FICCI CMSME

Edition: April 2019

Issue: 40

NEWSLETTER

IN THIS ISSUE………

MSME News Update

1. ***NITI aayog, ABB facilitate adoption of AI tech by MSMEs***
   'MANUFACTURING in the age of AI', a workshop organized by NITI Aayog and ABB India, brought together entrepreneurs, policymakers, state government functionaries and technology experts. The workshop, held at the ABB Ability Innovation Center (AIC) in Bengaluru featured MSME entrepreneurs from pharmaceuticals, textiles, electrical and electronics, food processing and manufacturing sectors. Working groups focused on regulatory, financial and policy concerns relating to the adoption of automation, exploring business and economic models (plug and play, cluster approach, shared manufacturing approach) to accelerate technology adoption and potential impacts of automation and AI on the workforce.
   (CIOL Bureau, March 26th, 2019)

2. ***Enhance Communications, aesthetics and creativity to be relevant in textile industry***
   With a growing shortage of talent in the textile industry in India, the time has come to tweak the education curriculum to make the future workforce industry ready.
   Textile engineers are getting into the labour-intensive textile industry as online platform managers, technical support manpower in IT, production management to create products, however, this is not sufficient looking at the increasing challenges of AI and other technological advancements. Industry needs to connect with the education institute to bridge the gap. A major portion of the curriculum should be based on hands-on training.
   Indian textile industry has the potential to create as many as five million jobs, however, lack of focus on skill development has increased the gap between education and the industry. Newcomers need skills such as communication, design thinking, problem-solving abilities and creativity. Besides, one must develop the expertise to manage the business, logistics and handle the labour working in the factories. Micro Small and Medium Enterprises (MSME) operating in the textile sector are yet to undergo a digital transformation for production management or operations.
   Adoption of technology by the industry is the need of the hour, but its use continues to be limited. AI and robotics will definitely change the way the textile industry currently operates. However, the challenge is how AI and robotics will add value to the industry. Some out-of-box solutions such as app-based production management can be a good example of how AI can play a role.
   (Education Times, April 1st, 2019)

3. ***MSMEs need low-cost funds to scale-up rooftop solar capacity: Deloitte***
   The Ministry of Micro, Small and Medium Enterprises (MSME) needs higher budget allocation to provide low-cost funding to such business for scaling up their rooftop solar capacity, a joint report of Deloitte and Climate Investment Funds (CIF) said.
   The MSME sector is expected to contribute significantly to the government's target of building 40 GW of rooftop solar capacity by 2022, according to the report.
   But lack of low-cost funding, inadequate level of awareness and lack of rooftop aggregation models are some of the hurdles it faces.
   "However, it presents a great opportunity. A multi-pronged approach involving supportive regulations, risk-bearing financing and awareness building is needed to demonstrate viability and help scale up rooftop solar in the sector," said Abhishek Bhaskar, Energy Specialist, CIF.
   The MSMEs surveyed in the report were from sectors such as automobile components, textiles, food products and beverages, pharmaceuticals, paper and paper products and rubber and plastic products.
   "A walk-through survey of 150 MSMEs depicted the willingness towards adoption of rooftop solar applications but strengthening an enabling ecosystem will be critical for its proliferation," said Tushar Sud, Partner, Deloitte.
   (Business Line, April 3rd, 2019)

4. ***Credit growth not boardbased… muted to MSMEs: RBI Governer***
   Even though the headline credit demand is growing at a healthy 14 per cent, Reserve Bank governor Shaktikanta Das said it is not broad based while those to MSMEs have been muted so far.
   Addressing the customary press conference after the monetary policy review, Das said credit growth to the critically important micro, small and medium enterprises sector remains "muted".

"Credit flows to micro and small as well as medium industries remained tepid, though it has improved for large industries," resolution of the monetary policy committee read.

The Reserve Bank for the second consecutively time cut the benchmark rate 0.25 per cent on expected lines and the MPC voted for the stance of the policy to be kept at "neutral".

Das said the RBI will continue to watch macroeconomic factors and will act timely on the same.

The central bank has also virtually deferred the shift of loans to an external benchmark, and he said consultation will be held to ensure an effective mechanism for transmission of rates.

At the second policy review under Das, the six-member Monetary Policy Committee voted 4:2 in favour of the rate cut.

The benchmark interest rate was cut by 0.25 per cent to 6 per cent, a move that will result in lower cost of borrowing for the banks that are expected to transmit the same to individuals and corporates.

(Business Line, April 4th, 2019)

5. ***About 25% of FY19 target met in 1 month***

Banks seem to have worked overtime to meet the target under the Pradhan Mantri Mudra Yojana (PMMY) meant for small and budding entrepreneurs. In just one month, lenders disbursed Mudra loans of as much as Rs 71,080 crore, or close to a quarter of their full-year (FY19) target of Rs 3 lakh crore, setting a record. They disbursed a total of Rs 2,73,749 crore as of March 22, compared with Rs 2,02,669 crore reported up to February 22, as per the latest official data. While the Mudra scheme has improved the access to credit at affordable rates (8-12%) for people from even vulnerable sections who used to rely heavily on informal channels such as money lenders, experts have warned of potential NPA risks, as most of these loans are collateral-free.

The number of Mudra loans sanctioned also surged to 5.41 crore as of March 22 (FY19), up from 3.89 crore a month before and compared with 4.81 crore in the entire FY18.

In value term, the lenders sanctioned Rs 2,82,594 crore as of March 22, against Rs 2,10,760 a month earlier, showed the data.

An official source said the disbursement target of Rs 3-lakh crore, announced in the Budget for 2018-19, may have been met when the fiscal ended on March 31.

Mudra loans, of late, have raised concerns about becoming the potential source for the next bad loan crisis, along with some other schemes for MSMEs and farmers. Late last year, former RBI governor Raghuram Rajan warned that credit targets were sometimes achieved by abandoning appropriate due diligence. "Both Mudra loans as well as the Kisan Credit Card, while popular, have to be examined more closely for potential credit risk. The Credit Guarantee Scheme for MSME run by SIDBI is a growing contingent liability and needs to be examined with urgency," Rajan said in a 17-page note to the Parliamentary Estimates Committee.

The government has, however, pointed out that non-performing assets (NPAs) in the Mudra loans are still much lower than overall bad debt. According to the 2017-18 annual report of the PMMY, the NPA level under Mudra loans was only 5.38% as of end-March 2018, against over 10% in the overall banking system covering all loans.

State-run banks, which account for an overwhelmingly large proportion of the overall NPAs, seem to have performed well in this scheme. In a reply to a question in the Lok Sabha, Shiv Pratap Shukla, minister of state for finance, said: "As reported by public-sector banks (PSBs), total NPAs for loans extended under Pradhan Mantri Mudra Yojana during the last three years were Rs 596.72 crore (2015-16), Rs 3,790.35 crore (2016-17) and Rs 7,277.31 crore (2017-18), respectively. PMMY NPAs as on 31st March, 2018 for PSBs were 3.43% of the amount disbursed under the scheme."

The scheme, launched in April 2015 by Prime Minister Narendra Modi, aims to offers loans up to Rs 10 lakh to non-corporate and non-farm small/micro enterprises. However, some activities allied to agriculture–such as dairy, poultry, bee-keeping–are also covered under it.

Mudra loans have three categories — Shishu, Kishore and Tarun. Shishu covers loans up to Rs 50,000, Kishore covers above Rs 50,000 and up to Rs 5 lakh and the Tarun category provides loans of above Rs 5 lakh and up to Rs 10 lakh.

(Financial Express, April 7th, 2019)

6. ***Significant beneficial ownership rules to help identify entities controlled from overseas***

The new rules on significant beneficial ownership have put in place a clear regulatory framework that would help identify entities which might be controlled from outside the country, according to the corporate affairs ministry.

Amid continuing efforts to curb illicit fund flows, the ministry in February amended the significant beneficial ownership rules under the companies law.

Corporate Affairs Secretary Injeti Srinivas has said the new rules provide more clear definitions for determining whether an individual or an entity has significant beneficial ownership and all forms of control that could be exercised in the affairs of a company are being captured.

"The new SBO (Significant Beneficial Ownership) rules put in place a clear regulatory framework that would also help identify entities that might be controlled from outside the country," he said in a message in the ministry's newsletter. Under the new norms, the whole principle of proportional calculation has been done away with and provisions are in place to identify significant beneficial owners under various circumstances.

"The changes to the rules will supplement the government's continuing efforts to clamp down on corporate entities suspected to be used as conduits for illicit fund flows," Srinivas said.

Besides, the secretary said the ministry has notified the Specified Companies (furnishing of information about payment to micro and small enterprise suppliers) order.

The order, which seeks to address the concerns of small businesses over delayed payments, makes it mandatory for all companies to file half-yearly returns detailing outstanding dues to MSME suppliers. The companies also have to assign reasons in case the delay is for more than 45 days.

"Directors of companies delaying payment for supplies made by MSME may have to face imprisonment up to 6 months or pay fines between Rs 25,000 and Rs 3,00,000," Srinivas said.

(The Economic Times, April 7th, 2019)

7. *NSIC initiatives for MSMEs applauded*

NSIC CMD RM Mishra and AS & DC, Ministry of MSME welcomed the High-level delegation led by Minister of National Planning, Government of Independent State of Papua New Guinea (PNG) Richard Maru, at NSIC.

The CMD, NSIC appraised the delegation of various activities of NSIC for promotion of MSMEs in the country and abroad. He also discussed the opportunities of cooperation between the two countries in the MSME sector. Delegation from PNG also visited NSIC's Technical Incubation Centre for creating self-employment opportunities and Advanced Training Centre for upgrading the skills of Youth. Richard Maru expressed that NSIC's model is the apt model for engaging youth in productive activities in Papua New Guinea.

(Business Standard, March 29th, 2019)

8. *India to surpass US as 2nd biggest steel consumer by 2019-end*

The performance of Indian steel industry in FY19 deserves special mention amidst a minor slowdown in industrial production in the last few months. Crude steel production at 106.4 MT has made India climb up the second position, surpassing Japan and the differential is likely to get widened in the coming years.

The apparent consumption of finished steel at 97.5 MT, registering an annual growth of 7.5%, the highest among the global players, has made India nearly touching the level of the US and in all likelihood India would occupy the second position in steel consumption by the end of CY19. The finished steel production at 131.7 MT plus imports (finished) at 7.8 MT minus exports (finished) at 6.4 MT and after deducting inter plant transfer and double counting (HR to CR, CR to Coated, HR to Pipes) at 33.1 MT and adjusting for stocks (additions are minus with depletion as plus) of (-) 2.6MT, we get a finished steel consumption of 97.5 MT. A few aspects of this performance may be noted.

First, the consumption growth in carbon steel market is substantially lower at 5.7% as compared to consumption growth of 25% in alloy and SS market. The gross production of 11.03 MT in the special steel segment is a record and as these two segments are predominated by large number of SMEs, the rise in production and consumption has benefited SME sector the most. JPC data on alloy/SS category wise is currently made available only at the production level and not at the consumption level (even though imports and exports of alloy/SS is available product wise) which makes it difficult to arrive at product wise market share. The production data needs to be bifurcated at least into major producer wise (SMEs can be grouped together) to align with the reporting for the carbon steel market.

The market segments of the two types of steel are not entirely different and automobile, railways, transport (ART), architecture, building and construction (ABC) are the major common sets of consumption. It appears that growth rates in alloy/SS in these sectors enjoy the impact of low base volume and there is a distinct shift towards use of special steel by the consumers in these traditional areas. However, the auto sector after undergoing a steady monthly growth between 10-12% in the past one year is showing signs of deceleration at 7% growth in FY19.

The auto component sector is suffering due to lower orders from the car manufacturers. The repo rate reduction of 50 basis points in two tranches by RBI is likely to make personal loans cheaper and may stimulate demand in the sector in the coming months. As auto sector growth is employment intensive, it is essential that the sector gets back on rails early and demand for CRS, HRC, Rounds also moves up. This sector is also important to prompt domestic producers to build up capacities of making advanced high strength steel, body sheets and panels and thereby bring down imports of high value added steel. Nippon Steel, JFE, Hyundai, POSCO are some of the global players that have set up indigenous facilities (service centres) for supplying customised steel to auto sector and therefore the growth sustainability of the sector is a major determining factor for the success of Make In India programme.

Second, the total imports (including semi finished steel) in FY19 at 8.8 MT has grown by 4.6% over last year, while total exports at 8.5 MT falls short of last year's level by 26.4%. The plausible reasons of the US' unilateral act of duty enhancement under section 232 followed by retaliatory steps by China and the EU (definite safeguard duty and quota based entry) and the application of a wide range of ADD and CVD notified by many countries against various steel products have led to a shrinkage of space for the movement of steel for trading purposes and no wonder Indian steel exports have faced stiff entry barriers. The slower growth in global trade had its adverse impact on manufacturing growth also. It has resulted in limiting steel export destinations from India to Nepal, Italy, Vietnam and the UAE. While imports to India have been primarily undertaken by Japan, South Korea (under free trade in RCEP) and China, together accounting for 66.6% of total imports and maximum imports took place in respect of HRC, coated products, CRC and bars and rods, the product categories of HRC, semi finished steel, coated products, CRC and bars and rods comprise the major components of Indian steel exports in FY19.

Melting scrap has been imported a record level of 6.6 MT in the year. The import of defective grade coated sheets to the tune of around 1,50,000 tonne worth `612.2 crore is a cause of concern.

Globally, the manufacturing sector is performing below desired level. The PMI in manufacturing in the US, China, Germany, South Korea and Japan at 52.4, 50.8, 44.1, 48.8 and at 49.2, respectively are generally lower than February level. The silver lining is that stimulus measures in terms of additional public investment and appropriate policy support (monetary and fiscal) for building of infrastructure, real estate, ports and ship building and other steel intensive sectors would continue unabated in the US, Germany, Japan, China, Indonesia, the UAE, Saudi Arabia and India. This factor alone would make the deceleration in specific sectors rather short lived.

(Financial Express, April 9th, 2019)

9. *How gender parity affects performance of SMEs*

Globally, across industries, women are making important strides in business. In corporate giants, such as International Business Machines Corp. (IBM) and General Motors (GM), more women are now in leadership positions, while women-owned businesses are expanding in number and size.

However in Asia, women-owned businesses may not be flourishing, especially when it comes to financial performance, finds a new Asian Development Bank study authored by Farhad Taghizadeh-Hesary and others.

Studying a sample of 1,492 export-oriented small and medium enterprises (SMEs) from Iran, of which 84% were run by men and 16% by women, the authors find that women-owned SMEs have a higher default ratio.

Despite having relatively good leverage, women-owned SMEs were outperformed by small businesses run by men in parameters such as profitability and liquidity.

Borrowing from past literature, the authors suggest that this is because women-owned SMEs face particularly high prerequisites for accessing finance in the form of higher collateral and interest rates compared to those run by men.

The authors argue that this inequality in accessing finance largely stems from the financial literacy gap between men and women. Among lenders, there is a preconception that women-owned SMEs are more likely to default. The authors suggest that the results from Iran can be extended to other Asian economies, wherein SMEs form a significant portion of the economy. In these economies, the challenges faced by women-owned SMEs in accessing funds result in substantial losses to economic development, including GDP growth and employment.

The authors suggest that SMEs run by women need financial education, which would help them manage debt and improve strategic management for higher profitability.

(Live Mint, April 10th, 2019)

10. *App launched for MSMEs eyeing online presence*

Individuals and MSMEs that have not really been able to establish an online presence can now look up to duNow, a business app.

Developed by a Coimbatore-based technopreneur Srivathsan Krishnamurthy, duNow can be downloaded from Google Play.

"It will take less than five minutes to set up the store for free. All the essentials — a microsite with logo, storefront for product display, sales and purchase scheduling, inventory management, auto booking enquiry, bulk selling, digital generation of receipt and an open direct line of communication with customers — will help the entrepreneurs grow their business with just a smart phone in a secure environment," said Srivathsan.

Coimbatore-based entrepreneurs can download the app for free over the next 30 days.

"While the opportunities are huge in the online retail space, it is not without challenges and issues. The market is micro-segmented with unique buying patterns, and customer preferences and experience. Unfortunately, those that have failed to adopt technology-enabled solutions have not been able to grow their business," says Bharath Balachandran, co-founder, duNow.

The app has more than 50 features. It will work for businesses of all size and segments such as fashion retail stores, car and bike dealerships, health and fitness studios, educational institutions and restaurants, the co-founder said.

(Business Line, April 9th 2019)

11. *Solo loans drive growth in credit to MSMEs*

Micro loans availed by borrowers in their individual capacity for business have been the fastest growing segment in commercial credit. According to data compiled by Trans-Union Cibil and Sidbi, micro loans to individuals have grown at 19.2% year-on-year as on December 2018 as compared to 14.4% growth in overall bank credit. There is an increasing number of small businessmen borrowing in individual capacity as access to credit improves.

According to the report, total commercial sector loans stood at Rs 62.3 lakh crore with micro, small and medium enterprises (MSMEs) accounting for Rs 14.8 lakh crore or 23.7% of loans. Within MSME, the micro segment comprising loans of below Rs 1 crore is the fastest growing and stands at Rs 4.5 lakh crore as on December 2018.

This segment has grown at a compounded annual growth rate (CAGR) of 26.1% over the last five years as compared to a 15.7% CAGR in growth to the MSME sector.

"The comparatively higher rate of business lending to individuals has translated into a major shift in the composition of the MSME lending in favour of individuals," the report said.

However, on the flip side, there are indicators that loans in this sector are coming under stress. NPAs in the individual business loan segment are rising to 8% from below 7% a year ago even as loans to entities in MSME are dropping to below double digits after two years.

Small entrepreneurs are raising money for business using facilities such as loans against property, gold loans, loans against shares, loans to professionals, commercial vehicle loans and construction equipment loans.

According to the TU Cibil-Sidbi report, 80% of loans against property and 60% of gold loans are availed for financing business. One reason for this is that credit accessibility has improved significantly. "New-to-credit (first-time) borrowers entering the formal credit sector have accelerated from 2.7 lakh in six months in first half of FY16 to around 3 lakh in first half of FY17 and further to 5.2 lakh in first half of FY18," the report said. This appears to have been facilitated by the growing share of finance companies in MSME credit.

While this bodes well for financial inclusion, there is a matter of concern. The higher credit is not increasing output in the same scale, which is resulting in the ratio of MSME credit to MSME gross value-added rising from 32.3% in December 2013 to 47.6% in December 18.

(The Times of India, April 13th, 2019)

12. *MSMEs can create 1 cr jobs in 4-5 yrs: report*

India's MSME sector has the potential to create up to 1 crore new jobs in the next 4-5 years by focusing on developing the enterprises in certain segments through partial substitution of imports, a report has said. The report by Nomura Research Institute (NRI Consulting & Solutions) on the country's micro, small and medium enterprises (MSMEs) said dedicated focus on developing MSMEs in select segments can create additional 75 lakh to 1 crore employment opportunities in the next 4-5 years through partial substitution of imports.

The manufacturing sector in India needs to shoulder the dual responsibility of accommodating the shift of labour from agriculture, and also cater to the added labour force, the report said.

As per the annual report 2017-18 of the Ministry of MSME, the sector contributed around 3.6 crore jobs (70 percent) in the manufacturing sector. MSMEs are spread across various clusters in India.

A detailed look into the product groups manufactured in various clusters such as artificial jewellery, sports goods, scientific instruments, textile machinery, electric fans, rubber, plastic, leather & related products, among others, suggests that a dedicated focus on developing these MSMEs can create additional job opportunities, the report said.

The manufacturing ecosystem is constantly evolving under the influence of several trends around changing consumer behaviour and technological shifts happening across the globe. This puts India's domestic micro and small-scale industries into the driver's seat to lead the employment generation. To scale-up, the MSME sector needs a market-oriented strategy based on two key areas of demand led manufacturing and advocacy marketing of the products.

(Money Control, April 9th, 2019)

13. *Khadi sales jump 28% to Rs. 3,215 crore in FY19*

The sale of Khadi products shot up 28 per cent to Rs 3,215.13 crore in 2018-19 while production of the indigenous handspun fabric grew 16 per cent to Rs 1,902 crore, KVIC said.

The Khadi and Village Industries Commission (KVIC) said Prime Minister Narendra Modi's clarion call for adopting Khadi was one of the key reasons for the upsurge in demand for Khadi products.

Data shared by KVIC showed that between 2015-2019, the compounded annual production and sales of Khadi, Poly and Solar together grew 25.52 per cent and 34.86 per cent, respectively.

In comparison, between 2004-14, the production and sales growth was 6.48 per cent and 6.82 per cent, respectively.

"Among ready-made items, our NaMo jackets were favourite products for buyers of all age groups. Purchases made through only NaMo App were as many as 7,000 Modi jackets from KVIC in last two months.

"Besides, on an average most of our outlets sell minimum of 200 Modi jackets and Kurtas per day," KVIC Chairman Vinai Kumar Saxena said, adding, he expects to surpass the sales target of Rs 5,000 crore by the end of 2019-20.

He said the rise could only be possible due to special emphasis given by Modi for revival of Khadi and village industries, along with its artisans and workers.

Saxena also gave credit to KVIC's aggressive marketing and proper utilisation of manpower for this success. "The quantum of this success can be understood from the fact that in 2014-15, Khadi's sale was Rs 1,310.90 crore with staff manpower of 2,002, but in 2018-19, it was Rs 3,215.13 crore with only 1,535 manpower, which means even with 24 per cent drop in manpower, Khadi's sale has increased by over 145 per cent in the last five years," Saxena said.

He observed that in 2014-15, the per capita utilisation was a mere 65 per cent, which has gone up to over 210 per cent in 2018-19. Saxena further said KVIC is also setting up export cells to promote overseas sales of the products.

(Millennium Post, April 15th, 2019)

14. *NBFCs, MFIs raise Rs. 2,600 cr. Visa securitization in FY19*

Despite the tight liquidity conditions, non-banking finance companies (NBFCs) and micro-finance companies (MFIs) raised about Rs 26,200 crore through securitisation in FY19, a growth of 170 per cent over FY18, said a report.

In FY2018, NBFC-MFIs raised Rs 9,700 crore through securitisation. The sectors faced tight liquidity condition in FY19 after a series of defaults by Infrastructure Leasing and Finance Services (IL&FS).

Their reliance on the securitisation route to raise funds increased to meet their growth targets in FY19, according to a report by rating agency Icra.

"In FY18 and H1 FY19, securitisation contributed to only 18-20 percent of the overall disbursements. However, this number leapfrogged to 37 percent and estimated 50 percent in the third and fourth quarters of FY19, respectively," Icra group head (structured finance ratings), Vibhor Mittal, said in a note.

Nearly half of incremental disbursements in the Q4 is estimated to have been met through securitisation. Investors were also comfortable buying retail loan portfolios originated by these entities as opposed to taking direct on-balance sheet credit exposure, especially for small and medium-sized entities," Mr. Mittal said.

(The Asian Age, April 15th, 2019)

15. *In 3 yrs, govt e-procurement at Rs. 24,000 cr*

Three years after its inauguration, the government e-marketplace (GeM) has seen the cumulative procurement by the central and state governments reach Rs 24,183 crore at the end of 2018-19.

All public sector agencies are mandated to directly purchase common-use goods and services through the online portal. Official estimates by the commerce department show a target of Rs 50,000 crore in 2019-20, ultimately hitting Rs 1 trillion worth of procurements by 2021. However, this will still be much lower than the total gamut of government procurement in the country, currently at Rs 5.5 trillion.

In the last financial year, more than 1.7 million separate orders were placed on the portal, up from 300,000 orders in the preceding year.

The current growth projections eye an estimate of Rs 50,000 crore worth of orders in 2019-20, of Rs 5.5-6 trillion total procurement made annually by the government. But even a single state is yet to transfer its total purchasing to the platform, an official said. While 20 states have signed a memorandum of understanding with the GeM authority, Uttar Pradesh, Maharashtra and Madhya Pradesh remain the largest buyers.

The GeM portal now features more than 896,000 products, from office stationery to vehicles and, 8,366 services, including transportation, logistics, waste management, web casting and analytical, among others.

Many of these services and products have now been open to the more than 15,000 start-ups recognised by the Department of Industrial Policy and Promotion (DIPP), and start-ups keen to be a part of this ecosystem. More than 1,787 startups are on board, sources said.

The government is also aiming to push more micro, small and medium enterprises (MSME) onto the platform. Currently, more than 28,000 MSMEs more than Rs 1 trillion worth of procurement is done nationally by 170 Central Public Sector Enterprises (CPSEs) through GeM.

Seen as a step to woo small firms, the government has started offering credit facility to MSMEs on GeM through the Trade Receivables Electronic Discounting System (TReDS). It is a bill discounting service supported by Small Industries Development Bank of India for pre- and post-shipment of products. As small enterprises find it difficult to deal with payment delays, GeM is ensuring that this issue will be resolved for MSMEs who can now avail the TReDs facility.

The GeM platform is also being used to place orders for World Bank projects. MoUs have also been signed with 12 banks to facilitate payments. The platform is also closely monitored by the Prime Minsters Office, with the Cabinet Secretary holding a review meeting every 3 months with the committee of secretaries and regularly.

(Business Standard, April 15th, 2019)

16. *Why leeway under IBC eludes many MSMEs*

In a bid to keep out errant promoters and wilful defaulters, Section 29A was introduced in the Insolvency and Bankruptcy Code in 2017.

But given the challenges faced by micro, small and medium enterprises (MSMEs), certain provisions of the section were eased up for MSMEs in 2018.

In other words, promoters of an MSME could be allowed to buy back their assets, provided they are not wilful defaulters. Given that in small and niche businesses existing promoters may be the only ones interested in acquiring it, the idea behind easing up Section 29A provisions for MSMEs was to widen the pool of eligible bidders.

But the narrow definition of MSMEs laid down in the Micro, Small and Medium Enterprises Development Act 2006 (MSMED Act) has been a key stumbling block for well-intentioned promoters to buy back their assets.

Under the MSMED Act, medium, small and micro manufacturing enterprises are defined based on their investments in plant and machinery; for a medium enterprise the threshold is up to ₹10 crore, while for a small unit it is ₹5 crore.

Many MSMEs fail to meet this low threshold and, hence, are unable to qualify for relief under Section 29A.

(Business Line, April 18th, 2019)

17. *Allahabad bank opens 53 retail and MSME processing centres (RMPC)*

In order to suit business needs and market competition, Allahabad Bank, a leading Nationalised Bank of the country launched 53 Retail & MSME Processing Centres (RMPCs) pan India on April 10, 2019. RMPC will ensure availability of relevant expertise for better credit appraisal, delivery and collection. With the launch of RMPC, the existing and potential

customers will be immensely benefitted with improved TAT and hassle-free loan processing. MD & CEO S S Mallikarjuna Rao inaugurated 4 RMPCs at Kolkata (Saltlake), Howrah (M K Road), Shakuntala Park (Behala) & Udairajpur (Barasat) in presence of Sudhanshu Gaur, S V L N Nageswara Rao, and Imran A Siddiqui, General Managers of the Bank. The concerned Zonal Heads along with P S Azad (DGM, BPR) were also present on the occasion. Retail credit proposals above 5 lacs & MSME proposals above 10 lacs will be processed through the newly inaugurated RMPCs.
(Millennium Post, April 11th, 2019)

18. *IIT Kgp researchers create algorithm for marketing & sales on social media*

Researchers at the Indian Institute of Technology Kharagpur (IITKgp) have developed an algorithm that tracks marketing and sales activities on social media. This low-cost solution would especially benefit micro, small and medium enterprises (MSMEs), according to the researchers. The solution is a model based on a computerised algorithm to identify social media influencers (with large contacts and followers) who have more reach and impact on social media.
The algorithm is applied to the data derived from select social media pages of test products. This is a great way to optimise marketing for companies with fewer resources, said professor MK Tiwari, who is leading the research at IIT Kharagpur. "Such model would enable them to reach out to the right set of influencers at a lower cost and use their influence to increase sales and profit maximisation," said Tiwari.
The algorithm was first tested on Facebook pages along with few other social media platforms. It used online retail products, with focus on fashion and apparel.
The IITKgp researchers will now take this up to the next level, which is commercialisation stage, by engaging with industry, especially MSMEs who typically use social media for selling their products through tech startups or IT companies. The algorithm identifies social media influencers who could have more influence on potential buyers based on opinions and social ties on a popular social networking platform. In this research, the relation strength between influencers and adopters (potential customer) is considered to be the time difference between their comments.
"We already know that comments on social media affect potential buyers," said Tiwari. "We have considered the personal valuation of the adopters based on their comments. Initially, we segregated the adopters and the influencers based on their valuation and the threshold value to become an influencer."
In the second model, peers' connections are considered to influence a user. The work has funded by the human resource development ministry under the scheme of centres for training and research in frontier areas of science and technology.
(The Economic Times, April 16th, 2019)

19. *Privacy is a right that encryption secures*

Post the Supreme Court's decision in the Puttaswamy vs Union of India case (2017), the right to privacy has clearly been established as a fundamental right under Article 21 of the Constitution. The judicial decision has been applauded by citizens and privacy activists alike, given the rampant data leaks and unauthorised use of users' personal data.
While the law is settled, people feel strongly about privacy. A recent research by AudienceNet, a social and consumer research company, noted that for as many as 92% of the urban Indian respondents irrespective of age or gender, privacy is a priority in their use of social media. They depend on relatively safer encrypted platforms such as WhatsApp to communicate on a day-to-day basis and expect encryption across social media platforms, which is viewed as critical to the public as it protects users and their personal data from the prying eyes of unintended recipients.
However, critics argue that fully encrypted platforms are prone to misuse and a tool to spread fake news and political propaganda that may be used during elections to influence electoral outcomes. Thus, we all agree that something needs to be done and social media platforms are increasingly taking steps to mitigate such risks.
The existing privacy framework under the IT Act 2000 and Telegraph Act 1885 is seriously inadequate when it comes to providing protection to personal data or remedies in case of data breach. Besides, there are no effective safeguards against excessive state surveillance under existing rules. On the other hand, the draft data protection Bill 2018 emphasises on the need for data localisation to ensure data privacy and to prevent foreign surveillance of Indian citizens.
No doubt, the draft Bill provides far greater protection to privacy than what's available under the IT Act; its grievance redressal mechanism is better and punishment for data breach harsher. Yet it has several shortcomings. For instance, the scope

of non-consensual processing of data is too wide—consent will not be needed for data processing on grounds such as national security, legal proceedings, and research and journalistic purposes, or for any other reasonable purposes specified by the proposed Data Protection Authority. Thus, the exceptions granted to the state by the country's proposed data protection law do not inspire much confidence as it allows unwarranted intrusion into citizens' privacy. The degree of data privacy will actually depend upon the effectiveness of the country's data protection regime and not where the data is located. As things stand, it'd be wrong to argue that data localisation will ensure better privacy protection. Rather domestic enforcement agencies may pose a greater threat to an individual's privacy than suspected foreign snoopers due to relative ease of applying coercive action within the country's boundaries.

It's safe to argue that India's proposed data protection law, in its current form, is not effective enough to fully safeguard data principals/individuals against unchecked state surveillance. Thus, imposing a sweeping data localisation regime on the country without an effective mechanism to protect personal data may encourage intrusive data gathering by state agencies and will lead to lower rather than higher protection to privacy. Hence, it should be avoided especially when there are several adverse side-effects that are not being fully appreciated by the supporters of localisation.

For instance, localisation may drive up the infrastructure cost of IT companies, tech start-ups and SMEs that currently rely on storing data abroad that costs less. Besides, India's software and IT-enabled services sector is export-driven and deals with data of non-national citizens and corporations. Thus, mandatory data localisation could be perceived as a protectionist trade barrier and may induce retaliation from other countries. That will create complications for the country's IT industry. Moreover, consumers may have to bear the additional cost of storing data locally in the form of higher charges for digital services.

Trust remains a major concern for users with even top names in the digital economy space accused of unauthorised sharing of personal data. So, tougher privacy norms (either self-imposed or enforced by government through legislative actions) are needed to improve 'trust factor' and help propel India's digital economy.

Encryption by ensuring safety of the data will improve trust and is part of the solution. However, social media and messaging platforms must take responsibility to check the misuse of their platforms. In this context, WhatsApp has taken several proactive measures to prevent misuse of its platform and mitigate such risks. It has stopped forwarding of a message to more than five people in one go, in India. It has also started a helpline that a user can rely on to verify any message or news being circulated. These measures will rein in the possibility of spreading fake news and misinformation campaigns, and enhance users experience while protecting every Indian's right to privacy.

Encryption strengthens privacy, while localisation may weaken it. There is a potential danger that allowing state unrestricted access to users' data through regulatory moves such as data localisation will dilute privacy protection and may lead to unnecessary state's intrusion into citizens' personal lives. Moving towards a surveillance state is not the answer. Besides, it undermines the spirit of the Supreme Court's decision in the Puttaswamy case. Then, there are side-effects of data localisation that can't be ignored. A far better alternative to data localisation would be bilateral and multilateral data sharing agreements that will keep digital economy open and yet expedite criminal investigation without diluting protection to privacy

(Financial Express, April 18th, 2019)

20. *Bank of Maharashtra partners with Mynd solutions Pvt Ltd for Trade Receivables Discounting System (TReDS)*

Bank of Maharashtra has partnered with Mynd Solutions Pvt Ltd, to participate on the M1Xchange TReDS platform. TReDS is a digital platform to support MSMEs to get their trade receivables financed at a competitive rate through an auction mechanism where multiple financiers can bid on invoices accepted by PSUs / Corporate Buyers. In addition to TReDS platform of Receivables Exchange of India Ltd (RXIL) & Invoicemart (A.TREDS Ltd), Bank has on-boarded as Financier on the TReDS platform of M1Xchange of Mynd Solutions Pvt Ltd. The main purpose of TReDS platform is to facilitate the smooth flow of liquidity in the system and make available the finance at a competitive rate. As soon as the bills are raised by the MSMEs and approved by large corporates on TReDS platform, banks or financiers can bid for them based on the risk rating of large corporates. MSMEs will receive their dues from the banks or financiers without waiting for the credit period agreed with large corporate. The shortening of the payment cycle and the smooth flow of liquidity through the platform will ensure that MSMEs do not lose out on business opportunities due to a shortage of funds. The cost of funds will be reduced for MSME's as banks will be bidding basis the risk rating of a corporate.

(NRI News, April 18th, 2019)

21. FinMin set to issue policy norms for fintech sector

The finance ministry will soon come out with a report on fintech or financial technology that will spell out the broad policy and regulatory guidelines to boost growth in the sector.

An eight-member steering committee that was constituted in March last year, headed by finance secretary Subhash Chandra Garg, has finalised the report and is expected to release it soon after the conclusion of the general elections, two finance ministry officials said, requesting anonymity.

The report will not only find ways to make it easier for fintech companies to do business, but also focus on how fintech can be leveraged to enhance financial inclusion of micro, small and medium enterprises (MSMEs).

In his budget 2018-19 speech, finance minister Arun Jaitley said that the use of fintech will help the growth of MSMEs.

While finance ministry's department of economic affairs will spearhead policy-related developments for the sector, there will not be a single or a specific regulator that will look at various issues related to the sector.

Fintech business is spread across various sectors. As a result, there will not be any particular regulator. It will depend on the sector and the issue. RBI will look into any payments-related issue, but if it is some other problem, the company can approach the concerned ministry or regulator.

The committee also looked at the regulatory regime for the fintech space and also explored the creation 'sandbox model' that will facilitate the introduction of new products.

(Live Mint, April 21st, 2019)

22. Loans to MSMEs grew 21% y-o-y in Q3 FY19: Study

Loans to micro, small and medium enterprises (MSMEs) grew 21% year-on-year (y-o-y) in the quarter ended December 2018, according to a study by TransUnion Cibil, which also showed private banks and non-banking finance companies (NBFCs) gaining market share over public sector banks (PSBs).

Most of the growth in Q3FY19 came from private banks and NBFCs, with their market shares in MSME loans rising 400 bps and 300 bps y-o-y, respectively. PSBs have been consistently losing their dominance in the market as their share came down to 39% in Q3FY19 from 58% in Q3FY14. However, experts say this could change in the months ahead. Kotak Institutional Equities (KIE) said in a note that PSBs could recoup some of the lost ground. "Going forward, we expect this trend to moderate as more PSU banks come out of the PCA (prompt corrective action) framework and the impact of liquidity issues show up in the numbers for NBFCs," the broking firm said.

MSME lending, including loans to individual-led MSMEs, constituted 23% of all loans in India at the end of December 2018. It has been growing between 20% and 25% y-o-y in recent quarters.

MSME loans to individuals recorded a 25% y-o-y growth in Q3FY19 and accounted for 41% of the aggregate MSME book of Rs 25.2 lakh crore. On the other hand, lending to entity-based MSMEs grew 16.5% y-o-y during the quarter under review.

During the October 2017-March 2018 period, lending to new-to-credit (NTC) MSMEs surged 24% y-o-y in the Rs 100 lakh-Rs 10 crore segment. PSBs continue to control the under Rs 10-lakh segment, with a 78% market share in H2FY18.

(Financial Express, April 24th, 2019)

23. Microfinance sector to grow 20-22% in FY20: ICRA

The micro finance industry is on the path of recovery and is likely to see a growth of 20-22 per cent in 2019-20 despite last year's liquidity squeeze, according to rating agency ICRA.

"The domestic microfinance sector registered a robust 28 per cent growth during the 12 months ended December 2018 against 26 per cent in 2017-18 and has emerged unscathed even as the liquidity squeeze after September 2018 severely curtailed growth of NBFCs in India," ICRA said in its report on the performance review and outlook for the MFI sector. As of December 31, 2018, the overall micro loan market size (including SHG Bank linkage programme) was ₹2.37-lakh crore, it further said.

However, micro finance institutions and small finance banks, would together require external capital of close to ₹3,500-₹4,700 crore in the next three years, given their growth targets of 25 per cent to 30 per cent annually, it said.

"Investors continued to support the industry with equity infusion of around ₹4,350 crore in 2018-19, against ₹4,100 crore in 2017-18," the ICRA report said.

It further said that more than 90 per cent of the capital raised in 2018-19 was by MFIs, with assets under management of more than ₹1,000 crore, adding that this implies that larger entities have been able to attract capital while the smaller less-diversified entities continue to struggle on this front. Accordingly, smaller MFIs could look to originate more loans under the business correspondent/co-lending framework as partners to large lenders to conserve capital, ICRA said, adding that alternatively there could be some further consolidation in the industry, with the smaller MFIs being acquired by larger NBFCs and banks.

The report has also warned that incremental funding requirement of MFIs is likely to remain a challenge, and the cost of funds to the sector will remain at elevated levels till the systemic liquidity improves.

(Business Line, April 23rd, 2019)

24. *Stressed assets resolution: RBI mulls giving additional time*

The Reserve Bank of India (RBI) is working on revising the framework for resolution of stressed assets, including providing additional 60 days to borrowers to repay dues, as part of efforts to mitigate hardships faced by genuine businesses, sources said.

Against the backdrop of the Supreme Court quashing an RBI circular, issued on February 12, 2018, a revised set of rules is under works and would be released soon, they added.

Under the RBI norms, an account is classified as a Non Performing Asset (NPA) if it is not serviced for 90 days.

The February 12 circular had mandated banks to refer an NPA account for insolvency proceedings in case a resolution is not found within 180 days. This was for accounts where the outstanding dues was at least Rs 2,000 crore.

Sources said various options are being explored for rejigging the NPA framework. One of the option is giving 30-60 days more time in addition to existing 90 days before initiating resolution process for stressed accounts, they added.

While the 90-day period for recognising an account as NPA would remain, the central bank would be looking at providing more leeway for the entities concerned to repay the loans, they said.

Sources said that providing additional time for repayment would help in mitigating hardships faced by Micro, Small and Medium Enterprises (MSMEs) to some extent.

In a report last year, the government had favoured additional 180 days to be provided for resolution of 34 stressed power projects with a view to avoiding potential value erosion of operating plants.

The Supreme Court quashed the circular following a petition filed by around 70 stressed companies from the power, shipping and textiles sectors.

A Parliamentary panel was among the critics of the now impugned circular.

"Although the new guidelines have been termed as harmonised and simplified generic framework, yet they are far from being so," the Standing Committee on Energy said in its report tabled in Parliament last year.

"The committee is of the opinion that the coinage of restructuring in resolution plans is hollow without having any serious meaning or business which only reflects the blurred vision of the Reserve Bank of India in understanding and appreciating the problems," it had said

(The Economic Times, April 25th, 2019)

25. *An optimal way to usher small businesses into the digital age*

Globally, the role of digital platforms in the internet economy is increasingly coming under scrutiny. Key concerns relate to exploitation of consumer data and behaviour by platforms without appropriate consent and privacy protocols. Another set of concerns relate to misinformation, surveillance, accountability and the disproportionate size and influence of platforms. All these primarily focus on the user side of the equation. But often overlooked is how they deal with service providers.

Increasingly, micro, small and medium enterprises (MSMEs) are hopping onto the internet bandwagon, primarily led by popular digital platforms, to offer their goods and services to a larger consumer segment. The importance of MSMEs for economies like India, especially their role in job creation, innovation and productivity, does not need any reiteration here.

Despite playing an important role in sustainable growth, the interaction between dominant platforms and MSMEs has failed to get adequate attention from regulatory agencies. The main issues involved in this interaction include: the possible adoption of discriminatory practices by platforms to favour specific service providers; unreasonable pricing that deters small service providers; lack of transparency in the listing of goods and services; changes in terms and conditions by platforms without prior notice; and unilateral delisting/suspension of accounts, among others. While the Competition Commission of India has dealt with some of these issues on a case-to-case basis, a holistic review remains elusive.

However, this is not the case in other jurisdictions. The Australian Competition and Consumer Commission, for example, released a preliminary report on its Digital Platforms Inquiry in December 2018. It recognizes the critical role of popular platforms in enabling businesses and also the lack of clarity on how platforms determine the order of appearance of the content of various service providers.

In early April 2019, the European Commission released a report on competition policy for the digital era. It argues that platforms play a kind of regulatory role as they determine the rules by which their users—including business users and providers of complementary services—interact; and if they happen to be dominant also have a responsibility to ensure that competition on their platforms is fair, unbiased and pro-consumer. It recommends case-by-case scrutiny of the power of platforms to influence the prices of goods and services offered by service providers on their and other platforms.

The report also recommends that dominant platforms should have a responsibility to ensure that their rules do not impede free, undistorted and vigorous competition without objective justification. They should ensure a level-playing field in the marketplace and must not use their rule-setting power to determine the outcome of the competition. To this end, recognizing the role of competition law in guiding the evolution of the platform economy, the report suggests that platform-to-business (P2B) regulations can help in protecting competition.

It appears that Europe is ready to take this recommendation to its logical conclusion. It is on the verge of adopting new and comprehensive P2B rules to promote fairness and transparency for business users of online intermediation services. The scope of regulation is fairly wide and includes online e-commerce marketplaces, online software application stores and online social media.

Other advanced jurisdictions are also witnessing calls to break up dominant digital platforms and let their intermediary role be performed as a public utility. Measures such as interoperability among different platforms let MSMEs linked to a platform reach out to consumers linked with others. This can help maintain healthy competition, not only in the market, but also among different platforms.

In India, the draft National eCommerce Policy also talks about social media and other online intermediaries, but only in the context of regulation of data. It is largely silent on P2B regulation, except reiterating those in India's FDI rules. The draft policy largely fails to address the important issue of competition "on" marketplace platforms.

We need to cautiously review developments in other jurisdictions. While acknowledging the need to rein in big digital platforms, the opportunities they offer and economic benefits they create, especially in the developing world, cannot be lost sight of. Equally important is the need to offer adequate opportunity to MSMEs, as they have a huge role in sustainable development and job creation. There are no clear answers on what balanced measures could promote competition on platforms most effectively.

Nuanced principles to enable small enterprises to negotiate effectively with digital platforms in accordance with market forces will need to be thought through. A dynamic national competition policy that takes these developments into account should pave the way for a level-playing field among MSMEs and platforms without any loss of the benefits they offer.

(Live Mint, April 26th, 2019)

26. *Trends remain unchanged in MSME Lending*

The recent MSME study by TransUnion CIBIL shows the following trends: (i) loan growth healthy at 21% y-o-y and stable NPL trends in Q3FY19, (ii) private banks and NBFCs continue to gain market share at the expense of PSU banks, (iii) new-to-credit (NTC) lending accelerated in FY2018 led by private banks and (iv) PSBs continue to have a major share in onboarding NTC borrowers in the < Rs 1 mn segment while private banks are gaining share in the Rs 1-100 mn segment.

MSME loans: 23% of overall loans and growing at >20%

MSME accounts for 23% of loans in India as of Q3FY19. Overall growth trends have been quite solid at 20-25% in recent quarters with Q3FY19 reporting 21% y-o-y growth. Growth is skewed towards MSME lending to individuals at 25% y-o-y (loan mix up 175 bps y-o-y to 41% of overall MSME book). Micro segment was also strong (loans in <`10 mn segment grew 19% y-o-y in Q3FY19, mix up 20bps y-o-y to 18% of overall MSME loans).

Private banks' and NBFCs' share in MSME lending continues to increase

Majority of the y-o-y growth in MSME lending in Q3FY19 has come from private banks and NBFCs with market shares increasing by 400 bps and 300 bps, respectively, at the expense of PSU banks. PSU banks are still the majority provider of credit to MSMEs (40% share), but this has consistently reduced in the last five years (from 58% in Q3FY14). However, going forward, we expect this trend to moderate as more PSU banks come out of the PCA framework and the impact of liquidity issues shows up in the numbers for NBFCs.

New MSME credit seekers have accelerated in FY2018

An analysis of NTC borrowers in the MSME segment of <Rs 100 mn ticket size shows robust growth of 20% y-o-y to 0.5 mn in 2HFY18 from 0.4 mn in 2HFY17. This has been driven by faster growth in the Rs 10 mn-100 mn segment (24% y-o-y in 2HFY18) with private banks gaining market share at the cost of PSU banks. Private banks have been less aggressive in the <Rs 1 mn segment.

Asset quality trends stable overall

Unlike the last few reports which had greater disclosures on NPLs, the current report discussed only one aspect which compared the NPLs in the corporate segment with the micro, SME and mid-corporate portfolio. On that basis, the NPLs in the corporate portfolio is the highest at 19% of loans, the mid-corporate segment was at 17% of loans, SME and micro loans have been stable for the past few years at 11% and 9% respectively. We don't have the break-up of NPLs across players and the NPLs in various average ticket sizes. On the basis of the data available, one could conclude that the trends may not have changed.

(Financial Express, April 29th, 2019)

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Case Study 1:

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

SCORE SUCCESS STORIES

Problem Definition/ Identified for Improvement:

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

Process / steps adopted to address the problem:

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

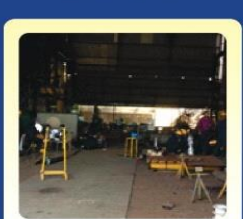
Results Achieved:

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

Lessons Learnt:

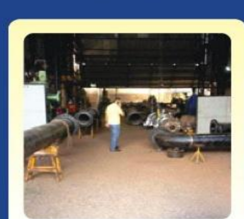
- SCORE program provided a new way of looking at the situation at the workplace and opportunity to brainstorm to find solutions within the available resources.
- Management and operators realized the benefits of 5S that it helps to identify hidden and unwanted materials and the monetary benefits that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

BEFORE



Equipment lying unorganized on the shop-floor.

AFTER



Lot of free space by implementing 1S & 2S

End pieces of electrodes and ferrous dust on shop floor

Operators hand picking end pieces of electrodes and other scrap from floor

Operator using magnet to collect ferrous scrap and dust from the floor

Shop floor looking clean after magnet cleaning

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