



सत्यमेव जयते

Initiatives of the Ministry of Micro, Small & Medium Enterprises (MSME) in Recent Years



MSME

MICRO, SMALL & MEDIUM ENTERPRISES

सूक्ष्म, लघु एवं मध्यम उद्यम

**Ministry of Micro, Small & Medium Enterprises
Government of India, New Delhi - 110 108**

Udyami Helpline: 1800-180-6763 (Toll Free)

www.demsme.gov.in

www.msme.gov.in

INITIATIVES OF THE MINISTRY OF MICRO, SMALL & MEDIUM ENTERPRISES (MSME) IN RECENT YEARS.

1. Promulgation of MSMED Act, 2006.

A significant achievement of the Government is the enactment of the 'Micro, Small & Medium Enterprises Development Act, 2006', which aims to facilitate the promotion and development and enhance the competitiveness of MSMEs. The act has come into force from 2nd October, 2006 and it fulfils a long-cherished demand of this sector. Apart from giving legal strength to the definitions of micro, small and medium enterprises, this Act also contains penal provisions relating to the delayed payment to these enterprises.

2. Khadi and Village Industries Commission Act, 1956

The Khadi and Village Industries Commission Act, 1956 has been comprehensively amended in 2006, introducing several new features to facilitate professionalism in the operations of the Commission as well as field level formal and structured consultations with all segments of stakeholders. A new Commission has also been constituted in July, 2006.

3. Prime Minister's Employment Generation Programme

A national level credit linked subsidy scheme, namely, 'Prime Minister's Employment Generation Programme (PMEGP)' was introduced in August, 2008 by merging erstwhile PMRY and REGP schemes of the Ministry with a total plan outlay of Rs.4,485 crore towards margin money subsidy for generating an estimated 37.85 lakh additional employment opportunities during the four terminal years of XIth Plan (2008-09 to 2011-12). An amount of Rs.250 crores has also been kept towards backward-forward linkages. Under this programme, financial assistance is provided for setting up of micro enterprises each costing upto Rs.10 lakhs in service sector and Rs.25 lakh in manufacturing sector. The assistance is provided in the form of subsidy upto 25 percent (35% for special category including weaker section) of the project cost in rural areas while it is 15 percent (25% for special category including weaker sections) for urban areas.

During 2009-10, disbursements were made in 39,335 cases utilising Rs.742.76 crore as margin money subsidy. The estimated employment generation is for 4.42 lakh persons. An amount of Rs.906 crore including Rs.836 crore margin money subsidy has been provided in BE 2010-11 for assisting 60,000 units for creation of around 6 lakh additional employment opportunities.

4. Promotional Package

In march, 2007, the Government announced a comprehensive Package for the promotion of Micro & Small Enterprises, which comprises of several proposals/schemes having direct impact on the promotion and development of the micro and small enterprises, particularly in view of the fast changing economic environment, wherein, to be competitive is the key of success. These, inter alia, include credit and fiscal support, cluster based development, infrastructure, technology and marketing support. Capacity building of MSME Associations and support to women entrepreneurs are the other important features of this package.

5. Task Force on MSMEs

A Task Force under the chairmanship of the Principal Secretary to Prime Minister was constituted to address the issues of MSME sector. The Task Force submitted its Report in record time and has made recommendations in the areas of credit, marketing, labour,

rehabilitation and exit policy, infrastructure, technology, skill development, taxation and development of MSMEs in the North-East and Jammu & Kashmir. A large number of recommendations have been implemented and several other recommendations are at an advanced stage of implementation. A Council of MSMEs under the chairmanship of Hon'ble Prime Minister has been constituted to lay down the broad policy guidelines and review the development of the MSME sector. For ensuring timely/speedy implementation of the recommendations of the Task Force and follow-up on the decisions of the Prime Minister's Council on MSMEs, a Steering Group under the chairmanship of Principal Secretary to the Prime Minister has also been constituted.

6. 4th All India Census of MSMEs

The quick results of 4th All India Census of MSMEs (2006-07), which was launched in May, 2008, were released during 2009-10. The results reveal that there are 2.61 crore MSMEs in 2006-07, providing employment to about 6 crore persons. Of the total MSMEs, 28% are in the manufacturing segment and 72% in the services segment. This is the first census after the enactment of the MSMED Act, 2006 and includes, for the first time, medium enterprises.

7. Enhanced Credit Flow to the MSE Sector

For strengthening the delivery of credit to the MSEs, the Government announced a 'Policy Package for Stepping up Credit to Small & Medium Enterprises (SME)' in August, 2005 for doubling the credit flow to this sector within a period of five years. This has resulted in a significant increase in the credit flow from Public Sector Banks (PSBs) to the micro and small enterprises (MSE) sector - with the outstanding credit of public sector banks increasing from Rs.1,02,550 crore at the end of March, 2007 to Rs.2,78,398 crore at the end of March, 2010. With constant monitoring and efforts made by the Government, the credit flow from Public Sector Banks (PSBs) to the MSE sector has registered a growth of 47.4%, 26.6% and 45.4% during 2007-08, 2008-09 and 2009-10 respectively - higher than the stipulated 20% in the Policy Package.

8. Credit Guarantee Scheme

The Government has set up a Credit Guarantee Fund to provide relief to those micro and small entrepreneurs who are unable to pledge collateral security in order to obtain loans for the development of their enterprises. For making the scheme more attractive to both lenders as well as borrowers, several modifications have been undertaken which, inter alia, include : (a) enhancement in the loan limit to Rs.100 lakh, (b) enhancement of guarantee cover from 75% to 85% for loans upto Rs.5 lakh; (c) enhancement of guarantee cover from 75% to 80% MSEs owned/operated by women and for loans in the North East Region (NER), (d) reduction in one-time guarantee fee from 1.5% to 1% and annual service charges from 0.75% to 0.50% for loans up to Rs.5 lakh and (e) reduction in one-time guarantee fee for NER from 1.5% to 0.75%, etc. As a result, the scheme has been able to overcome the initial inhibition of bankers and is steadily gaining acceptance. Further, efforts made to enhance the awareness have led to increasing the coverage from 68,062 proposals (for loans of Rs.1,705 crore) at the end of March, 2007 to 4,37,465 proposals (for loans of Rs.18,165 crore) at the end of October, 2010. The Government is making concerted efforts to further enhance the awareness of the scheme throughout the country for enhancing the coverage of the Scheme.

9. National Manufacturing Competitiveness Programme

The Government has launched an all India campaign under the National Manufacturing Competitiveness Programme (NMCP) for the MSMEs, which has ten specific components aimed at improving their processes, designs, technology and market access. These components seek to introduce the best elements of industrial competitiveness in the

MSME sector, which has often been unable to afford such practices and techniques. The ten components of the scheme are as under:

- (i) Building awareness on Intellectual Property Rights for MSMEs;
- (ii) Scheme for Providing Support for Entrepreneurial and Managerial Development of SMEs through incubators.
- (iii) Enabling Manufacturing Sector to be Competitive through Quality Management Standards (QMS) and Quality Technology Tools (QTT);
- (iv) Mini Tool Rooms under PPP mode;
- (v) Marketing Assistance/support to MSEs (Bar Code);
- (vi) Lean Manufacturing Competitiveness Programme for MSMEs;
- (vii) Promotion of Information & Communication Tools (ICT) in Indian MSME sector;
- (viii) Design Clinics Scheme for MSMEs;
- (ix) Marketing Assistance and Technology Upgradation Scheme for MSMEs; and
- (x) Technology and Quality Upgradation Support to MSMEs.

All the ten components have been operationalised and the guidelines of the scheme have been notified. The details of the scheme guidelines are available on the web site www.dcmsme.gov.in.

10. MSE-Cluster Development Programme (MSE-CDP)

The programme is being implemented for holistic and integrated development of micro and small enterprises in clusters through Soft Interventions (such as diagnostic study, capacity building, marketing development, export promotion, skill development, technology upgradation, organizing workshops, seminars, training, study visits, exposure visits, etc.), Hard Interventions (setting up of Common Facility Centres) and Infrastructure Upgradation (create/upgrade infrastructural facilities in the new/existing industrial areas/clusters of MSEs). The guidelines of the MSE-Cluster Development Programme have been comprehensively modified in February, 2010 to provide higher support to the MSEs. The scope of the scheme includes:

- (i) Preparation of Diagnostic Study Report with Government of India (GOI) grant of maximum Rs.2.50 lakh (Rs.1 lakh for field offices of the Ministry of MSME);
- (ii) Soft interventions like training, exposure, technology upgradation, brand equity, business development, etc. with GoI grant of 75% of the sanctioned amount of the maximum project cost of Rs.25 lakh per cluster. For NE and Hill States, cluster with more than 50% micro/village, women owned and SC/ST units, the GoI grant will be 90%.
- (iii) Detailed Project Report (DPR) with GoI grant of maximum Rs.5 lakh for preparation of a technical feasible and financially viable project report.
- (iv) Hard Interventions in the form of tangible assets like Common Facility Centre having machinery and equipment for critical processes, research and development, testing, etc. for all the units of the cluster with GoI grant upto 90% of the cost of project of maximum Rs.15 crore.
- (v) Infrastructure Development with GoI grant of upto 80% of the cost of project of Rs.10 crore, excluding cost of land; and
- (vi) Exhibition Centres by Associations of Women Entrepreneurs of women owned micro and small enterprises with GoI assistance @ 40% of the project cost.

Over 460 clusters have been undertaken for various cluster development interventions (ie. diagnostic study, soft interventions and hard interventions) and 126

proposals (including 28 for upgradation of existing industrial estates) have been taken up for infrastructure development under the scheme.

11. Credit Linked Capital Subsidy Scheme

To make the Credit Linked Capital Subsidy Scheme (CLCSS) more attractive, the following amendments were made with effect from 29 September, 2005:

- (a) the ceiling on loans has been raised from Rs.40 lakh to Rs.1 crore.
- (b) the rate of subsidy has been raised from 12 percent to 15 percent
- (c) the admissible capital subsidy has now been based on the purchase price of plant and machinery, instead of the term loan disbursed to the beneficiary unit; and
- (d) the practice of categorization of MSEs in different slabs on the basis of their present investment for determining the eligible subsidy has been dispensed with. Further, the ambit of scheme was enlarged in 2009-10 to include 201 new technologies, including 179 technologies relating to pharmaceutical sector. The coverage under the scheme has shown considerable increase and upto October, 2010, a total number of 10,952 MSEs have benefited under the Scheme with the total subsidy sanctioned amounting to Rs.514.13 crore.

12. Entrepreneurship and Skill Development

In line with the overall target set by the Prime Minister's National Council on Skill Development, the Ministry has taken up skill development as a high priority area. Under the Entrepreneurship/Skill Development Programmes conducted by various organizations of the Ministry of MSME, about 3.5 lakh persons were trained during 2009-10 which is an increase of more than 33% over previous year. To further expand the coverage of training programmes, a new component under the scheme of 'Assistance to Training Institutions' has been added to, inter alia, provide assistance to the training institutions/centres established by Partner Institutions (PIs) of National Level Entrepreneurship Development Institutes (EDIs) and franchisees of National Small Industries Development Corporation (NSIC). Further, the Ministry of MSME provides all such training to disadvantaged sections of the society like the training for SCs/STs, free of cost. A number of programmes are also being organized for women and other weaker sections of the society free of cost, besides providing a monthly stipend of Rs.500 per month during the entire period of training.

13. Rajiv Gandhi Udyami Mitra Yojana

The scheme aims to promote and support establishment of new micro and small enterprises through handholding of potential first generation entrepreneurs, who have already successfully completed Entrepreneurship Development Programme (EDP)/Skill Development Programme (SDP)/Entrepreneurship-cum-skill Development Programme (ESDP) of at least two weeks' duration, or have undergone vocational training from ITIs. One of the main objectives of handholding is to guide and facilitate the potential entrepreneurs in dealing with various procedural and legal hurdles and completion of various formalities which are required for setting up and running of enterprise successfully and to save them from harassment at the hands of various regulatory agencies for want of required compliances. It will not only increase the proportion of potential entrepreneurs trained under various EDPs/SDPs/ESDPs/Vocational Training (VT) in setting up their enterprises, more importantly, it will also enhance survival/success rate of newly set up enterprises.

As a component of this scheme, the Ministry has recently launched a MSME Call Centre (known as 'Udyami Helpline') with a toll-free number 1800-180-6763. The Udyami Helpline, inter alia, provides basic information on how to set up an enterprise, various

schemes being implemented for the promotion of MSMEs, accessing loans from banks and further contacts for obtaining detailed information.

14. Performance and Credit Rating Scheme

To sensitize the MSE sector on the need for credit rating and encourage the MSEs to maintain good financial track record enabling them to earn higher rating for their credit requirements, the Government in April, 2005 launched the 'Performance and Credit Rating Scheme'. The implementation of the scheme is through National Small Industries Corporation (NSIC). Reputed Rating Agencies have been empanelled by NSIC from which the MSEs can select the one to be engaged by it for obtaining the rating. The Ministry of MSME subsidises the cost of rating by sharing 75% of the fee charged by the Rating Agency, subject to a ceiling of Rs.40,000.

15. National Small Industries Corporation

To provide an opportunity for first generation entrepreneurs to acquire skills for enterprise building and to incubate them to become successful small business owners, NSIC has set up 47 Training-cum-Incubator Centres (TICs) under PPP mode. NSIC has also launched a B2B Web portal to provide marketing facilities to national and international MSMEs for business to business relationship. The MSME Info Call Centre of NSIC has been made functional to provide information about the schemes and activities being implemented for the benefit of MSMEs. Further, NSIC has established a Marketing Intelligence Cell in May, 2010, which shall provide data base and information support to the MSMEs on marketing of their products/services.

16. Khadi Reform Development Programme (KRDP)

In order to revitalize and reform the traditional khadi sector with enhanced sustainability of khadi, increased artisans welfare, increased incomes and employment opportunities for spinners and weavers with lesser dependence on Government grants, a Khadi Reform and Development Programme was formulated by the Ministry of MSME in consultation with Khadi and Village Industries Commission (KVIC), Asian Development Bank (ADB), Department of Economic Affairs (DEA) and Price Waterhouse Coopers (PWC). This programme is proposed to be implemented in 300 selected khadi institutions willing to undertake the identified reforms. The DEA has arranged a sum of US\$ 150 million equivalent to Rs.717 crore (approx.) from ADB to be given to KVIC as grant in four tranches over a period of 36 months. After completion of procedural formalities and signing of necessary agreement and announcement by ADB, the first tranche of Rs.96 crore was released to KVIC in February 2010. The second tranche of Rs.192 crore has been earmarked in BE 2010-11.

17. Market Development Assistance (MDA Scheme)

The Scheme has been introduced w.e.f.01st April, 2010 and envisages financial assistance at 20% on value of production of Khadi and Polyvastra which will be shared among artisans, producing institutions and selling institutions in the ratio 25:30:45. The Scheme has been introduced on the basis of recommendation of several committees constituted during the past few decades and after running several pilot projects in the past. The need had arisen because khadi production so far was not based on market demand or performance and the rebate system did not benefit the spinners and weavers. Also, KVIC was constrained to devote most of its resources for administration of rebate: to be detriment of its remaining responsibilities regarding development of the sector. MDA seeks to rectify this imbalance and provide flexibility/freedom to the Khadi institutions to take innovative measures to improve its marketing infrastructure such as renovation of outlets, training sales persons, computerization of sales, design improvement, publicity, discount to

customers, improved equipments of production, training of artisans and capacity building so that Khadi can attract more customers not just because of discount but because of its quality, design and appeal. Most importantly, for the first time, a definite share of 25% of MDA has been earmarked for spinners and weavers which will give them a prominent role in the entire Khadi chain of activities. An amount of Rs.345.05 crore has been earmarked to be incurred during 2010-11 and 2011-12 as MDA.

18. Workshed Scheme for Khadi Artisans

Under this Scheme, assistance is provided for construction of worksheds for khadi artisans for better work environment. Around 38,000 worksheds are targeted to be constructed between 2008-09 and 2011-12 at a total cost of Rs.127 crore approximately, involving financial assistance of Rs.95 crore as grant to KVIC from Govt. of India's budgetary sources. Financial assistance for establishment of workshed has been provided to 5951 artisans in 2009-10. In BE 2010-11, an amount of Rs.20 crore has been earmarked for assisting 10,000 artisans under this Scheme.

19. Scheme for Enhancing Productivity and Competitiveness of Khadi Industry and Artisans

The scheme aims to provide financial assistance to 200 of 'A+' and 'A' category khadi institutions of which 50 institutions would be those which are managed exclusively by beneficiaries belonging to Schedules Castes/Scheduled Tribes to make them competitive with more market driven and profitable production by replacement of obsolete and old machinery and equipment. The total cost of the scheme is Rs.84 crore involving financial assistance of Rs.71.14 crores as grants to KVIC from Govt. of India's budgetary sources between 2008-09 and 2011-12. 20 Khadi institutions were assisted with financial assistance of Rs.2.23 crore under this Scheme in 2009-10. An amount of Rs.21 crores has been earmarked in BE 2010-11 for assisting 60 Khadi institutions under this Scheme.

20. Scheme for Rejuvenation, Modernisation and Technology upgradation of Coir industry

Under this Scheme, assistance is provided to spinners and tiny household sector for replacement of outdated ratts/looms and for constructing worksheds so as to increase production and earnings of workers. In 2009-10, 296 spinning units and 410 tiny household units have been assisted under this Scheme and a target for assisting 320 spinning units and 880 household units has been fixed for 2010-11 with the budget allocation of Rs.21 crores. During 2010-11 (upto September 2010), Rs.4.88 crores has been released by the Ministry.

21. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

This Scheme was launched in 2005 for regeneration of traditional industries' identified clusters in Khadi, Village Industries and Coir sectors with a view to make this industries more productive and competitive and increase the employment opportunities in rural and semi urban areas. The objective of the Scheme is to establish a regenerated, holistic, sustainable and replicable model of integrated cluster based development of traditional industries in Khadi, Village and Coir sectors. So far, 105 clusters (Khadi - 29. Village industries - 50 and Coir - 26) have been taken up under SFURTI and production has been started in 72 clusters. Cluster interventions will be completed in remaining 33 clusters providing employment to around 16,000 rural artisans in 2010-11.

22. Mahatma Gandhi Institute for Rural Industrialization (MGIRI)

The national level Institute named MGIRI has been established at Wardha, Maharashtra as a Society under Societies Registration Act, 1860 by revamping Jamnalal

Bajaj Central Research Institute in association with IIT, Delhi for strengthening the R&D activities in Khadi and Village Industry sectors. The main objectives of the Institute are as under:

- To accelerate rural industrialization for sustainable village economy so that KVI sector co-exists with the main stream.
- Attract professionals and experts to Gram Swaraj.
- Empower traditional artisans.
- Innovation through pilot study/field trials.
- R&D for alternative technology using local resources.

During 2010-11, it is proposed to initiate action on hand holding support to 68 model enterprises in bio-processing, chemical, energy, rural crafts and solar garments sets and 21 machines/processes/services would be improved.

23. National Board for MSMEs

The Government has set up for the first time a statutory National Board for Micro, Small and Medium Enterprises so as to bring together the representatives of different sub sectors of MSMEs along with policy makers, Bankers, trade unions and others - in order to move towards cohesive development of the sector. The deliberations and directions of the National Board will go a long way to guide and develop enterprises in this sector - to become more competitive and self reliant.

24. Fiscal benefits

The Government has worked towards enhancing the level of fiscal incentives available for Micro and Small enterprises. Under the General Excise Exemption Scheme, exemption limit has been raised from Rs.1 crore to Rs.1.5 crore (in 2007-08 budget) and turn over eligibility limit to avail the exemption benefit has been enhanced from Rs.3 crore to Rs.4 crore (in 2005-06 budget). Further, w.e.f. 1st April 2005, small service providers having a turn over upto Rs.4 lakh has been exempted from Service tax. This exemption limit has been gradually raised to Rs.10 lakh in the subsequent budgets. In order to encourage Small and Medium Enterprises to invest and grow, the surcharge on all firms and companies with a taxable income of Rs.1 crore or less has been removed w.e.f.1st April, 2007. The turn over limit for tax audit and for the purpose of presumptive taxation of small businesses has been enhanced to Rs.60 lakhs w.e.f. 1st April, 2010. To ease the cash flow position for small scale manufacturers, they have been permitted to take full credit of Central Excise duty paid on capital goods in a single instalment in the year of their receipt. Further, they have also been permitted to pay Central Excise Duty on a quarterly basis rather than monthly basis.