

Ministry of Micro Small Medium Enterprises
(An ISO 9001:2008 Certified Organization)

Background Note

1. MSME sector has been playing an important role in socio-economic development of the country. MSME sector contributes around 8% of GDP, 40% of the total exports and around 45% of the manufacturing output.

2. The primary responsibility of promotion and development of MSME's is of the State Governments. However, Government of India, supplements the efforts of the State Governments through various initiatives. The role of the M/o MSME is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSME's in the changing economic scenario. The schemes/ programmes undertaken by the Ministry seek to facilitate/provide; adequate flow of credit from financial institutions/banks; support for technology upgradation and modernization; integrated infrastructural facilities; modern testing facilities and quality certification; access to modern management practices; entrepreneurship development and skill upgradation through appropriate training facilities; support for product development, design intervention and packaging; welfare of artisans and workers; assistance for better access to domestic and export markets and cluster-wise measures to promote capacity-building and empowerment of the units and their collective.

3. Given the nature of the MSME sector and its wide reach, the Ministry has taken several initiatives to promote or foster MSME's. Some initiatives in this regard are as under:

3.1 Ease of Registration Process through Udyog Aadhaar Memorandum (UAM) :

Based on the Hon'ble Prime Minister's suggestion in his 'Mann Ki Baat', on 3.10.2014, to simplify forms to enable ease of registration of MSME's, Ministry has notified a simple one-page registration Form 'Udyog Aadhaar Memorandum' on 18th September, 2015 in the Gazette of India Vide Notification Number S.O 2576 (E). The simplified one page registration form "Udyog Aadhaar" was made after consultations with the states and stakeholders, on recommendation made by the Kamath Committee and observations/approvals by Department Related Parliamentary Standing Committee, National Board and Advisory Committee etc. This is also in line with Prime Minister's announcement with regard to dispensing with requirement of attestation of documents to

be replaced with self-attestation of document. The salient features of the Udyog Aadhaar Memorandum are

- The one page simplified registration Form would constitute a self declaration format under which the MSME will self certify its existence, bank account details, promoter/owner Aadhaar details, other minimum basic information required, etc
- Creating a business friendly environment with easy entry and exit procedures to encourage entrepreneurial activity.
- Encouraging States to strengthen existing ‘Single Window System’ with a High Power Committee empowered go give all necessary clearances for setting up a business.
- There shall be no fee for filing the UAM
- Udyog Aadhaar Acknowledgement shall be generated and mailed to the email address provided in the Udyog Aadhaar Memorandum which shall contain unique Udyog Aadhaar Number
- No supporting document is required to be uploaded or submitted while filing the Udyog Aadhaar Memorandum

3.2 **Framework for revival and rehabilitation of MSMEs:**

The Ministry under Section 9 of MSMED Act has notified the Framework for revival and rehabilitation of MSMEs, 2006 on 29/05/2015. The framework provides a mechanism for revival and rehabilitation with a definite voice to the entrepreneurs and is expected to balance the interests of debtors and creditors. The framework enables Banks/creditors to identify MSME’s, which are in the stage of incipient stress and take corrective action to prevent them from becoming NPA’s. MSME’s can seek revival and rehabilitation benefit through a committee constituted by banks with representative from state Governments, experts and others.

3.3 **Revision of the definition of MSMEs:**

Ministry has proposed to enhance the limit of investment in plant and machinery by way of an amendment to MSMED Act, 2006. The proposed definition of MSME by raising the capital limits in plant and machinery as follows: -

Sector	Investment limit in plant and machinery	
	Present	Proposed
Manufacturing		
Micro	Rs.25 lakh	Rs. 50 lakh
Small	Rs. 5 crore	Rs. 10 crore
Medium	Rs. 10 crore	Rs. 30 crore

Services		
Micro	Rs. 10 lakh	Rs. 20 lakh
Small	Rs. 2 crore	Rs. 5 crore
Medium	Rs. 5 crore	Rs. 15 crore

Micro Small & Medium Enterprises Development (Amendment) Bill, 2015 was introduced in Lok Sabha on 20.4.2015 and the motion for consideration was moved in Lok Sabha on 13.5.2015. The Bill was subsequently referred to Department related Parliamentary Standing committee on Industry on 21.5 2015 for examination. The Bill was laid on the table of the Lok Sabha on 5th August, 2015 by Rajya Sabha Secretariat.

3.4 **Make in India Initiative:**

As part of 'Make in India' initiative, following assistance is provided:

- Collateral free lending under CGTMSE scheme, guarantees have been given to 403422 enterprises with financial assistance of Rs. 21274 crores including 125482 enterprises in manufacturing sector with a financial assistance of Rs. 8883 crores.
- CLCSS - 7246 MSEs availed subsidy of Rs. 449 crores through nodal banks with addition to two new banks – Corporation Bank and India Bank under the Scheme.
- As part of 'Make in India' initiative an eco system has been created through TCSP (Technology Centre System Programme). A centre of excellence has been set up in Indian Institute of Science (IISc), Bengaluru for commercializing 110 technologies under Design Scheme of the Ministry.
- Similarly, under Cluster Development initiative, 43 new clusters have been taken up for various interventions.
- Public Procurement Policy for MSME's has been promoted through 375 vendor development programmes with over 1300 buyers (CPSUs and large industries) and 20000 sellers (MSEs).

3.5 **Zero Defect –Zero Effect**

For promoting Zero Defect and Zero Effect manufacturing, Ministry has taken the following initiatives:

- Lean Manufacturing Competitiveness Scheme has been scaled up at total project cost of Rs. 241 crore to cover 1491 units in 536 clusters. The lean intervention has become very

popular in sectors such as Auto Component, General Engineering and Fabrication, Textile, Hosiery, Readymade Garments, Food Processing, Leather etc. 357 lean manufacturing consultants have been empanelled.

- As part of Zero Effect initiative i.e. to promote energy efficiency and pollution control. MSME – GEF – UNIDO Clean Tech programme has been launched.
- ZED Maturity Assessment Model for MSMEs has been developed for implementation.

3.6 **Skill India**

3.6.1 In line with the Hon'ble Prime Minister's call for "Skill India Mission", the Ministry of MSME has been providing training to eight to nine lakh persons per year to enable them to create new enterprises or become job ready for industry. During the year 2015-16, Technology Development Centres and MSME Development Institutes would provide training to 4.39 lakh persons, national EDIs and partner institutions would cover 2.44 lakh persons, KVIC would train 2.74 lakh persons and the Coir Board, 0.34 lakh persons. These training programmes would be made NSQF compliant with uniform funding pattern.

A web based training data base is also set up which provides the latest status of completed and on-going training programmes. NIESBUD, Noida and IIE, Guwahati have been transferred to Ministry of Skill Development and Entrepreneurship in May, 2015.

National Institute for Micro, Small and Medium Enterprises (ni-msme), Hyderabad organised 46 talent melas during the period April to September, 2015 at different locations in the country. In these fairs, 332 job providers and 29,066 job seekers participated out of which, 9,121 candidates were selected for employment. Besides this, 85 companies participated in the talent mela organised at the Davangere, Karnataka last month. Here, 9,141 job seekers registered out of which 3,104 candidates were selected for employment.

In addition to the physical endeavor as above, a Digital platform for bringing together prospective employers and job seekers has also been set up namely, eex.dcmsme.gov.in to facilitate ease of employment of the desired skill as per the requirement of the specific industry.

3.6.2 MoU has been signed in May 2015 with Samsung Electronics starting of MSME - Samsung Digital School for development of mobile Apps. MSME – Samsung Technical School at 10 locations (Ludhiana, New Delhi, Hyderabad, Ahmedabad, Aurangabad, Varanasi,

Bhubaneswar, Chennai, Mumbai and Kolkata) has been established to meet the needs of skill development activities of technically educated youth.

3.7 Significant increase in Khadi Sale after PM's appeal

Prime Minister appealed to all Indians to buy at least one khadi garment in Mann Ki Baat on 3rd October 2014. This has resulted in growth of khadi sales and consequent growth in production of Khadi.

Growth in khadi sales from October 2012 to March 2013 to October 2013 – March 2014 was 6.38%. After the appeal, growth in sales rocketed to a 17.55% from October 2014 to March 2015, which is an almost three fold increase when compared to the previous corresponding period.

Growth in khadi production from October 2012 to March 2013 to October 2013 to March 2014 was 5.82%. After the appeal, growth in production increased by almost 6 times to 31.1% from October 2014 to March 2015 over the previous corresponding period. In 2014-15 Khadi production has reached Rs. 880 crore registering an increase of around 8.5% over 2013-14.

Khadi Production and Sales				
Period	Production in Cr	Growth rate in % (YoY)	Sales in Cr	Growth rate in % (YoY)
Oct 2012- March 2013	549	5.82	407	6.38
Oct 2013- March 2014	581		433	
Oct 2014- March 2015	750	31.1	509	17.55

Govt. of India introduced Market Development Assistance (MDA) scheme giving full flexibility to the Khadi Institutions to organize their production & sales activity in the best way they considered appropriate. The MDA provided much needed boost to the Khadi programme. Govt. of India provided Rs. 324.64 crore for supporting Khadi Institutions (KIs) under various schemes during 2014-15 which is an increase of around 36% over and above the support provided by the Govt. of India in the preceding year i.e. 2013-14 which stood around Rs. 239.17 crore.

Ministry of MSME and KVIC have taken several initiatives to make the sector vibrant and effective and the salient among those are:

- Training facilities in Departmental and Non-Departmental training centres of KVIC are being strengthened.
- Other infrastructure of KVIC and KIs are also being utilized for imparting EDP training efficiently.
- To have larger coverage, the infrastructure of RUDSETI and RSETI are also being utilized.
- Negative list simplified and Khadi included in PMEGP scheme.
- In-charge RSETI included as member in District level task force committee (DLTFC).
- Clusters being planned under SFURTI programme for Khadi and Village Industries to provide better technology and capacity building interventions to increase productivity and enhance earning of artisans.
- Khadi included under PMEGP scheme to encourage entrepreneurship in organizing Khadi production.
- Convergence with NID and NIFT planned for design and product development and making Khadi market oriented.
- Youth centric khadi products are being planned with ‘design by youth for youth’ approach.
- Marketing outlets being renovated under existing marketing Scheme.
- Franchise Scheme being introduced to expand the network of existing sales outlets.
- E-commerce to be introduced to cater to domestic as well as international consumers.
- Applications filed for registering Khadi and Khadi India brand name with the IPR for usage in domestic market.
- Calendar of 23 International exhibitions worked out for participation for export promotion
- Strengthening of existing training facilities and infrastructure.
- Skill Development Programme is being launched through departmental and non-departmental centers of KVIC involving professional training partners.
- 87000 persons to be trained during 2015-16.
- Online database being set up for the training programmes.
- Strengthening of existing training facilities and infrastructure.
- Bringing in transparency in implementation of PMEGP scheme through mandatory online submission of PMEGP applications.

3.8 **National Small Industries Corporation (NSIC).**

The financial year 2014-15 was at another land mark year for the corporation when it touched new heights on all parameters and achieved record operational and financial performance. The overall business for the year reached Rs. 20,000 crore as against Rs 17,444 crore in the previous year thereby posting a growth of 15%. The gross sales of the company reached to Rs.208 crores in 2014-15 as against 175 crores during last year. The net profit after tax of the company has increased to Rs. 88.59 crore against Rs.75.94 crore in 2013-14 The Corporation has declared Rs.17.02 crores to the Government of India for the year 2013-14 as against 15.19 crores declared in 2013-14. The NSIC has been running the eight schemes namely- Single Point Registration Scheme; Marketing Assistance Scheme; Raw Material Distribution Scheme; Consortia and Tender Marketing Scheme; Raw Material Assistance against Bank Guarantee; Membership under e-Marketing Portal; Performance and Credit Rating Scheme and Human Resource.

3.9 **Digital India:** Ministry of MSME has taken several initiatives as a part of Digital India. Some of the initiatives as under:-

- i. **Digital Employment Exchange :** Ministry has recently launched digital employment exchange is in line with the Prime Minister's vision of Digital India wherein through this employment exchange for industries, job seekers can find employers and vice versa. Thus, this facility will enable industrial units find suitable manpower and job seekers find suitable jobs by using the website www.eex.dcmsme.gov.in.
- ii. **E-commerce:** India's e-commerce market was worth about \$ 3.8 billion in 2009, it went up to \$ 12.6 billion in 2013. In 2013, the Online retailing segments was worth \$ 2.3 million. E-commerce is a growth booster for SMEs and the B2B and B2C E-commerce initiatives by NSIC have positive effects on the SME growth. NSIC, realizing the needs of MSMEs, is offering Infomediary Services which is a one-stop, one-window bouquet of aids that will provide information on business, technology and finance, and also exhibit the core competence of Indian SMEs. The Corporation is offering Infomediary Services through its MSME Global Mart www.msmemart.com.

- iii. **E-office:** e-Office initiative has been introduced to achieve paperless office in the Ministry. Movement of e-files has been started and digitalization of existing physical files for converting the same into electronic files is under process. Aadhaar-based Bio-metric Attendance System for all employees (98% coverage) of the Ministry was started w.e.f. 20th August, 2014 resulting in punctuality of attendance. Upto September 2015, 5,354 Electronic files have been created and the same has been moved 26,112 times.
- iv. **Mobile Friendly website:** The website of the Ministry has been made mobile friendly. With this, entrepreneurs friendly content can be easily accessed through any mobile and tablet <http://msme.gov.in/mob/home.aspx>
- v. **Social Media:** Ministry has opened interactive interfaces on Facebook and Twitter with the objective to disseminate information relating to programmes, schemes and to connect with public at large. We have been informing about all important activities through these social media channels in addition to the websites of the Ministry and its field offices. The response has been quite encouraging with the Facebook and Twitter having attracted over 17000 and 19000 followers respectively.
- vi. **Udyami Helpline :** Ministry had also set up *Udyami Helpline*, a Toll-free all India number (1-800-180-6763), provides detailed information and guidance to the potential & existing Entrepreneurs about various aspects of entrepreneurship/ information on MSME schemes /procedures/Credit related issues etc.

3.10 Prime Minister's Employment Generation Programme (PMEGP) scheme:

PMEGP is a major credit-linked subsidy programme being implemented by this Ministry aimed at generating self-employment opportunities through establishment of micro-enterprises in the non-farm sector by helping traditional artisans and unemployed youth. The scheme has generated encouraging response from the unemployed youth and since its inception in 2008-09, it has been able to provide employment opportunities to 28.88 lakh persons through setting up 3.37 lakh enterprises and utilized margin money subsidy of Rs.6712.97 Crores. The following table shows that there is substantial improvement in the performance of PMEGP compared to previous years.

Year 1st Half of the year (Apr-Sept)	Margin money subsidy disbursed (Rs crore)	No. of units assisted	Estimated employment Generated (Persons)
2013-14	36.94	1,717	12,951
2014-15	233.07	10,657	74,871
2015-16	365.63	16,355	118,196

3.11 Scheme of Fund for Regeneration of Traditional Industries (SFURTI):

After the scheme has been revamped, wherein the project fund has been enhanced from Rs 1.00 cr to Rs 8.00 cr per cluster depending on the number of artisans, 26 proposals have been received from 11 states and approved on 10/08/2015, at a total cost of Rs.41 crore through KVIC and Coir Board.

3.12 A Scheme for Promoting Innovation and Rural Entrepreneurship (ASPIRE):

Under the Livelihood Business Incubators (LBI), 19 proposals from 9 states have been approved on 10/09/2015 for setting up Livelihood Business Incubators. A Fund of Funds of Rs.60 crore is created under SIDBI to provide easier access to finance for startups with innovative products, processes.

3.13 Performance and Credit Rating Scheme:

NSIC is implementing the scheme. The scheme aims to create awareness amongst micro and small enterprises (SMEs) about the strengths and weakness of their existing operations and to provide them an opportunity to enhance their organizational strengths and credit worthiness. Under the scheme, rating fee payable by the micro and small enterprises is subsidized for the first year only and that is subject to maximum of 75% of the fee or Rs.40000/-, whichever is less.

During 2015-16 (upto September, 2015) 10886 units have been rated under this scheme as against target of 8000 units and Rs. 27.24 crores as a subsidy in the fee collected by the rating agencies.