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Support and Outreach Initiative for MSME Sector

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The Prime Minister, launched support and outreach programme for the Micro, Small and Medium Enterprises (MSME) sector.

- The programme includes **12 key initiatives** which will help the growth, expansion and facilitation of MSMEs across the country.
- There are **five key aspects** for facilitating the MSME sector, viz. **access to credit, access to market, technology upgradation, ease of doing business, and a sense of security for employees**. The 12 initiatives will address each of these five categories.
- The announcement comes when the Government is already working on **steps to improve liquidity** in the financial markets to provide **relief to the Non Banking Financial Companies (NBFCs)**, which have a high exposure to the MSME sector. After banks, NBFCs are major lenders to the MSMEs.
- MSME entrepreneurs are facing several problems i.e. Poor infrastructure, Access to modern technology, Access to markets, Getting statutory clearances related to power, environment, labour etc.

Access to Credit

1. Launch of the **59 minute loan portal** to enable easy access to credit for MSMEs.

- The loans **upto Rs. 1 crore** can be granted in-principle approval through this portal, in just 59 minutes.
- The link to this portal will be available through the GST portal.

2. A **2% interest subvention** for all GST registered MSMEs, on fresh or incremental loans.

Increase in interest rebate from 3% to 5% for exporters who receive loans in the pre-shipment and post-shipment period.

3. All companies with a **turnover more than Rs. 500 crore**, must now **compulsorily** be brought on the **Trade Receivables e-Discounting System (TReDS)**.

- Joining this portal will enable entrepreneurs to access credit from banks, based on their upcoming receivables.
- This will resolve their problems of cash cycle.
- Trade Receivables Discounting System (TReDS) is the institutional mechanism for facilitating the **financing of trade receivables of MSMEs from corporate and other buyers**, including Government Departments and Public Sector Undertakings (PSUs), through multiple financiers. It has been set up under the **regulatory framework set up by RBI under Payment and Settlement Systems Act 2007**.

Access to Markets

4. Public sector companies have now been asked to **compulsorily procure 25%**, instead of 20% of their total purchases, from MSMEs.

5. Out of the 25% procurement mandated from MSMEs, **3%** must now be reserved for **women entrepreneurs**.

6. All public sector undertakings of the Union Government must now compulsorily be a part of **Government e-Marketplace (GeM)**. They should also get all their vendors registered on GeM.

Government e-Marketplace (GeM)

- GeM is an Online Market platform to facilitate procurement of goods and services by the government ministries, departments, public sector undertakings (PSU) etc.
- It has been envisaged as **National Procurement Portal** of India.
- It has been developed by Directorate General of Supplies and Disposals (Ministry of Commerce and Industry) with technical support of National e-governance Division (Ministry of Electronic and Information Technology).
- It functions under Directorate General of Supplies and Disposals (DGS&D), **Ministry of Commerce and Industry**.
- GeM is a completely **paperless, cashless** and system driven e-market place that enables procurement of common use goods and services with minimal human interface.

Technology Upgradation

7. 20 hubs, and 100 spokes in the form of tool rooms will be established across the country to **facilitate product design**.

A toolroom is a room where tools are stored or, in a factory, a space where tools are made and repaired for use throughout the rest of the factory.

Ease of Doing Business

8. **Clusters of pharma MSMEs** will be formed and 70% cost of establishing these clusters will be borne by the Union Government.

9. In order to **simplify the government procedures**, the return under 8 labour laws and 10 Union regulations must now be filed only once a year.

10. The establishments to be visited by an Inspector will be decided through a **computerised random allotment**.

11. Environmental Clearance under air pollution and water pollution laws, have been **merged into one**. Also, the return will be accepted through self-certification.

12. For minor violations under the Companies Act, the entrepreneur will no longer have to approach the Courts, but can correct them through simple procedures.

Importance of Micro, Small and Medium Enterprises (MSME) sector

- **Backbone of Indian economy:** The importance of MSMEs is attributable to their calibre for (a) employment generation (b) low capital and technology requirement (c) promotion of industrial development in rural areas (d) use of traditional or inherited skill (e) use of local resources (f) mobilization of resources and exportability of products.
- **Contribution to growth parameters:** The sector contributes around 38% to the country's gross domestic product (GDP), 40% to overall exports and 45% to overall manufacturing output.
- **Contribution to job creation:** The MSME sector generates around 100 million jobs through over 46 million units situated throughout the geographical expanse of the country. MSME sector is the second largest employment providing sector in India after agriculture.
- **Diversity:** The MSME sector in India is quite diverse in terms of its size, level of technology employed, range of products and services provided and target markets.

Other Recent Initiatives to Promote MSME Sector

- **Udyog Aadhaar Memorandum (UAM):** It is a simple one-page registration form to promote ease of doing business for MSMEs in India.

- A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship (**ASPIRE**): The scheme promotes innovation & rural entrepreneurship through rural Livelihood Business Incubator (LBI), Technology Business Incubator (TBI) and Fund of Funds for start up creation in the agro-based industry.
- **Credit Guarantee Fund Scheme**: To facilitate easy flow of credit, guarantee cover is provided for collateral free credit extended to MSMEs.
- Prime Minister's Employment Generation Programme (**PMEGP**): is a credit linked subsidy scheme, for setting up of new micro-enterprises and to generate employment opportunities in rural as well as urban areas of the country.
- Scheme of Fund for Regeneration of Traditional Industries (**SFURTI**): The scheme aims to make **traditional industries** more productive and competitive by organizing the traditional industries and artisans **into clusters**.
- **Credit Linked Capital Subsidy Scheme (CLCSS)** for Technology Upgradation: CLCSS aims at facilitating technology upgradation of Micro and Small Enterprises (MSEs) by providing **15% capital subsidy** for purchase of plant & machinery.