

Respected,

Prof. Mahima Gupta, Prof. Aswathy Ashokan Ajitha, Shri Aniruddha Bagchi, members of the faculty, professionals, students, Ladies and Gentlemen

It is my great privilege and honor to be associated with your esteemed institute, and that too in the most special way. I wish to thank the Institute for inviting me to the First International Conference on Mgt of MSMEs.

The two-day event, amply supplied with panel discussions, technical sessions, industry consultations, and academia interaction, over the weekend promises to be an exciting and engaging quest, for it treads upon a journey to consider a 360-degree perspective of the sector. A look at the list of papers and the subjects covered sets up the stage for undertaking an intense examination and analysis of the entire gamut of MSME matters and methods, the complete continuum of the past, present and the future.

One of the areas picked by the Conference is to dig into the current challenges being faced by the sector. Another is public policy. And these in my view will form the biggest chunk of the takeaways we would get from here.

I would be grateful if the outcomes, reactions, suggestions, conclusions and criticisms are shared with us. They would most certainly provide immense value in policy formulation, program implementation, and future planning for the sector by the government.

Now, with the permission of the chair, I would like to put out some of the features of the state of the MSME sector today.

As we walk into the new year, an unmistakable realization is set in that the COVID is here to stay, in one form or the other. And such there is no escaping from it. We simply have to learn to live with it. Adjust our ways. Rearrange our routines. Pay more attention to health and hygiene. Follow the COVID appropriate behavior. And much more. It is the new normal.

The pandemic has hit the MSME sector hard. There has been all round disruption and devastation. It has been all-pervasive, cutting across all sectors, be it textiles, be it food processing, be it auto parts, be it general engineering, be it hospitality, be it trade. And it's not just a one-off bump or a fall in the ditch. It has been relentless and raging. We have been witnessed to business closures, job losses, migrating labour crisis, supply chain breakdown, increased cost of production, reduced revenues, liquidity shortages, unsold inventory, defaults in payments and loans, component shortages, logistics bottlenecks, container logjam, coal shortage, etc. This has had a snowball effect on the way business gets conducted. At the same time, the systems and institutions of the MSME went into a re churn.

The sector already had its plate full, while it was grappling with the generic challenges of Access to finance, Access to forward and backward linkages, Access to technology, Formalisation, Infrastructure

bottlenecks, Obsolescence in Machinery and Equipment, Product quality and standardization, and the biggest yet largely underrated, Capacity Building.

While all is not so gloomy and grey, it is certainly changing a lot of things on the ground. How we manage and deal with the changes is what I hope to throw up, and request your consideration. What we do in this transformation will be of crucial importance, and at the same time pioneering and trendsetting. The primary objective in all these endeavors would be to MSMEs resilient, competitive and smart. These are the new concerns and conundrums, unrecognized threats and dreads, which we need to thrash out. These are areas where there is no precedence. These involve charting out new paths. These are strategies that have to be developed. These are systems that need to be put into place. These are processes that need formalization.

While a lot of effort is underway to turn around the situation, there remains an imperative need for conscientious and careful contemplation. Towards the end of this speech, I have brought forth some of those.

The Government has been setting in reforms and remedies through a large number of schemes and yojanas to tackle the generic challenges on every front. While these are several ongoing programmes that provide subsidies, concessions or other incentives, it needs to be appreciated that there are many new and developing interventions offering customized solutions and assistance for specific sectors or regions.

Insofar as the challenges resulting from the pandemic are concerned, the govt has been leading the recovery effort through a slew of programmes and schemes. The economic stimulus relief package

announced by the government is worth Rs.20 Lakh crores. For the MSME Sector, the package contains specific relief in the form of:

- Emergency credit line provides 100% guarantee coverage by NCGTC to MLIs up to Rs. 4.5 lakh crore to eligible MSMEs.
- Provision of ₹20,000 crores as subordinate debt for 2 lakh MSMEs which are stressed or deemed non-performing assets,
- A dedicated MSME fund of funds with a corpus of ₹10,000 crores with a leverage of 5X,
- Allowing global tenders for government procurement up to ₹200 crores,
- Rs 30,000 crore special liquidity scheme, under which investment will be made in investment-grade debt papers of NBFCs, extension of the partial credit guarantee scheme under which the govt. guarantees 20 percent of the first loss to the lenders — NBFCs, HFCs, and MFIs with low credit rating,
- Street vendors to be given access to easy credit through a ₹5,000 crore outlay, which will offer ₹10,000 loans for initial working capital,
- Small businesses who have taken loans under the MUDRA-Shishu scheme, meant for loans worth ₹50,000 or less, will receive a 2% interest subvention.
- The RBI has been continuously announcing measures aimed at mitigating the economic fallout of the pandemic by providing relief through regulatory requirements in Resolution frameworks, delinquency norms, restructuring of advances, digital payment regime, and others.

Besides, the Atmanirbhar package, there are several other initiatives of the Central and State Govts.

All these have resulted in containing the situation and bring about recovery.

The NSO in its November 30, 2021 release reveals that the recovery of the Indian economy is gaining traction, with real GDP growth at 8.4 per cent, year-on-year (y-o-y), for Q2:2021-22 . The good news is that all components of GDP registered y-o-y growth, with exports and imports strongly surpassing their pre-COVID levels.

Consumption demand, reinforced by pent-up demand came strongly in the festive season, especially, travel and tourism. Indicators like railway freight traffic, port cargo, GST receipts, toll collections, petroleum consumption and air passenger traffic have also picked up in October/November. The recent reductions in excise duty and state VAT on petrol and diesel should support consumption demand by increasing purchasing power. Government purchases are continuously contributing to aggregate demand in a huge way.

It is important to understand that the recovery that had been unsteady by the second wave is set to take the North trajectory, yet it is not yet strong enough to be self-sustaining and durable. The third wave will also have its impact. However, the learnings from the second wave have been greatly guiding the management of the business in this third wave. And yet there remain new and unknown challenges where we need to put our heads together.

Using this platform, I put before academia and professionals to consider the following Ten Thoughts for the purposes of researching, analyzing and unbundling. The ideation and innovation which would emerge will be vital in strategizing the way forward.

- 1) Rushed Digitization
- 2) Risk assessment using unstructured and unexplored data for digital credit
- 3) IoT and Industry 4.0 readiness and willingness
- 4) Reverse Factoring and Buyer incentivization on TReDS. Securitising Railway Receipts, Bills of Lading and Warehousing Receipts
- 5) Private sector participation in Credit Guarantee system
- 6) Increasing the presence and outreach of the Tooling Industry
- 7) Market making of plug and play mechanisms
- 8) Inviting foreign and private capital for MSMEs – valuation, equity, investment, debt, crowdfunding, grants, donations.
- 9) Formalisation and bringing into the fold of the unorganized sector
- 10) Supply chain – new opportunities with changes in trade patterns, migration from a closed single level supplier network to a multi-level sellers' network.

On behalf of the Ministry of MSME, I invite the IIM, Amritsar to come forward in taking the lead to help MSMEs of Punjab in joining the Incubation Scheme as Host Institute and Business Incubator. The programme entails support of up to Rs 15 lakh for each idea approved. Further it provides up to Rs1 crore for procurement of M&P and Rs! 1crore as seed funding to convert an idea into a business venture. The Ministry also offers the premier institute to develop an MSME Chair in its fold.

I would like to thank the organizers, faculty members, students, professionals and innovators for being part of the brainstorming in the ICMM, Amritsar, 2022.