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**“Strengthening the  
MSME sector is  
strengthening the  
entire society”**

- at 'Udyami Bharat', June 2022

”



# **CONSULTATION PROCESS**



## **Stakeholder Consultation**

- **Central Ministries, Industry Associations, RBI, Associate bodies/organisations**



## **Virtual Conference organised by Lead States**

- **17 November – Haryana – 18 states/U.Ts, RBI, Industry Associations participated**
- **18 November – Jharkhand – 18 states/U.Ts participated**



## **Physical Conferences with States**

- **23 November – Delhi – 36 states/U.Ts, Industry Associations, NITI Aayog participated**

# Session Plan

## Context

7 min

## Setting

Secretary, MSME

## Unlocking the Employment Potential of MSMEs

Chief Secretary, Jharkhand

15 min

## Short Film

States of UP and Kerala

6 min

## Formalization, Assessment and Bridging the Credit Gap

Chief Secretary, Haryana

15 min

## Short Film

State of Haryana

4 min

## Best Practices

Secretary, MSME, Tamil Nadu

8 min

## Open House Discussion

10 min

## Summing Up

Chief Secretary, Mizoram

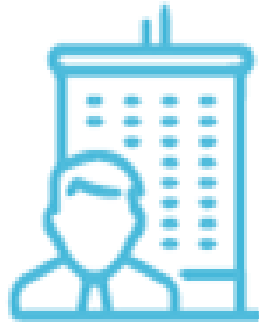
10 min

# Overview

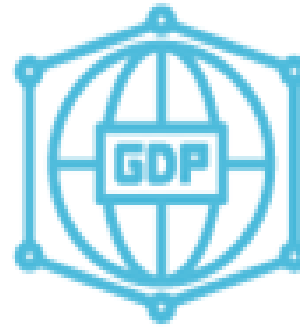
# MSMEs' thrust towards Vikasit Bharat by boosting entrepreneurship & employment



**6.34 Cr**  
**Enterprises**



**11.1 Cr**  
**Employment generated**



**26.83 %**  
**GDP**

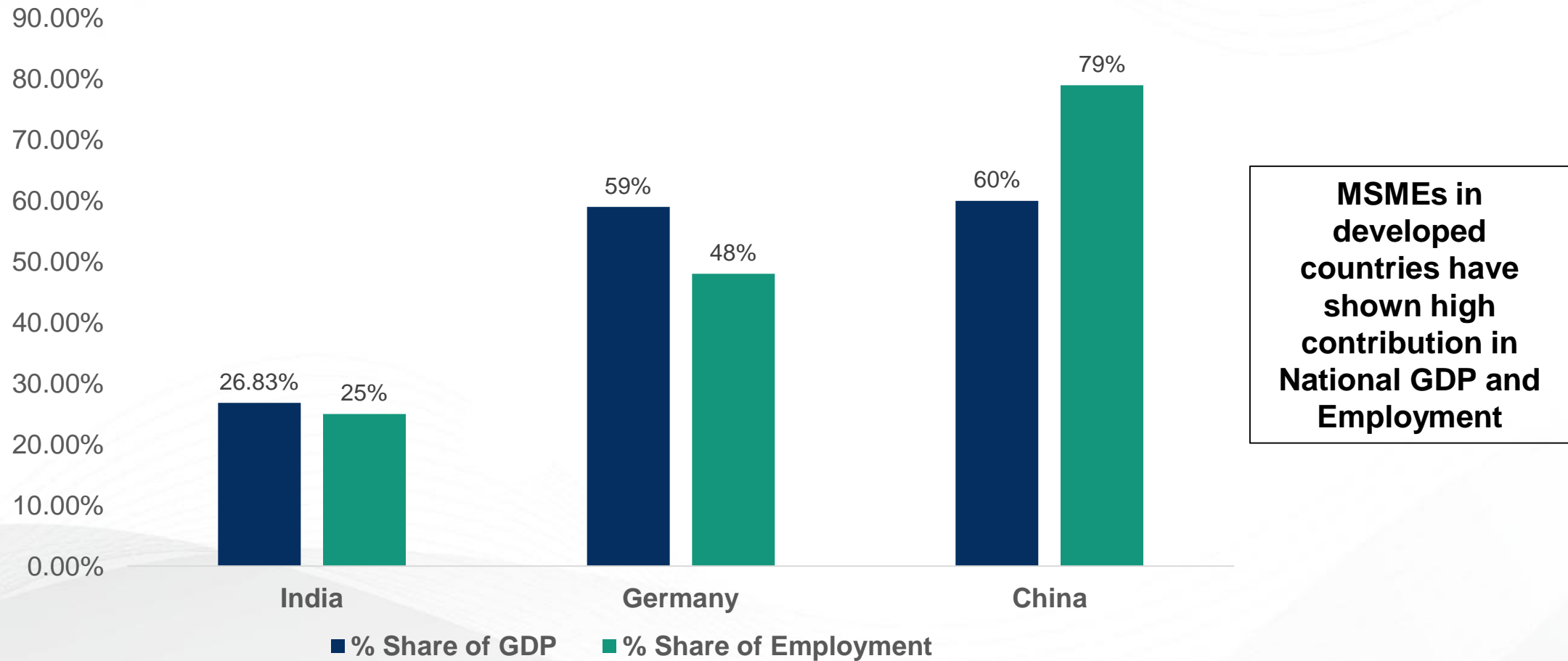


**49.02%**  
**Exports**

**Second largest employer after Agriculture (26.31 Crore in Agriculture, Census 2011)**

# Global Scenario

MSME represent about 90% of businesses and more than 50% of employment worldwide\*



# Towards Vikasit Bharat – Strategy for MSMEs



All MSMEs to be included in the formal space through **Udyam** – **5X potential** (1.24 crore to 6.34 crore)

Credit gap to be addressed: **Rs.25.8 lakh crore**

Employment generation of **36.27 Crore by 2032**



# Initiatives by Government of India

# Government of India Initiatives

- **New System of registration:** Udyam Registration @ ~20000 registration per day
- **Public Procurement from Micro and Small Enterprises:** Target increased from 20% to 25%
- **Revised Definition:** Enhanced ceilings and Introduction of composite parameters

| Composite Parameters | Micro                                 | Small                                  | Medium                                  |
|----------------------|---------------------------------------|--|---|
| Investment           | Rs. 1 crore<br>(earlier Rs. 25 lakhs) | Rs. 10 crore<br>(earlier Rs. 5 crores) | Rs. 50 crore<br>(earlier Rs. 10 crores) |
| Turnover             | Rs. 5 crore                           | Rs. 50 crore                           | Rs. 250 crore                           |

# MSME Cluster Approach

- **The Cluster Approach:**

- **A cluster is a group of enterprises** located within identifiable, contiguous area or a value chain and producing similar products/services,
- These can be linked together by **common physical infrastructure facilities** that help address their common challenges
- An internationally accepted concept
- Being utilized by many **States in different sectors** to support the MSME ecosystem through aggregated interventions.
- **Artisans and Micro Units** are the biggest beneficiaries.
- Ministry of **Textile**, Ministry of **Food Processing Industries**, Ministry of **Power** etc also use the Cluster approach.

# MSME Cluster Approach: Initiatives by Government of India

- **MSE Cluster Development Programme:**

- **MSE CDP Scheme:** To enhance the **sustainability, competitiveness and growth of MSEs** by addressing common issues such as improvement of technology, skills & quality, testing, packaging and market access by setting up of Common Facility Centers (CFCs) and through Infrastructure Development (ID) Projects.
- **MSE CDP** has successfully created a total of **290 Common Facility Centers (CFCs)** and **Infrastructure Development (ID) Projects** in partnership with the **State Governments**.

- **Scheme of Fund for Regeneration of Traditional Industries (SFURTI)**

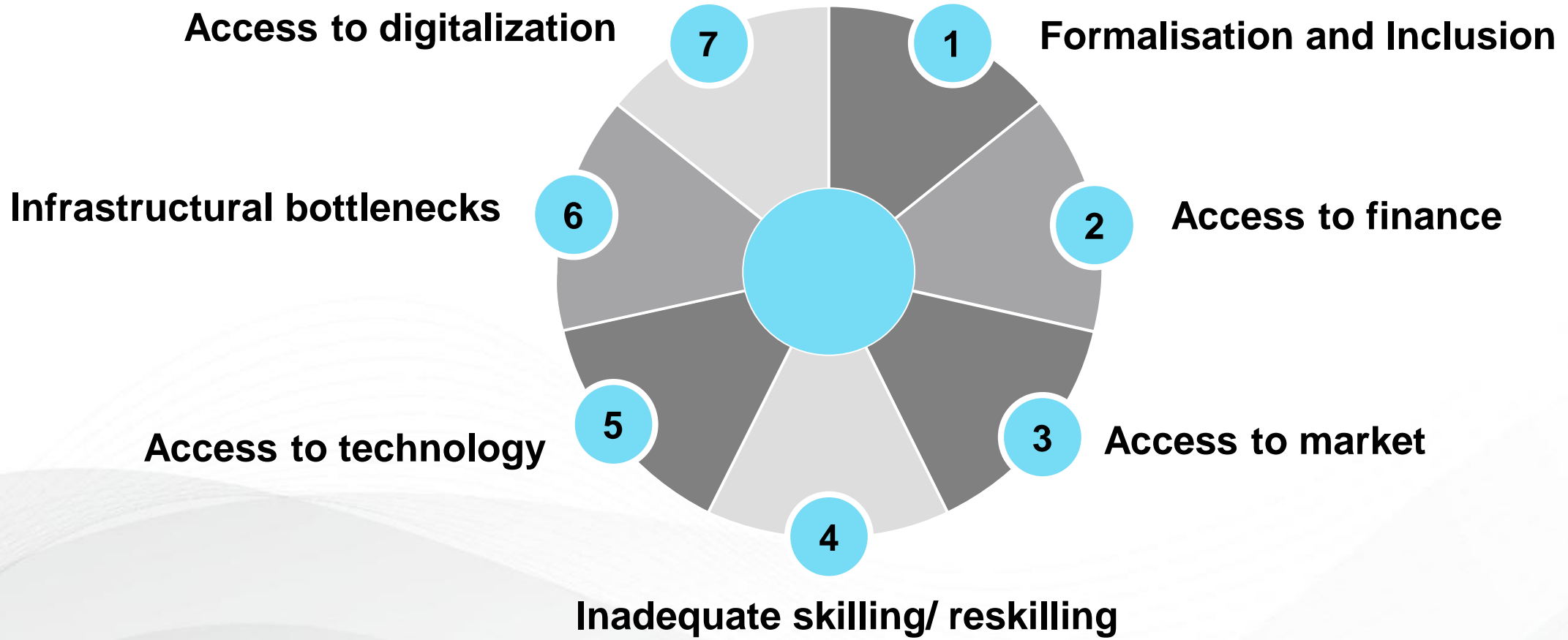
- **SFURTI** : Aims to organize the **traditional industries, artisans and producers** into clusters and provide them with support in order to make quality and competitive products.
- A total of **498 clusters** have been approved across **315 districts covering 2.94 lakh artisans** with Government of India support of **1292 Crore** under the **SFURTI** Scheme.

# Government of India Initiatives

- Coordinated response for Convergence with States:
  - **Raising and Accelerating MSME Performance (RAMP)** - Rs. 6000 crore in next 5 years
- **Focus on Micro units:**
  - 8 lakh + micro units set up generating 68 lakh employment - Prime Minister Employment Generation Programme (PMEGP)
  - Rs. 1 lakh crore + turnover (Khadi and Village Industries)
  - Informal Micro Enterprises (IME)

# Challenges

Nuanced complexities across sectors, geography and supply chain





# Moving Ahead

Deliberations on :

**Topic 1: Unlocking the employment potential of MSMEs**

*Lead state: Jharkhand*

**Topic 2: Formalising and Bridging the credit gap**

*Lead State: Haryana*





## ***Thrust on MSMEs***

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**Unlocking the employment potential of MSMEs: Incentivizing growth,  
skill development & handholding rural & cottage industries**

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***Lead State: Jharkhand***

# Consultative Process

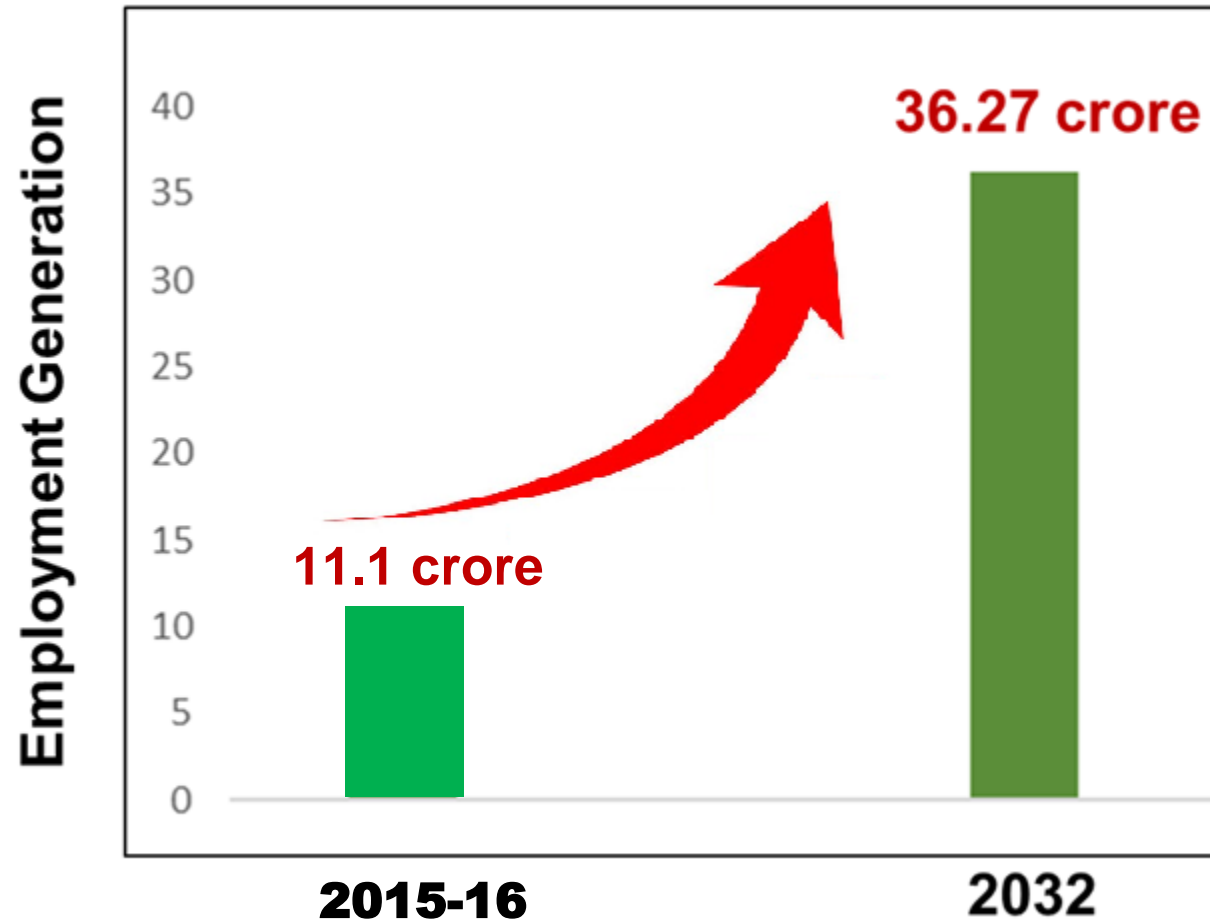
- **Stakeholder Consultation** with Industry Associations, Associate bodies/organisations, Entrepreneurs, Government officials on 5<sup>th</sup> November - **Ranchi**
- **Virtual Conference with the states/UTs of working group (Host: Jharkhand)** on 18 November - 18 States/ UTs participated
- **Physical Conferences with the states/UTs of working group (Host: Haryana)** on 23 November in **Delhi** - 18 States/ UTs participated
- **Inputs** from Feedback note of Senior state governments officials
- Frequent **deliberation** with MoMSME, NITI Aayog and states/UTs of working group

# Section I: Overview

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**MSME growth is important for becoming Vikasit Bharat**

**MSME sector will become the highest employment provider in next 10 years**



# Medium Enterprises create highest employment per enterprise

| Type of Enterprise | Per cent share of total enterprises | Employment Share ( per cent) | Average number of Employees |
|--------------------|-------------------------------------|------------------------------|-----------------------------|
| Micro              | 96 %                                | 81 %                         | 6                           |
| Small              | 3.6 %                               | 13 %                         | 27                          |
| Medium             | 0.4 %                               | 6 %                          | 135                         |

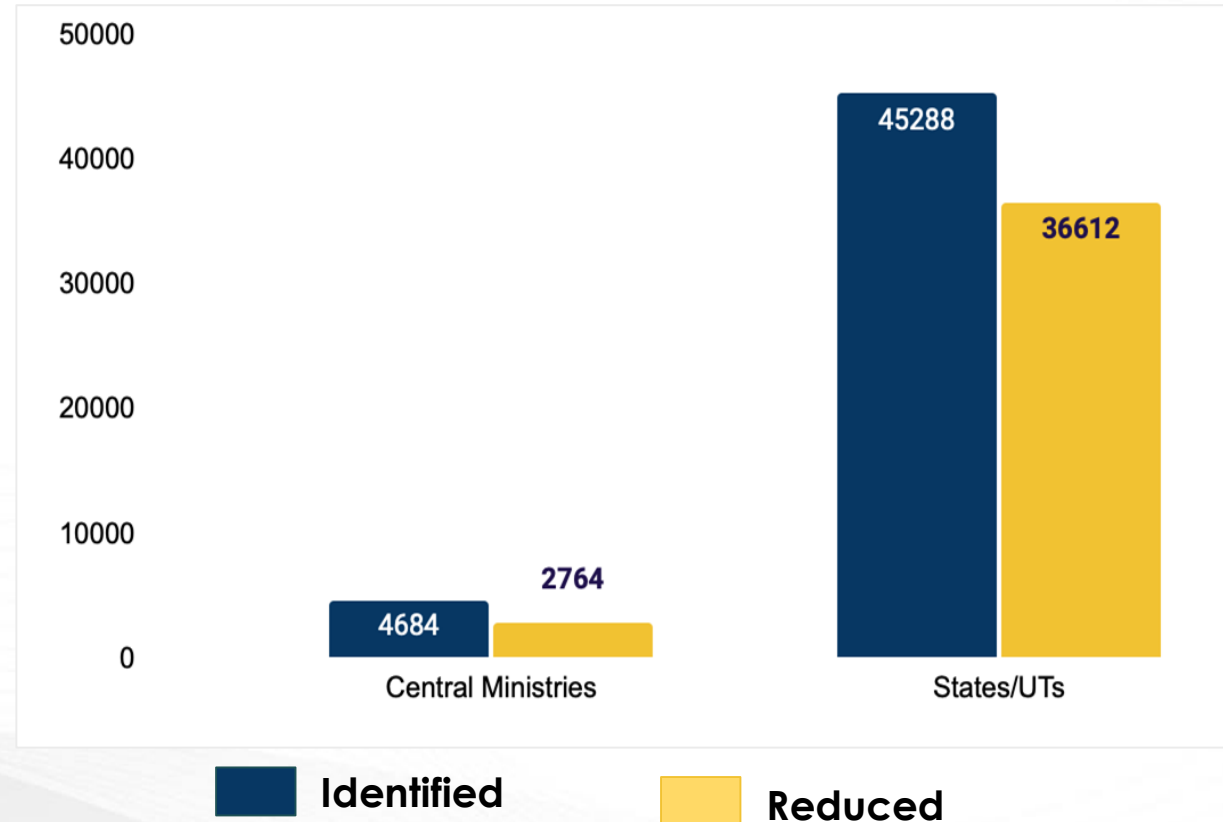
**Average employment by medium enterprises : 135**

# Challenges in MSME Sector

1. High Compliance Burden
2. Inadequate Skilling and Training
3. Access to Technology
4. Access to Marketing

# 1. Challenge - High Compliance Burden on MSMEs

Compliances reduced by both Centre and States in the last 2 years, yet more needs to be done



The burden of compliance for MSMEs is disproportionately high as they have less resources

# Best Practices by States – Improve Ease of doing business

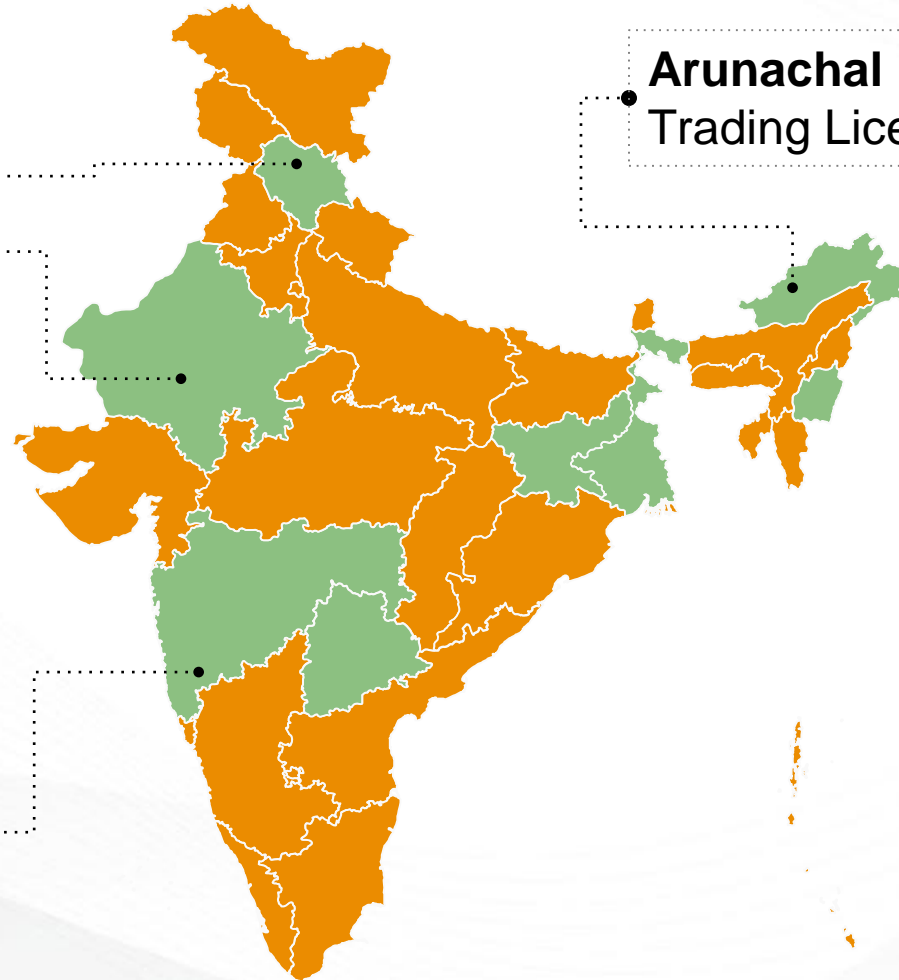
## Himachal Pradesh and Rajasthan:

Exemption from certain approvals & inspections

## Arunachal Pradesh: Simplification of Trading License mechanism

## Maharashtra and Manipur:

20% of the total land allocated to large enterprises to be allocated for MSMEs set up.





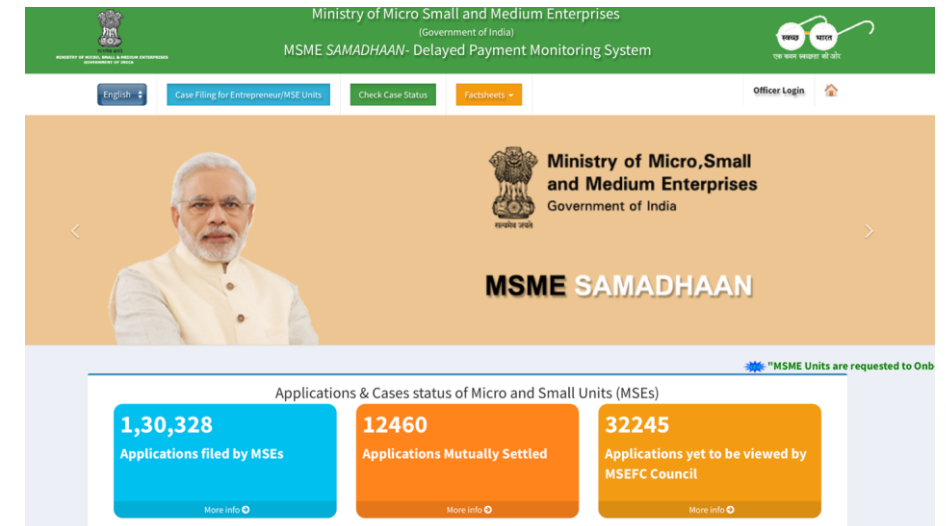
# Major Initiatives by Centre – Ease of doing business

## Champions Portal handholding and grievances



55, 217 Grievance redressed (2020-2022)

## Samadhaan Portal delayed payments



21658 cases disposed (2017-2022)

## 2. Challenge- Inadequate Skilling and training



**Inadequate skilled workforce**



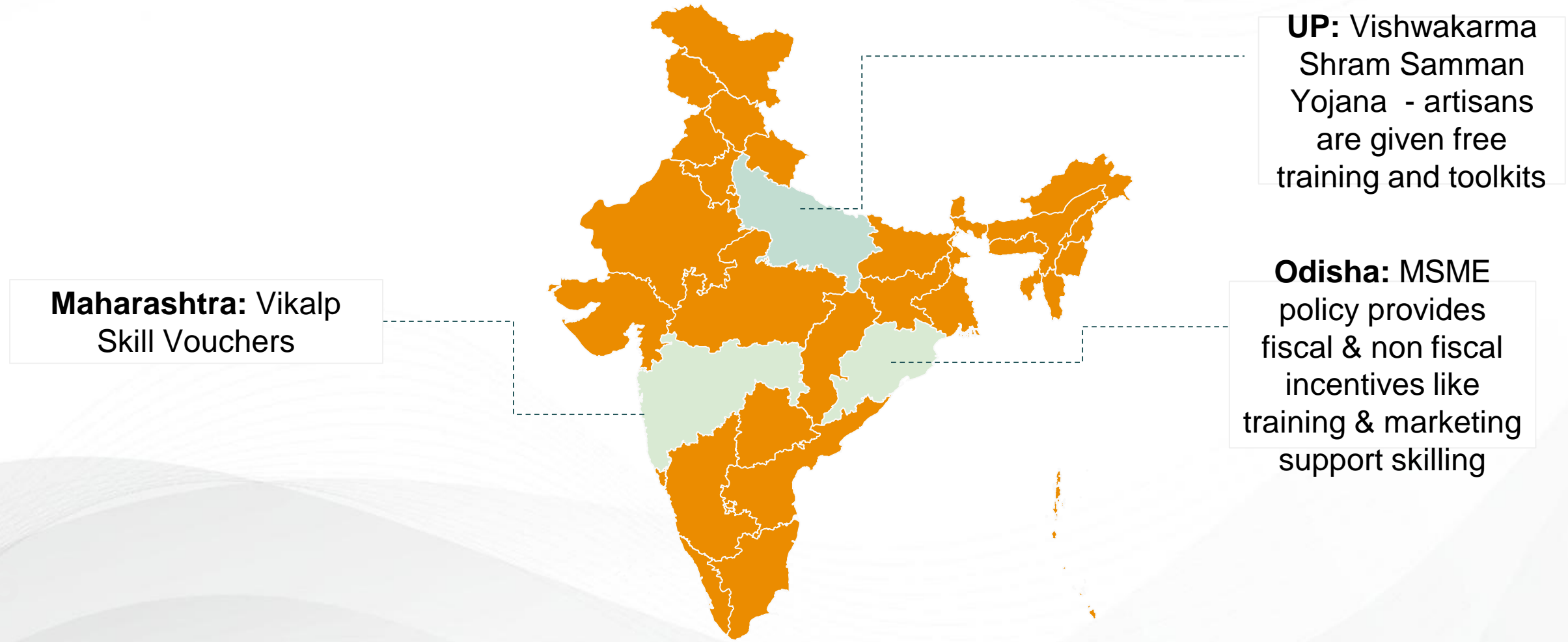
**Inadequate skill-based education**



**Limited on-job training**

- Unskilled informal workers resulting in low productivity.
- Inadequate training for upgradation and acquiring skilled labour makes the production cost higher.

# Best Practices by States - Reducing the skill gap



**Maharashtra:** Vikalp Skill Vouchers

**UP:** Vishwakarma Shram Samman Yojana - artisans are given free training and toolkits

**Odisha:** MSME policy provides fiscal & non fiscal incentives like training & marketing support skilling

# Huge Employment Potential - Skill Enhancement

1

**Performance Linked Incentive (PLI) scheme will create 1.40 crore additional jobs**

States should focus on curating training and apprenticeship in the 14 PLI sectors

| PLI Sectors   | Telecom & Networking Products | White Goods | Specialty Steel | Automobile & Auto components/A CC | Mobile Manufacturing | Solar PV Modules | Total      |
|---|-------------------------------|-------------|-----------------|-----------------------------------|----------------------|------------------|------------|
| Estimated indirect employment opportunities (MSMEs/Ancillarisation) | 0.2 Lakhs                     | 3 Lakhs     | 4.57 Lakhs      | 7.6 Lakh                          | 6 lakh               | 1.2 lakh         | 22.47 lakh |

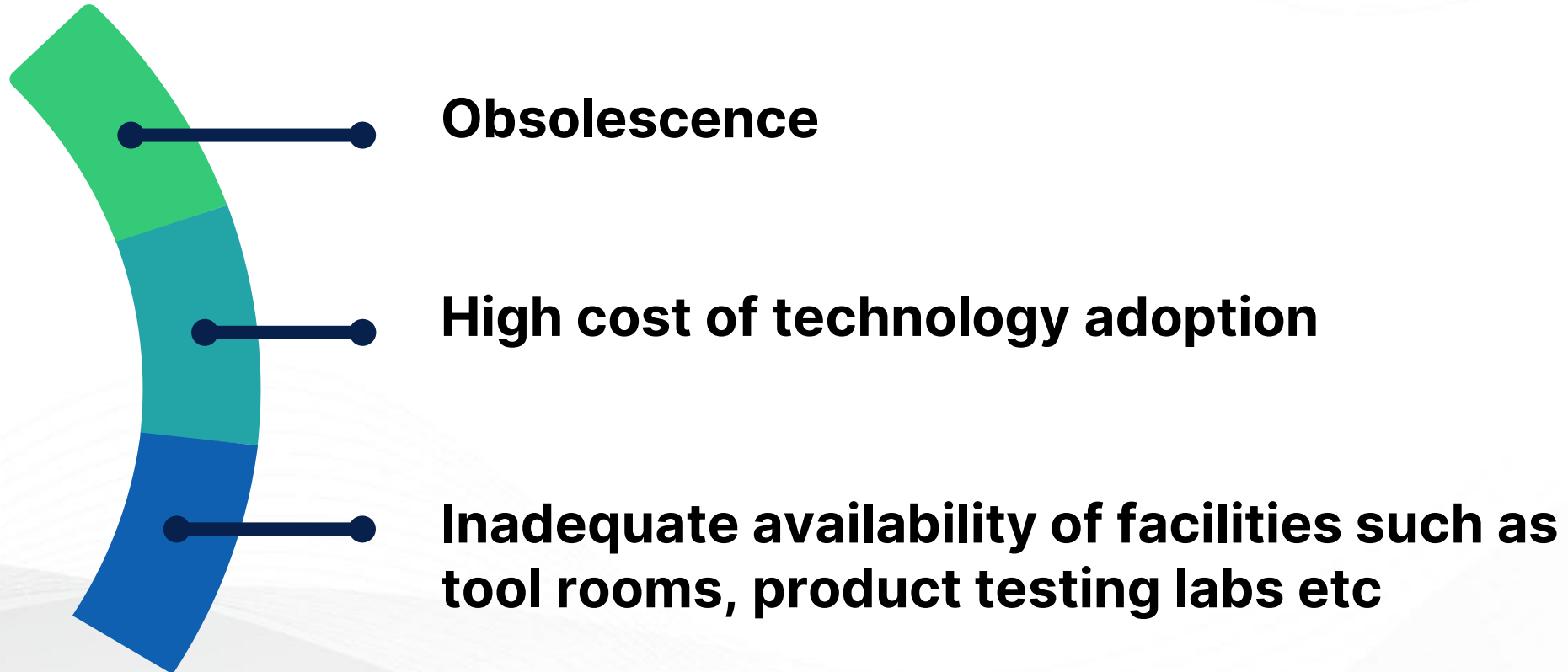
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**Issuing skill vouchers or skill wallets** to incentivise youths to undertake a skilling programme of their own choice- **Maharashtra**

Source: PIB of PLI/ Cabinet Note

### **3. Lack of access to Technology**

**Leads to poor quality products and lower productivity**



## Major Initiatives by Centre - Setting Up of Technology centres ~ Rs. 3500 crore over next 3 years



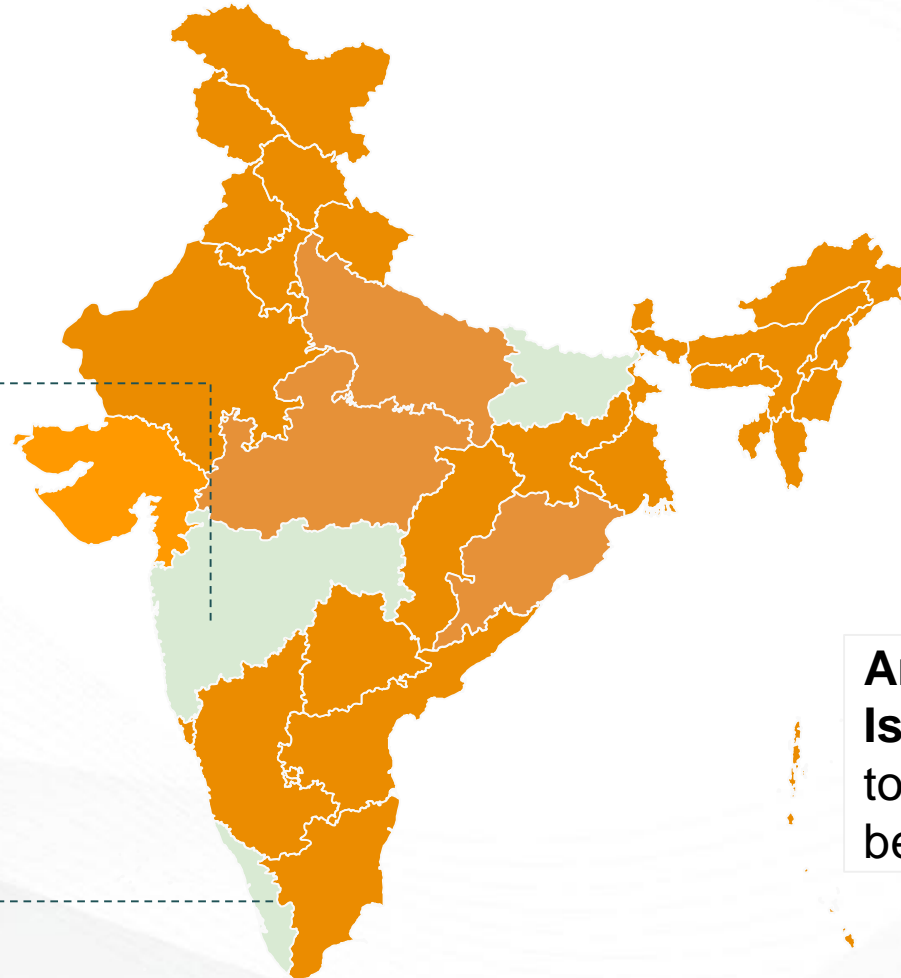
- 53 Technology Centres (TC)
- 100 Extension Centres (EC)

Support MSME clusters by providing access to machinery, equipment and technical training

# Best Practices - Access to Technology

**Maharashtra:** 20% additional fiscal assistance to eligible MSME units in Agro food processing, green energy/biofuel and industry 4.0

**Kerala:** Design of new-age technology related training programs; Industry-Academia partnerships; facilitating adoption of quality parameters



**Andaman and Nicobar Islands :** Adoption of drones to map land records for better functioning of MSME

## **4. Challenges - Access to Marketing**

**Minimum access to Global value chain**

**Lack of Quality certification and product testing facilities**

**Absence of basic packaging services  
(Single-use plastic banned)**



# Government E-Marketplace ( GeM)

## Access to Markets

- 40 lakh MSMEs registered
- 35.22 lakh handloom workers
- 21 lakh handicraft artisans
- 9 Lakh Women Entrepreneurs



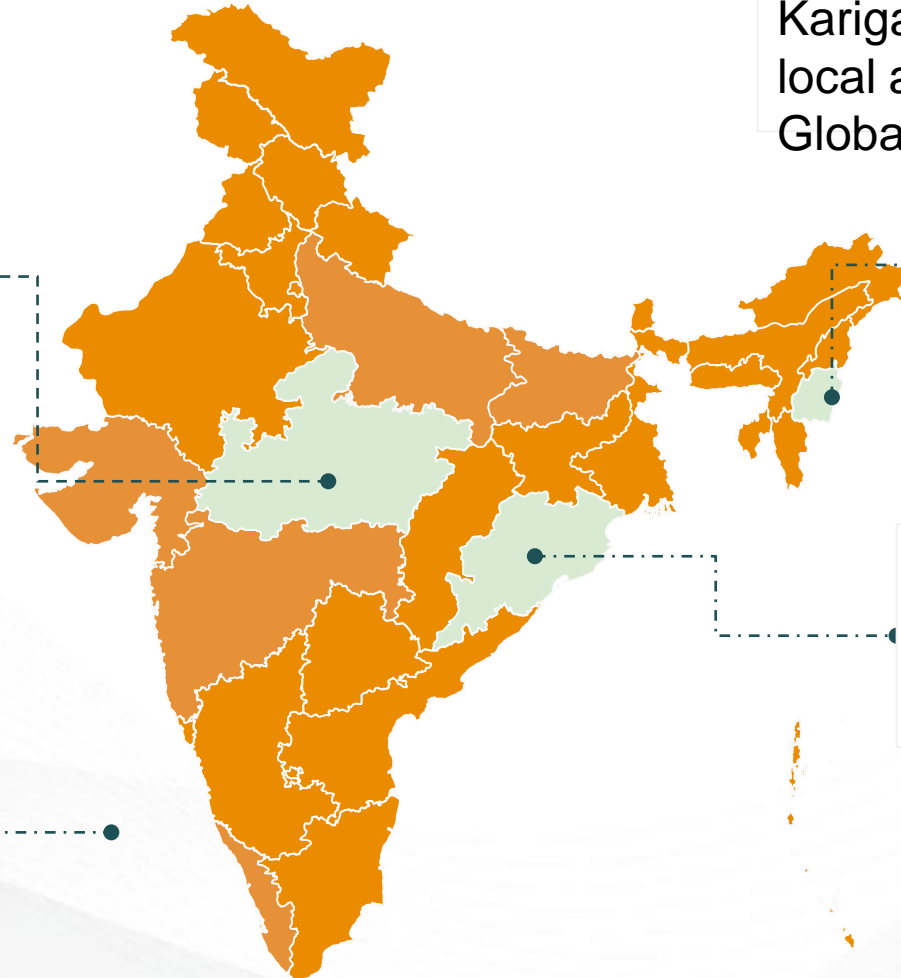
**Access to private global market – a challenge**

# Best Practices

## Access to Marketing

**Madhya Pradesh:**  
Launch of MSME development policy 2021 to extend financial, marketing assistance

**Lakshadweep:**  
Establishment of State of Art Handicraft emporium and handicraft training, production centre



**Manipur:** Amazon Karigar scheme to link local artisans to the Global Market

**Odisha :** MSMED Policy 2016 provides various fiscal and non-fiscal incentives like training and marketing support

# **Section III: Summarizing and Way Forward**

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# Summarizing and Way Forward (1/3)

## Challenge : Compliance burden

- 1 Launch Samadhaan 2.0 - Online and Alternative Dispute Resolution by 2023
- 2 Exemption from taking various approvals for the initial three years – **Gujarat, Himachal Pradesh and Rajasthan**
- 3 Reducing compliance burden for the States and Municipal Bodies
- 4 Separate policy and administrative structure for MSME sector

# Summarizing and Way Forward (2/3)

## Challenge : Access to Technology

- 5 Setting up of 30 Technology Centres and 65 Extension Centres in major MSME clusters in next 3 years
- 6 Additional fiscal assistance to eligible MSME units in Agro food processing, Green energy/biofuel and Industry 4.0 – **Maharashtra**
- 7 Design of new-age technology related training programs in collaboration with Industry-Academia partnerships etc. - **Kerala**

# Summarizing and Way Forward (3/3)

## Challenge : Access to Marketing

- 8 **Interoperability** between
  - Phase 1: Udyam, TReDS, and GST portal by 2023
  - Phase 2: Udyam and GeM by 2024
- 9 Onboarding MSMEs to msmemart.com (B2B)
- 10 Tie up with e-Commerce platforms like Amazon and Flipkart - **Manipur**



# **Short Film on Initiatives in MSME Sector**

***Uttar Pradesh***







# Short Film on Initiatives in MSME Sector

## *Kerala*

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## ***Thrust on MSMEs***

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**Formalization of MSMEs & bridging the credit gap: synergizing state & GOI efforts towards inclusion**

***Lead State: Haryana***

# Consultative Process

- **Conducted a comprehensive study of current situation, challenges & best practices adopted by States/UTs**
- **Virtual Conference with the states/UTs of working group (Host: Haryana) on 17 November - 18 States/ UTs participated**
- **Physical Conferences with the states/UTs of working group (Host: Haryana) on 23 November in **Delhi** - 18 States/ UTs participated**
- **Inputs** from Feedback note of Senior state governments officials
- Frequent **deliberation** with MoMSME, NITI Aayog and states/UTs of working group

# Agenda

**1 Overview**

**2 Government Initiatives**

**3 Action Plan**

**4 Way Forward**

# Section I: Overview

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# Estimated Formalisation Gap of 5 Crore Enterprises

NSS data has 6.34 crore MSMEs and current registration on Udyam is only 1.24 crore enterprises

## Major challenges around formalization of MSMEs



**Information asymmetry & geographically dispersed MSMEs**

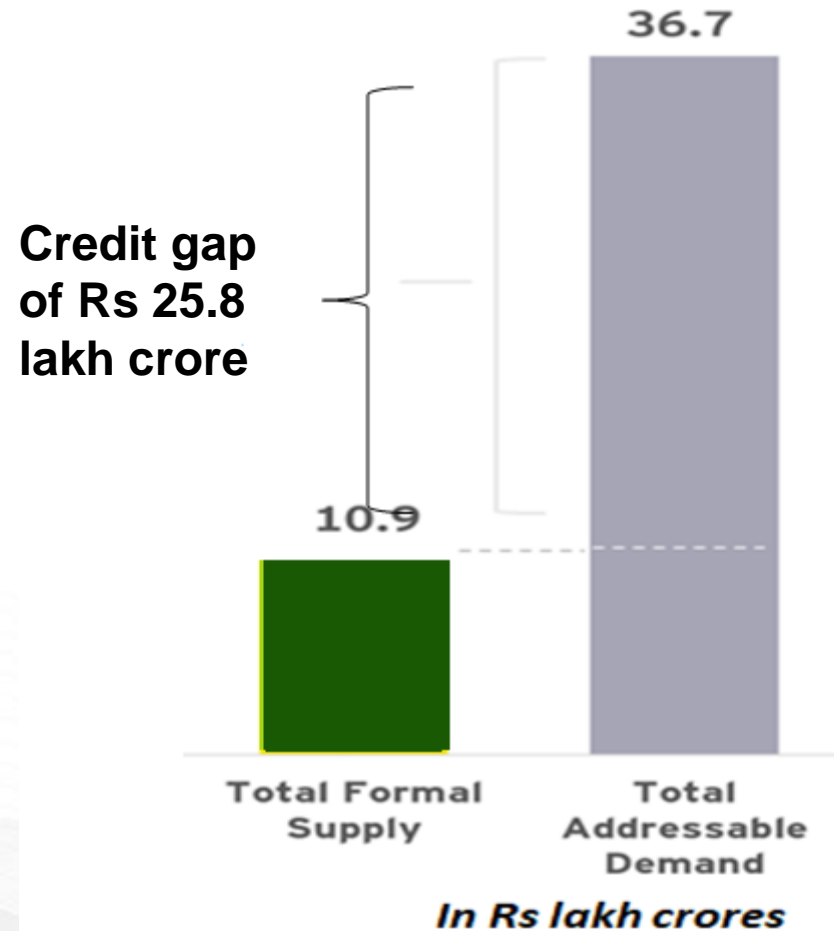


**Fear of additional compliance burden**



**Lack of documents required for registrations (E.g., PAN)**

# Estimated Credit Gap of Rs. 25.8 Lakh Crore



**Credit gap distribution is 50:50 for manufacturing and services sectors**



# Major challenges around MSME Finance

## Demand Side



Lack of credit score & collateral

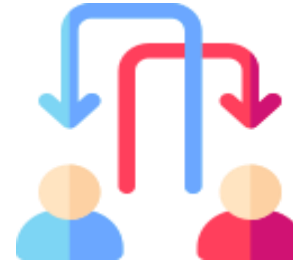


Difficulty in getting loans



High Interest rate

## Supply Side



Low lending confidence



Banks' reluctance with government schemes



Reluctance to use TReDS

# **Section II: Government Initiatives**

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# Steps taken by Govt for Formalisation



## Udyam Registration

A free, simple & transparent online system for self-declaration based registration



## Integration of Udyam with other Govt systems

API Integration with GST, TReDS & GeM



## Working with SIDBI

Target enterprises not having PAN cards & get them onboarded on Udyam

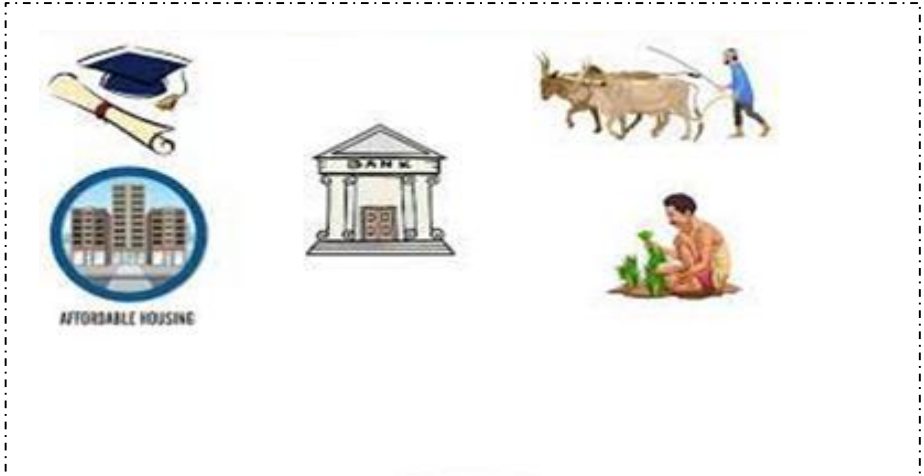
\*TReDS - Trade Receivable electronic Discounting System

\*GeM – Government electronic Marketplace

# Major GoI Initiatives for Tackling Finance Challenges (1/2)

## Priority Sector Lending

1

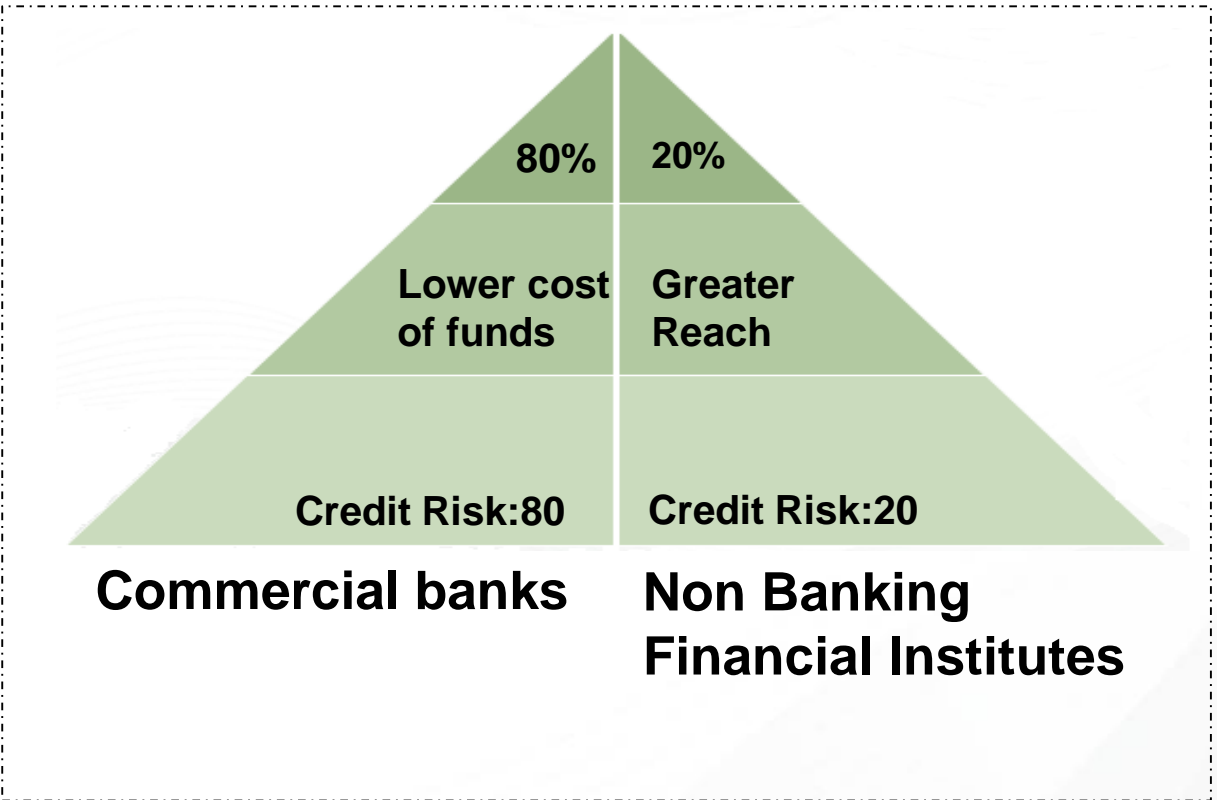


### Increasing credit flow

- **7.5% target** under **priority sector lending** ( RBI 2017)

## Co-lending

2



# Major GoI Initiatives for Tackling Finance Challenges (2/2)

## Self Reliant India (SRI) Fund

### 3 Growth funding to MSMEs

- Increase the financial capacity of viable MSMEs to become National/International Champions
- Fund of funds of Rs. 10,000 crore

## Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

### 4 Collateral-free loan

- Ceiling increased to Rs. 2 crore
- Expanded the scope to uncovered segments and lenders like small Finance Banks
- Till 31 October 2022, 64.24 lakh guarantees and Rs. 3.63 lakh crore had been approved

# Best Practices of State

## Access to Credit

### Punjab

Collaborations & promotion for alternate financing

### Haryana

Leveraging support from Industries Associations to further govt. efforts

## Formalisation of MSMEs

**Haryana, Tamil Nadu, Uttarakhand, etc.**

MSME/ Sector specific industrial policies.

**Andhra Pradesh**  
Geo Tagging of MSMEs

**Gujarat, Tamil Nadu, Sikkim, Uttarakhand**

Setting up separate government depts. for dedicated MSME support.

# **Section III: Action Plan**

1. Alternative Financing Models
2. Leveraging Raising & Accelerating MSMEs Performance (RAMP)
3. Reorienting Annual Credit Plan

# 1. Alternative Financing Models

*Paradigm shift: Digital footprint for Cash flow-based lending*

1



Digital footprints to build information pool like:

- Bank transactions
- GST
- GeM

2



Account Aggregators regulated by RBI for consent based and seamlessly sharing of digital records

3



Enable cash flow lending instead of collateral based lending



# Increase Adoption of Cash Flow Based Lending

## Udyam Portal

Only 20% MSMEs are registered on Udyam out of total MSMEs

### Action for States:

Push for Udyam Registration by creating awareness and incentives

## Account Aggregator

Account Aggregator is consent based data sharing platform to make lending faster and cheaper

### Action for States:

Create awareness and increase adoption of platform account aggregator

# “Collateral-Based” to “Invoice-Based” Financing – GeM Sahay

1

MSEs on GeM can get a collateral free loan at the point of acceptance of an order on the platform

2

Instant loan disbursement

3

Eight lenders on boarded on platform

Action for States:

Create awareness and increase adoption of GeM Sahay

## Statistics of GeM Sahay May 2021 to 30th Nov 2022

- i. Volume of loans disbursed – **3,997**
- ii. Value of loans disbursed –  
**Rs. 15.76 Crore**
- iii. Hi-Low – Rs. 160 to 10 Lakh
- iv. Average Ticket size – **Rs. 40,000**

## 2. Leveraging Raising & Accelerating MSMEs Performance (RAMP) - *Rs 6000 crore financial outlay over 5 years*



### Aimed at: Increasing the universe of lending institutions for MSMEs

- Expanding the scope and functionality of TReDS
- Lending institutions increased from 6 to 182
- Addressing issues of delayed payments and greening of MSMEs
- Online Dispute Resolution

### Action for GoI and States

- Onboarding central & state PSUs and government departments on TReDS
- Mandate PSUs and Departments to transact on TReDS

### 3. Reorienting Annual Credit Plan (ACP)



- As per State-Level Bankers' Committee every district is required to prepare an annual credit plan target sector-wise
- Current data suggest that credit gap is over Rs 25 lacs crore but as per State-Level Bankers' Committee data many states have achievement more than 100%

#### Action for States

- Taking a bottom-up approach for setting Annual Credit plan (ACP) targets
- Revisiting Annual credit plans for MSMEs with more realistic targets & effective monitoring

# **Section IV: Way Forward**

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# Way Forward

## Target: All MSMEs to have access to Credit

1

Push for Udyam Registration by creating awareness and incentives

2

Create awareness and increase adoption of platform account aggregator

3

Onboarding central & state PSUs and government departments on TReDS;  
Mandate PSUs and Departments to transact on TReDS

4

Taking a bottom-up approach for setting Annual Credit plan targets









सत्यमेव जयते

# Best Practices for Financing MSMEs - Tamil Nadu

# Best Practices



**Tamil  
Nadu  
Credit  
Guarante  
e Scheme**



**MSME  
Credit  
Score**



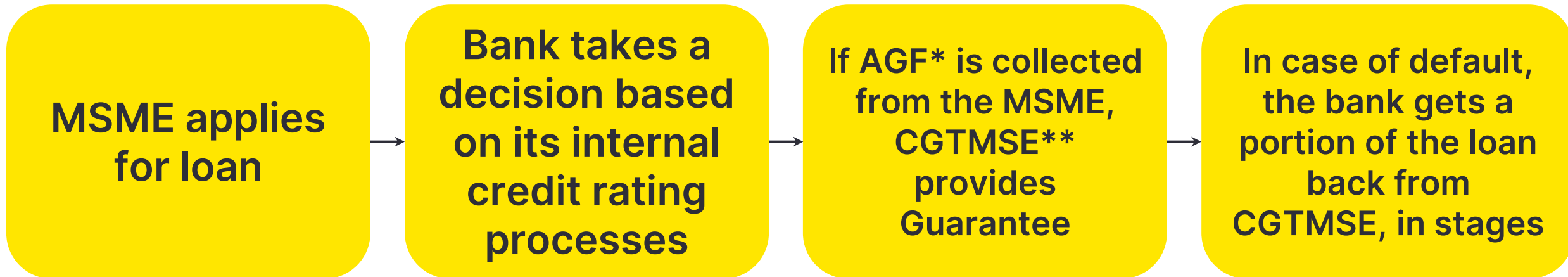
**Tamil  
Nadu  
TReDS**



**Way  
Forward**

# Best Practice 1: Tamil Nadu Credit Guarantee Scheme (TNCGS)

## How does Credit Guarantee work?

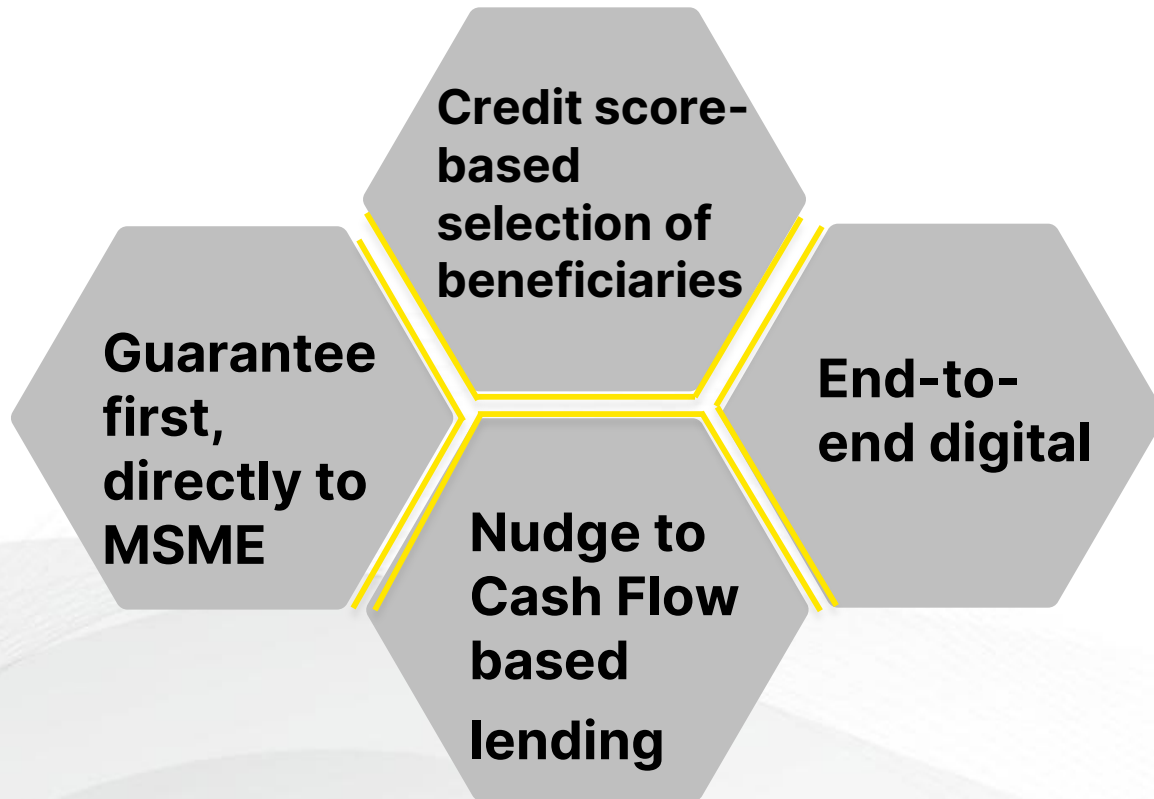


\* AGF: Annual Guarantee Fee for CGTMSE

\*\* CGTMSE: Credit Guarantee Trust for Micro and Small Enterprises

# Best Practice 1: Tamil Nadu Credit Guarantee Scheme (TNCGS)

## Additional features of TNCGS



- Offered in two modes:
  - Standalone by Govt. of Tamil Nadu.
  - Partnership with CGTMSE.
- MSME credit score is inbuilt to deal with adverse selection.
- 83 loans amounting to ₹22 crores disbursed.
- Complete roll-out by end of 2023.

# Best Practice 2: MSME Credit Score

## How do banks usually provide credit?

Credit provided based on two parameters



1. Collateral

2. CIBIL\* Score

For availing credit, usually:

- Collateral of **50% to 150% of credit amount** is required.
- CIBIL Score of **600+** is required.

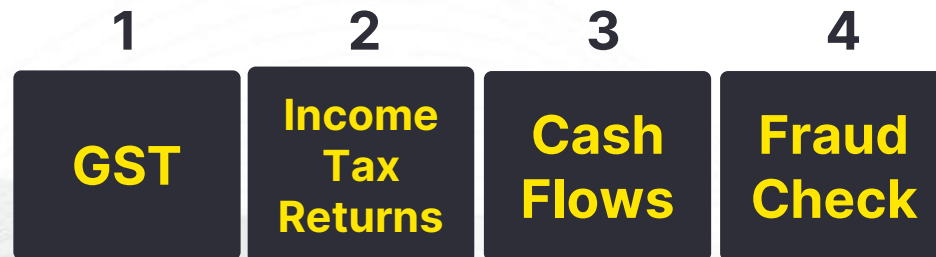
\* CIBIL: Credit Information Bureau (India) Limited.

# Best Practice 2: MSME Credit Score



## MSME Credit Score

*Features additional to CIBIL*



**Put to use in TNCGS guaranteed loan disbursal**

\* IIM: Indian Institute of Management

## Phase 2

**Non-Financial Indicators in subsequent phases:**

- Land ownership: in revenue records
- Payment of electricity dues
- Payment of utilities: Water dues, property tax, etc.
- Compliance behavior: compliance with Labour, factory, environment, etc. norms
- Supply chain partners: OEMs, behaviour on TReDS, MSEFC, etc.

## **Best Practice 3: Tamil Nadu TReDS**

- **Tamil Nadu TReDS is an Enterprise Resource Planning (ERP) built on TReDS.**
- **Developed in partnership with Receivables Exchange of India Limited (RXIL), promoted by SIDBI.**
- **Bill discounting currently happens in eight (8) stages on TReDS.**

**87 TN State entities onboarded onto TReDS by Govt. of Tamil Nadu mandate.**

## **Best Practice 3: Tamil Nadu TReDS**

**TN TReDS was built to address certain issues on TReDS**

**Issue 1: Buyer does not accept invoice.**

**Solution: Offline dispute resolution.**

**Issue 2: Buyer does not pay financier on due date.**

**Solution: Backstopping and refinancing (+120 days) by TAICO\* Bank.**

**Bills amounting to ₹31 crores discounted so far.**

**\* TAICO Bank: Tamil Nadu Industrial Cooperative Bank**



# Way forward

1

**Dynamic database of MSMEs to augment Udyam registration.**

2

**Automatic electronic compliances: help MSMEs file 200+ routine filings smoothly.**

3

**Integration of Credit rating and TN TReDS for boosting financing.**

4

**Importance of physical handholding for MSMEs.**



Partnership





# **2<sup>nd</sup> NATIONAL CONFERENCE OF CHIEF SECRETARIES**

**5 – 7 January, 2023**

## **VIKASIT BHARAT**

**Pillar 1 : Growth and Job Creation**

**Theme 1 : Thrust on MSMEs**

**Summing up by :**

**Dr. Renu Sharma, Chief  
Secretary  
Government of Mizoram**

# Deliberations of the session:

- **Unlocking the employment potential of the MSMEs.**

- **Formalization and bridging the Credit Gap.**

These presentations are an **outcome of consolidation** of all perspectives, views on various policy interventions, innovations, best practices and reforms undertaken after a detailed consultative process with States/UTs and all the stakeholders in the MSME ecosystem.



# Reforms by MSME to boost the sector:

- Revised Public Procurement Policy.
- Robust formalization measures by way of revised method of Udyam registration.
- Self Reliant India Fund and CGTMSE schemes,
- RAMP programme - Covid related challenges - technology, marketing and credit.



# Efforts of the State Governments -



## Complementing Union Government's initiatives

- One District One Product (ODOP)
- One Local Government One Product (OLOP)
- Skill vouchers
- On-field handholding centers etc.



## Notable initiatives of the States

- Collaborations for alternate financing
- Simplification of trading license mechanism
- Market development assistance
- Reducing compliance burden.



## Movement to Districts

- Revamping DICs and EDCs
- Setting up cluster facilities
- Handholding existing and new units

# Short Term Action Plan (within 1 year)

## State Government



1

Strengthening Annual Credit Plan and State Level Bankers Committee targets (SLBC) mechanism



2

Reducing compliance burden for the States and Municipal Bodies and separation of policy for MSME sector



1

Development of Common online platform for all schemes, solutions and systems.

# Medium Term Action Plan (1-3 years)

## State Government



1

Encouraging cluster based, ODOP, packaging and marketing policy



2

Curating trainings and apprenticeships in 14 PLI sectors



1

Data driven policy evidence, digital commerce and having a robust Online Dispute Resolution (ODR) in place

# Long Term Action Plan (3-5 years)

## State Government



1

Implementation of Strategic investment plan developed under RAMP

## Government of India



1

Focus on building 30 Technology Centres and 65 Extension Centres for bridging the skill gap for MSME sector



**As the country moves forward towards its goal of **Viksit Bharat**, our resolve must be to bridge the credit gap and realize the employment potential of our MSMEs to the fullest.**

THANK YOU

