, but also help the faculty understand the process of consultancy and product development and move in the path of self-sustenance. This win-win relationship can also create a strong talent pool to support further innovation in the manufacturing sector. Promising ideas emerging from such an initiative can then be considered for further development in incubators and accelerators.

(The Hindu, October 13th, 2018)

10. **A slew of problems impeding SMEs growth**

Rising input cost, delay in input tax credit and payments from government and large corporates have put pressure on the small and medium enterprises (SMEs) and may affect their growth in the ongoing fiscal. They also face longer working cycle due to slower recovery for supplies made previously and source of working capital being far and few.

“We are yet to get second lot of our GST refunds in spite of government promising to clear them. Due to this the sector is suffering a lot. Because of depreciation in rupee imports have become expensive and as a result it is increasingly becoming difficult to produce quality products for exports. We import many items to produce high-quality products for exports. Diesel, petrol and power costs have gone up. The competition is also fierce in the market,” said Chandrakant Salunkhe.

The rupee has been quite volatile in this fiscal depreciating by about 14 per cent and is expected to further weaken against the US dollar. The cost of credit is also an issue as interest rates are heading north and inflation breaching the comfort level. The wholesale price inflation (WPI) surged to 5.13 per cent in September from 4.53 per cent in the previous month.

Industry sources, however, said that SME sector is very heterogeneous and therefore the problems faced by one group of firms may not be the same for other categories. For example, exporters would stand to gain when currency depreciates while importers would come under pressure. For bigger segments of the sector such as garments, gems and jewellery and light engineering a fall in the value of rupee would result in higher money inflow.

The issue of unpaid bills continue to impact the sector with many sectors such as housing where they are the key suppliers remain under deep stress. Many smaller firms claim that large corporates are not paying on time even as there is rule from the MSME ministry requiring them to not hold payments for more than 25 days. Many SME accounts are turning non-performing assets (NPAs) because they are not getting their receivables on time. In what seems aggravating the problem is delayed sanction and disbursal of funds by banks.

(Financial Express, October 31st, 2018)

11. **Yogi to launch start-ups in UP temples**

The Yogi Adityanath government in Uttar Pradesh is now preparing to launch start-up in various famous temples of the state. To begin with, a unit will be set up at the Iskcon temple in Kanpur where flowers offered to the deity will be used to make incense sticks.

UP minister for MSME Satyadev Pachauri, who belongs to Kanpur, told reporters that a loan of `25 lakh would be given for the project.

“We plan to start similar start-up projects in other temples in the state where religious articles required for ‘puja’ like ‘Havan Samagri’ can be prepared. In this way, people will get employment and the religious place will also become self sufficient,” he said.

The minister said that start ups in this field would be cost effective and the returns would be assured.

The Yogi government, according to the minister, will be asking the State Pollution Control B to ensure that no waste from religious places is thrown in the Ganga River.

“We are also working on the same lines to ensure that the temple waste is either recycled or put to better use,” he said.

It may be recalled that some temples in the state have already started training women to make incense sticks from waste flowers, the Mankameshwar temple in Lucknow being one of them.

The religion related start-ups would focus on material used by devotees including offerings and “prasad”.

(The Asian Age, October 17th, 2018)

12. **Industrial policy may leverage blockchain tech to digitize land records**

The proposed industrial policy may suggest leveraging of blockchain technology to digitise land records to enable MSMEs to access easy loans against assets or properties, an official said.

Use of blockchain tech to digitise land records would enhance ease of asset-based lending to micro, small and medium enterprises (MSMEs), the official said. Property records are generally used as collateral for loans by MSME units and it requires lot of efforts to scrutinise those records. The official said that several states and municipalities are digitising land records but there is no common format or security standards. Blockchain technology can be used to digitise land records across the country as it would simplify the process of proving loans against property for MSMEs, they added.

The policy may also suggest other ways to ease the process of lending to these units. Commerce and Industry Minister Suresh Prabhu earlier this month had stated that the policy was ready and would soon be approved by the Cabinet.

(Business Today, October 22nd, 2018)

13. Power sector MSMEs get access to TReDS

M1xchange, an exchange dealing in trade receivables discounting system (TReDS), has started transacting with NTPC to address the financing concerns of MSMEs in the power sector.

Launched by outsourcing and consulting firm Mynd Solutions, M1xchange has on-boarded many large corporates, their MSME vendors and financiers (banks - public, private, foreign and NBFCs) to do the financing transactions.

“The use of TReDS is aimed at improving the flow of funds to MSMEs by reducing the realisation cycle of receivables. TReDS allows MSMEs to post their trade receivables on the system and get them financed,” said a press statement issued by M1xchange.

The digital platform of M1xchange came into being in April last year to serve MSMEs, which usually struggle to stay afloat due to paucity of working capital.

TReDS is a regulatory framework put in place by the Reserve Bank of India under the Payment and Settlement Systems Act 2007 to regulate trade receivables between MSMEs, large corporations and financiers.

“The M1xchange platform would provide a reliable tool to our vendors due to its competitive pricing mechanism,” SC Chavady, GM, corporate materials, NTPC, said in the statement.

(Business Line, October 23rd, 2018)

14. Business confidence rises marginally in Oct-Dec

Corporate India’s business optimism for the October-December quarter improved marginally on expectations of higher festive season demand, implementation of the 7th Pay Commission awards and increase in minimum support price (MSP) of kharif crops, a report said.

For the October-December quarter of this year, the Dun & Bradstreet Composite Business Optimism Index stood at 79.5, registering an increase of 3.6 per cent as compared to the year-ago period. “Aspects that appear to improve optimism levels are expectations of higher demand given the festive season, implementation of the 7th Pay Commission awards, reduction in the GST rates on selected commodities and increase in MSP of khariff crops,” said Manish Sinha, managing director – India, Dun & Bradstreet. It said optimism for net profits stood at 65 per cent, an increase of 9 percentage points as compared with the same period a year ago, while optimism for new orders stood at 70 per cent (up 5 percentage points) and optimism for volume of sales at 75 per cent (up 4 percentage points).

Regarding the marginal rise in business optimism index, Sinha said high non-performing assets (NPAs) in banks, the tightening of liquidity, depreciation in rupee, firming of crude oil prices and geo-political issues and trade wars is expected to have tampered business sentiment.

“Going forward, the index will depend upon the unfolding of further information or regulations on the NBFCs following the recent default by a systemically important NBFC, which is likely to add to the cautiousness amongst businesses, especially MSMEs, as they are largely funded by this segment,” he said. The index arrived at this on the basis of a quarterly survey of business expectations.

(Financial Chronicle, October 25th, 2018)

15. Farm credit flows need better monitoring: Experts

The Reserve Bank of India should release a sector-wise break-up of agricultural credit, experts said stating that this would help result in a more productive use of the funds for the sector. Currently, about 70% of the farm credit, according to RBI data, are crop loans, while there is no disaggregated data on what the balance amount is used for.

Sector analysts fear that the credit disbursed to the MSME sector and micro-finance institutions may be getting categorised under “agriculture credit”. They are of the view that there should be a better monitoring system to ensure that these funds really are used in the farm sector.

The government had exceeded the agriculture credit target of Rs 10 lakh crore for 2017-18, of which about Rs 6.5 lakh crore were disbursed to farmers under crop loans which carry lower interest rates, former agriculture secretary Siraj Hussain said. While the remaining credit amounts were disbursed as term loan, which do not entail any subsidised interest, the RBI doesn't release the list of beneficiaries, he said at a conference.

Nabard chairman Harsh Kumar Bhanwala said: "Credit flow monitoring is very important as investment in the agriculture sector is not much despite the interest subvention." Monitoring will help in more productive use of the agricultural loan, he added.

Bhanwala also said the farmers producers' organisations (FPOs) need an anchor agency on the lines of the National Dairy Development Board.

Speaking on connecting farmers to value chain, noted agriculture economist and former chairman of Commission for Agricultural Costs and Prices (CACP) Ashok Gulati said there is massive investment required in marketing infrastructure since the value chain of each product, like grain and milk for example, is different.

He further said farmers need to grow what the consumer is looking for whereas the current practice is to grow a crop and then look for the market.

(Financial Express, October 26th, 2018)

16. Govt readies loan, social security plan for MSMEs

The government is set to announce a package of benefits for micro, small and medium enterprises (MSMEs) spread across 80 clusters that will cover credit flow, steps to improve market access and ensuring social security benefits for workers through a targeted approach like the one for aspirational districts.

A detailed scheme is to be announced by PM Narendra Modi in what is seen as a pre-election push for a sector that employs over a 100 million people in 63 million units.

The list of clusters range from food processing units in Visakapatnam to steel ancillary in Bokaro (Jharkhand), large cardamom in Sikkim, sports goods in Meerut and leather goods in Agra with joint secretary and additional secretary-rank officers from the Centre designated as 'prabharis'. They will work with officers from banks, EPFO, ECIS, SIDBI, state government and district administration to meet the targets.

The government is following a similar approach for 117 aspirational or backward districts with prabharis working with the district and state authorities in meeting targets related to health, education, sanitation and farming.

Government officials said the recently-launched portal to sanction loans in 59 minutes will be pushed under the scheme. Similarly, an attempt will be made to get the MSMEs on to the government e-marketplace (GeM) portal so that departments and other agencies can buy directly from the small units. Key thrust is also being given to quality certification, officials said.

The latest move is seen to be targeted at boosting jobs in the employment intensive sectors. Besides, it is being seen as a means to appease small businessmen.

(The Times of India, October 27th, 2018)

17. Yogi: One-District One-Product to create more jobs

Uttar Pradesh Chief Minister Yogi Adityanath said that the government had kept its promise of promoting traditional cottage and handicraft industry and entrepreneurship by launching the One District One Product (ODOP) scheme.

The Chief Minister said the creation of huge job opportunities with low capital investment was the unique feature of the ODOP scheme.

Addressing a special summit on traditional handicraft of Lucknow, 'chikan and zardozi', Yogi said that the BJP, during the March 2017 UP assembly elections, had promised to launch a specific scheme for promoting traditional handicraft and cottage industry as each district of the state had a unique identity in the form of its traditional craft.

The Chief Minister said that so far 11,755 artisans of different crafts had been provided loan amounting to over Rs 1,000 crore. The ODOP scheme was launched on January 25 this year.

Yogi said that so far over 1.65 lakh persons had been provided employment by the MSME sector under the ODOP scheme. Yogi also released a catalogue 'Zari-Zardozi' on the occasion.

He also distributed tool kits and cheques of loan to 10 entrepreneurs. The Chief Minister said the future belonged to the MSME (micro, small and medium enterprises) sector as it was growing at fast pace and was also labour intensive.

Prominent e-commerce companies also made their presentations on the occasion and provided marketing platforms to the small entrepreneurs producing traditional handicraft items and other products.

(The Pioneer, October 29th, 2018)

18. Banks to clear 90% of CPSEs' dues on receipt of purchase

In what would improve the liquidity conditions of micro, small and medium enterprises (MSMEs), the government will soon put in a place a system under which banks will release 90% of these firms' receivables on the basis of receipts of purchases from their clientele among CPSE/state-run undertakings.

The plan, according to official sources, would be implemented in a decentralised manner, so the decisions could be taken by even the middle-level bank management.

The system, the sources said, won't create any problem for banks as advances to CPSEs are supported by government guarantee.

Among other issues like a slowdown in demand from overseas buyers, long delays in settlement of dues by domestic buyers, including state-run firms, have undermined the MSMEs' ability to sustain their business cycles.

The facility will be part of a package for MSMEs to be unveiled by the Prime Minister in early November with a view to help them meet their working capital requirements. Demonetisation and the GST had hit the MSME sector hard and resulted in job losses, a fact the ruling dispensation is concerned about and is keen to address quickly given its electoral ramifications.

MSMEs are the backbone of the Indian economy, contributing nearly 30% of the gross domestic product and 49% of country's exports. MSMEs are also the largest employers, next only to agriculture. Over six crore such units provided employment to about 11 crore people (NSSO, 2016).

In a meeting with public sector bank chiefs recently, finance minister Arun Jaitley had asked them to step up supply chain financing to MSMEs to mitigate their difficulties.

According to a recent Reserve Bank of India study, contractual labour in both the wearing apparel and gems and jewellery sectors suffered as payments from employers became constrained after demonetisation. Similarly, the introduction of GST led to increase in compliance costs and other operating costs for MSMEs as most of them were brought into the tax net, the central bank noted.

The banks could pocket upto 10% of the receivables when the CPSEs settle the receipts within 90 days of the transaction. In cases of delays in settlement, the buyers (CPSEs) should bear interest for such delays.

A study by Small Industries Development Bank of India indicated that post-demonetisation and post-GST introduction, the relative credit exposure initially declined for most MSMEs before recovering by March 2018. During demonetisation, many smaller districts, which were witnessing higher growth, felt greater shock compared to larger centres.

Bank loans disbursed to MSMEs fell to Rs 7.89 lakh crore in FY17 from Rs 8.77 lakh crore in FY16. It recovered to Rs 8.86 lakh crore by end-FY18.

MSMEs have long been facing a problem of delayed realisation of their receivables, leading to liquidity constraints and a key reason for many of them turning into non-performing assets. As on September 30, 2017, MSME NPAs were 8.34% of the respective outstanding loans. However, a large number of these firms depend on informal channels because of easy accessibility and availability of credit without any documentation hassles and mortgages, even though the rate of interest on such loans may be very high.

(Financial Express, October 29th, 2018)

19. Modi asks Japan's MSMEs to explore business opportunities in India

Prime Minister Narendra Modi asked Japan's medium, small and micro enterprises to explore business opportunities in India and assured them of a more conducive environment to consolidate bilateral trade ties.

"Some years ago, I spoke about making a mini-Japan in India. It's a matter of great happiness for me that today, you are working in an even larger number in India," Modi said while addressing 'Make in India: India-Japan Partnership in Africa and Digital Partnership' seminar in Tokyo. Modi said when he became prime minister in 2014, India was at 140th position in

the 'ease of doing business' ranking of the World Bank. "Now India has reached 100th position and we are working towards better ranking," he said.

He said the Indian government was making all efforts to change the country's business environment and ensure that there is ease of doing business and ease of living. "There are ample possibilities for Japan's [micro] SMEs in India," the prime minister said.

"It's not only big companies but Micro, Small & Medium Enterprises (MSMEs) that are welcome to India. Through MSMEs, too, Japanese entrepreneurs can take their businesses to new highs."

Low cost manufacturing and competitive labour cost make India more favourable for doing business.

"Our software industry is very powerful. As I said earlier if we combine our software and your hardware, we can do a miracle in the world," he said.

The cooperation between Japan and India in the field of electric mobility is going to be very beneficial, he said.

"We are doing wonderful work in infrastructure sector. Our emphasis is now on next generation infrastructure. We are trying to develop such a competitive economy which would be based on skill, speed and scale," Modi said. "I always speak of a strong India, strong Japan," he said, inviting Japanese businesses to accelerate the pace of investment in his country.

(Financial Express, October 29th, 2018)

20. Refractories, sponge iron and re-roller SMEs to piggyback on steel demand

CRISIL Research expects the business outlook of small and medium enterprises (SMEs) in the sponge iron, refractory materials, and re-rolling mill sectors to improve in the near-term, following a revival in both demand and prices of steel.

SMEs comprise a massive three-fourth of these industries, the majority of which are located in Chhattisgarh, Orissa and West Bengal. They were hammered when steel prices had declined in the past.

While sponge iron is used as raw material by re-rollers to produce long steel or TMT bars through induction furnaces, refractory materials are used in the linings of furnaces, kilns, and reactors to protect against high temperature and pressure.

Long steel demand grew 3.7 per cent in fiscal 2018. Momentum in the infrastructure sector is expected to take this number up even further in the near-term, benefiting SMEs.

The steel segment is the largest consumer of refractory materials, accounting for 75 per cent of total domestic demand.

CRISIL Research expects steel demand to increase seven to eight per cent this fiscal.

But intense competition and the threat of substitutes such as scrap steel are key monitorables for sponge iron players, while the threat of imports, low-quality raw materials, and competition from global players are key risks for refractory materials makers.

Business outlook, returns, working capital and asset quality in the sector are the factors to be considered when lending to SMEs.

(Business Standard, October 29th, 2018)

Opportunity for MSMEs to increase 'COST COMPETITIVENESS, QUALITY & ON-TIME DELIVERY'

I - Inventory (stock of materials, finished goods, storage)	O - Over Processing (poor quality, lack of employee efficiency)
M - Motion (unnecessary motion within work area resulting in time waste)	D - Defects (repeated errors, avoidable errors)
W - Waiting (materials, information)	H - Human Resources (absenteeism, lack of team effort)
E - Environmental Waste (natural resource inputs such as Energy, water, fuel etc)	

Enroll in SCORE

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



SCORE Modules

Module 1: Workplace Cooperation
- A foundation for business success

The starting point for all training

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

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

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

Our USPs

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

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



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Case Study 1:

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

SCORE SUCCESS STORIES

Problem Definition/ Identified for Improvement:

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

Process / steps adopted to address the problem:

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

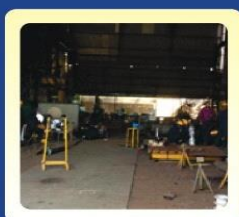
Results Achieved:

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

Lessons Learnt:

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

BEFORE



Equipment lying unorganized on the shop-floor.

AFTER



Lot of free space by implementing 1S & 2S



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

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