



# Micro, Small and Medium Enterprises in India

## AN OVERVIEW

**MSME**

MICRO, SMALL & MEDIUM ENTERPRISES

सूक्ष्म, लघु एवं मध्यम उद्यम

GOVERNMENT OF INDIA

## SELECT INDICATORS : INDIA (2008-09)

• Gross Domestic Product (GDP)	\$1.10 trillion
• Per capita GDP	\$830
• GDP by sector Agriculture Industry Services	17% 29% 54%
• GDP growth rate	6.7%
• Inflation rate	8.4%
• Labour force	523.5 million
• Labour force by occupation Agriculture Industry Services	60% 12% 28%
• Unemployment rate	6.8%
• Exports	\$169 billion
• Main partners	US, UAE, Singapore, China, UK
• Imports	\$288 billion
• Main partners	China, Saudi Arabia, UAE, US
• Foreign debt	\$231 billion
• Forex reserves	\$252 billion





# DEFINITION OF MSMEs IN INDIA

In India, the enterprises have been classified broadly into two categories:

- (i) Manufacturing; and
- (ii) Those engaged in providing/rendering of services.

Both categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery (for manufacturing enterprises) or on equipments (in case of enterprises providing or rendering services). The present ceiling on investment to be classified as micro, small or medium enterprises is as under:

Classification	Investment Ceiling for Plant, Machinery or Equipments* @	
	Manufacturing Enterprises	Service Enterprises
Micro	Upto Rs.25 lakh (\$50 thousand)	Upto Rs.10 lakh (\$20 thousand)
Small	Above Rs.25 lakh (\$50 thousand) & upto Rs.5 crore (\$1 million)	Above Rs.10 lakh (\$20 thousand) & upto Rs.2 crore (\$0.40 million)
Medium	Above Rs.5 crore (\$1 million) & upto Rs.10 crore (\$2 million)	Above Rs.2 crore (\$0.40 million) & upto Rs.5 crore (\$1 million)

\* Fixed costs are obviously higher.

Definitions before 2<sup>nd</sup> October 2006

Classification	Investment Ceiling for Plant & Machinery or Fixed Assets*	
	Manufacturing Enterprises	Service Enterprises
Micro	Upto Rs.25 lakh (\$50 thousand)	Upto Rs.10 lakh (\$20 thousand)
Small	Above Rs.25 lakh (\$50 thousand) & upto Rs.1 crore (\$0.20 million)	—
Medium	Not defined	Not defined

\* Excluding land and building.

@ \$1 = Rs.50 (April 2009).



## MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) SECTOR: PROFILE

Quick Estimates of 4 <sup>th</sup> Census (2006-07)	
• Number of MSMEs	26.1 million
• Number of Manufacturing Enterprises	7.3 million
• Number of Service Enterprises	18.8 million
• Number of Women Enterprises	2.1 million (8%)
• Number of Rural Enterprises	14.2 million (54.4%)
• Employment	59.7 million
• Per unit employment	6.24
• Per unit fixed investment	Rs.33.78 lakh
• Per unit original value of Plant & Machinery	Rs.9.66 lakh
• Per unit gross output	Rs.46.13 lakh
• Employment per one lakh fixed investment	0.19





## GOVERNMENT POLICIES AND SUPPORT MEASURES : BRIEF HISTORY



The evolution of the policy framework and support measures of the Government can be broadly grouped into the following three periods:

1948-1991: In all the Policy Resolutions from 1948 to 1991, recognition was given to the micro and small enterprises, termed as an effective tool to expand employment opportunities, help ensure equitable distribution of the national income and facilitate effective mobilization of private sector resources of capital and skills. The Micro, Small and Medium Enterprises Development Organisation [earlier known as Small Industries Development Organization (SIDO)] was set up in 1954 as an apex body for sustained and organised growth of micro, small and medium enterprises. Within next two years, the National Small Industries

Corporation, the Khadi and Village Industries Commission and the Coir Board were also set up. The era provided the supportive measures that were required to nurture MSEs, in the form of reservation of items for their exclusive manufacture, access to bank credit on priority through the Priority Sector Lending Programme of commercial banks, excise exemption, reservation under the Government Purchase Programme and 15% price preference in purchases, infrastructure development and establishment of institutes for entrepreneurial and skill development. MSME – Development Institutes [earlier known as Small Industries Service Institute (SISI)] were set up all over India to train youth in skills/entrepreneurship. Tool Rooms were established with German and Danish assistance for providing technical services essential to MSEs as also for skill-training. At the State level, District Industries Centres were set up all over the country.

1991-1999: The new Policy for Small, Tiny and Village Enterprises of August, 1991 laid the framework for government support in the context of liberalisation, which sought to replace protection with competitiveness to infuse more vitality and growth to MSEs in the face of foreign competition and open market. Supportive measures concentrated on improving infrastructure, technology and quality. Testing Centres were set up for quality certification and new Tool Rooms as well as Sub-contracting Exchanges were established. The Small Industries Development Bank of India (SIDBI) and a Technology Development and Modernisation Fund were created to accelerate finance and technical services to the sector. A Delayed Payment Act was enacted to facilitate prompt payment of dues to MSEs and an Industrial Infrastructure





Development (IID) scheme was launched to set mini industrial estates for small industries.

1999 onwards: The Ministry of MSME [earlier known as Ministry of Small Scale Industries and Agro & Rural Industries (SSI & ARI)] came into being from 1999 to provide focused attention to the development and promotion of the sector.



The new Policy Package announced in August, 2000 sought to address the persisting problems relating to credit, infrastructure, technology and marketing more effectively. A Credit Linked Capital Subsidy Scheme was launched to encourage technology upgradation in the MSE sector and a Credit Guarantee Scheme was started to provide collateral-free loans to micro and small entrepreneurs, particularly the first generation entrepreneurs. The exemption limit for relief from payment of Central Excise duty was raised to Rs.1 crore (\$0.25 million) and a Market Development Assistance Scheme for MSEs was introduced. At the same time, consultations were held with stakeholders and the list of products reserved for production in the MSE sector was gradually reduced each year. In 2006, the long-awaited enactment for this sector finally became a reality with the passage of the Micro, Small and Medium Enterprises Act. In March, 2007, a third Package for the Promotion of Micro and Small Enterprises was announced which comprises the 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.





# PRESENT POLICY FRAMEWORK AND FOCUS AREAS

## Micro, Small and Medium Enterprises Development Act, 2006

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of “enterprise” which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises; and with a wide range of advisory functions. Establishment of specific Funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/programmes for this purpose, progressive credit policies and practices, preference in Government procurement to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises are some of the other features of the Act.



## Foreign Direct Investment (FDI) Policy

With the promulgation of the MSMED Act, 2006, the restrictive 24% ceiling prescribed for equity holding by industrial undertakings, whether domestic or foreign, in the MSEs has been done away with and MSEs are defined solely on the basis of investment in plant and machinery (manufacturing enterprises) and equipment (service enterprises). Thus, the present policy on FDI in MSE permit FDI subject only to the sectoral equity caps, entry routes and other relevant sectoral regulations.

## Limited Liability Partnership (LLP) Act, 2008

The salient features of the proposed LLP Act, 2008 are as under:

- (i) LLP shall be a body corporate and a legal entity separate from its partners. It will have perpetual succession. Indian Partnership Act, 1932 shall not be applicable to LLPs, since LLP shall be in the form of a body corporate.
- (ii) An LLP has to be incorporated with a minimum of two persons. The Act does not restrict the benefit of LLP structure to certain classes of professionals only and would be available for use by any enterprise which fulfills the requirements of the Act.
- (iii) The LLP will be an alternative corporate business vehicle that would give the benefits of limited liability but would allow its members the flexibility of organizing their internal structure as a partnership based on an agreement.
- (iv) On registration LLP shall be capable of : (a) suing and being sued; and (b) acquiring, owning, holding and developing or disposing off property.
- (v) A person may cease to be a partner of a LLP in accordance with an agreement with the other partners or in absence of



agreement with the other partners, by giving a notice in writing of not less than 30 days of his intention to resign as partner.

- (vi) In the event of an act carried out by a LLP, or any of its partners, with intent to defraud creditors of the LLP or any other person or for any fraudulent purpose, the liability of the LLP and partners, who acted with intent to defraud creditors or for any fraudulent purpose shall be unlimited for all or any of the debts or other liabilities of the LLP.
- (vii) A contribution of a partner may consist of tangible, movable or immovable or intangible property or other benefits to the LLP including money, promissory notes, other agreements to contribute cash or property, and contracts for services performed or to be performed.
- (viii) While the LLP will be a separate legal entity, liable to the full extent of its assets, the liability of the partners would be limited to their agreed contribution in the LLP. Further, no partner would be liable on account of the independent or unauthorized actions of other partners, thus allowing individual partners to be shielded from joint liability created by another partner's wrongful business decisions or misconduct.
- (ix) An LLP shall be under obligation to maintain annual accounts reflecting true and fair view of its state of affairs.
- (x) Provisions have been made in the Act for corporate actions like mergers, amalgamations etc.
- (xi) There is a provision of voluntary winding up as well as winding up by the Tribunal.
- (xii) There are provisions for inter conversion of LLP into private company etc.

The LLP Act should pave the way for greater corporatisation of the Small and Medium Enterprises – thereby enhancing their access to equity and funds from the market.

#### De-reservation

The issue of de-reservation has been a subject of animated debate within government for the last twenty years. The Approach to the Eleventh Five Year Plan notes the adverse implications of reservation of products for exclusive manufacture by the MSEs and recommends the policy of progressive de-reservation. To facilitate further investments for technological upgradation and higher productivity in the micro and small enterprises, 654 items have been taken off the list of items reserved for exclusive manufacture by the manufacturing micro and small enterprises in the last few years – reducing it to 21 at present. This has helped the sector in enlarging the scale of operations and also paved the way for entry of larger enterprises in the manufacture of these products in keeping with the global standards.

#### Credit/Finance

Credit is one of the critical inputs for the promotion and development of the micro and small enterprises. Some of the features of existing credit policy for the MSEs are:

- Priority Sector Lending—Credit to the MSEs is part of the Priority Sector Lending Policy of the banks. For the public and private sector banks, 40% of the net bank credit (NBC) is earmarked for the Priority Sector. For the foreign banks, however, 32% of the NBC is earmarked for the Priority Sector, of which 10% is earmarked for the MSE sector. Any shortfall





in such lending by the foreign banks has to be deposited in the Small Enterprise Development Fund (SEDF) to be set up by the Small Industries Development Bank of India (SIDBI).

- **Institutional Arrangement**—The SIDBI is the principal financial institution for promotion, financing and development of the MSE sector. Apart from extending financial assistance to the sector, it coordinates the functions of institutions engaged in similar activities. SIDBI's major operations are in the areas of : (i) refinance assistance (ii) direct lending, and (iii) development and support services. Commercial banks are important channels of credit dispensation to the sector and play a pivotal role in financing the working capital requirements, besides providing term loans (in the form of composite loans). At the State level, State Financial Corporations (SFCs) and twin-functional State Industrial Development Corporations (SIDCs) are the main sources of long-term finance for the MSE sector.

Recognising the importance of easy and adequate availability of credit in sustainable growth of the MSE sector, the Government has announced a 'Policy Package for Stepping Up Credit to Small and Medium Enterprises (SMEs)', with the objective of doubling the flow of credit to this sector within a period of five years. To ensure better flow of credit to MSEs, the Ministry of MSME is also implementing the following major schemes:

#### Credit Guarantee Scheme

To ensure better flow of credit to micro and small enterprises by minimizing the risk perception of banks/financial institutions in lending without collateral security, the Government launched Credit Guarantee Fund Scheme for Micro and Small Enterprises in August 2000. The scheme covers collateral-free credit facility extended by eligible lending institutions to new and existing micro and small enterprises for loans up to Rs.100 lakh (\$250,000) per borrowing unit. The guarantee cover is up to 75 per cent of the credit sanctioned [85% in respect of loans up to Rs.5 lakh (\$12,500) and 80% for loans provided to MSEs owned/operated by women and all loans in the North-East Region].

#### Performance & Credit Rating Scheme

The Performance & Credit Rating Scheme for manufacturing MSEs was launched in April, 2005 with the objective of assisting the MSEs in obtaining performance-cum-credit rating which would help them in improving performance and also accessing bank credit on better terms if the rating is high. Under the scheme (implemented by the National Small Industries Corporation in conjunction with reputed rating agencies), 75% of the fee charged by the rating agency is reimbursed by the Government subject to a maximum of Rs.40,000 (\$1,000).

#### Emerging Sources

Faced with increased competition on account of globalisation, MSMEs are beginning to move from an obsession with bank credit to a variety of other specialized financial services and options. In recent years, the country has witnessed increased flow of capital in the form of primary/secondary securities market, venture capital and private equity, external commercial borrowings, factoring services, etc. More advanced MSMEs have started realising the importance of these alternative sources of funding to raise resources and the need for adopting better governance norms to take advantage of these funding sources. The enactment of the Limited Liability Partnership Act, 2008 is expected to provide a thrust to the MSMEs in their move towards corporatisation.

#### Competitive Technology

In today's fast paced global business scenario, technology has become more vital than ever before. With a view to foster the growth of MSME sector in the country, Government has set up ten state-of-the-art Tool Rooms and Training Centres. These Tool Rooms provide invaluable service to the Indian industry by way of precision tooling and providing well trained craftsmen in the area of tool and die making. These Tool Room are highly proficient in mould and die making technology and promote precision and quality in the development and manufacture of sophisticated moulds, dies and tools. The Tool Rooms are not only equipped with the best technology but are also abreast with the latest advancements like CAD/CAM, CNC machining for tooling, Vacuum Heat Treatment, Rapid Prototyping, etc. The Tool Room & Training Centres also offer various training programmes to meet the





wide spectrum of technical manpower required in the manufacturing sector. The training programmes are designed with optimum blend of theory and practice giving the trainees exposure on actual jobs and hands on working experience. The Tool Rooms have also developed special training programmes to meet the requirements at international level, which are attended by participants from all over the globe.

The Ministry of MSME implements the following schemes and programmes for the upgradation of technology of the MSMEs:

#### ISO 9000/14001 Certification Fee Reimbursement Scheme

To enhance the competitive strength of the MSEs, the Government introduced a scheme to incentivise technological upgradation, quality improvement and better environment management by the MSEs. The scheme reimburses 75% of the fees, subject to a maximum of Rs.75,000 (\$2000), for acquiring Quality Management System (QMS)/ISO 9000 certification and/or Environment Management System (EMS)/ISO 14001 certification by the MSEs.

#### Micro and Small Enterprises Cluster Development Programme

The Micro and Small Enterprises Cluster Development Programme (MSECDP) is implemented for holistic development of clusters of MSEs. The programme envisages measures for capacity building, skill development, technology upgradation of the enterprises, improved credit delivery, marketing support, setting up of common facility centres, etc., based on diagnostic studies carried out in consultation with cluster units and their collectives and management of cluster-wide facilities by the cluster collectives.

#### Credit Linked Capital Subsidy Scheme

The Credit Linked Capital Subsidy Scheme (CLCSS) aims at facilitating technology upgradation by providing 15% upfront capital subsidy w.e.f. 29th September, 2005 to manufacturing MSEs, on institutional finance up to Rs.1 crore (\$0.25 million) availed of by them for induction of well-established and improved technologies in the specified sub-sectors/products approved under the scheme.

#### National Manufacturing Competitiveness Programme

The National Manufacturing Competitiveness Programme is the nodal programme of the Government of India to develop global competitiveness among Indian MSMEs. Conceptualised by the National Manufacturing Competitiveness Council, the Programme was initiated in 2007-08. There are ten components under the NMCP targeted at enhancing the entire value chain of the MSME sector. These are:

- (a) Building Awareness on Intellectual Property Rights for the Micro, Small & Medium Enterprises (MSMEs): The scheme for "Building Awareness on Intellectual Property Rights (IPR), for the Micro, Small & Medium Enterprises (MSMEs) has been launched to enable Indian MSMEs to attain global leadership position and to empower them in using effectively the tools of Intellectual Property Rights (IPR) of innovative projects. The main features of the scheme are: (i) Awareness/Sensitization Programmes on IPR; (ii) Pilot Studies for Selected Clusters/Groups of Industries; (iii) Interactive seminars/Workshops; (iv) Specialised Training; (v) Assistance for Grant on Patent/GI Registration; (vi) Setting up of IP Facilitation Centre (IPFC); and (vii) Interaction





with International Agencies. These initiatives are being developed through Public-Private Partnership (PPP) mode.

- (b) Scheme for Providing Support for Entrepreneurial and Managerial Development of SMEs through Incubators: The scheme aims at nurturing innovative business ideas (new/indigenous technology, processes, products, procedures, etc.), which could be commercialized in a year. Under the scheme, various institutions like Engineering Colleges, Research Labs etc. will be provided funds upto Rs.6.25 lakh for handholding each new idea/ entrepreneur. The incubator will provide technology guidance, Workshop and Lab support and linkage to other agencies for successful launching of the Business and guide the entrepreneur in establishing the enterprise.
- (c) Enabling Manufacturing Sector be Competitive through Quality Management Standards (QMS) and Quality Technology Tools (QTT): During the year 2008-09, GoI launched a scheme, 'Enabling Manufacturing Sector be Competitive through Quality Management Standards (QMS) and Quality Technology Tools (QTT)' in order to improve quality and productivity in the MSE sector. The scheme is aimed at improving the quality of the products in the MSE sector and inculcate the Quality consciousness in this sector. The major activities under this scheme are : (i) Introduction of Appropriate Modules for Technical Institutions; (ii) Organising Awareness Campaigns for MSEs; (iii) Organising Competition-Watch (C-Watch); (iv) Implementation of Quality Management Standards and Quality Technology Tools in selected MSEs; (v) Monitoring International Study Missions; and (vi) Impact Studies of the initiatives.
- (d) Mini Tool Rooms under PPP mode: Under the scheme, 'Mini Tool Rooms under PPP mode', 15 Mini Tool Rooms will be set up during the 11th Plan period. Competitive bidding from entrepreneurs and Associations will be invited to set up Tool Rooms with Government support upto Rs.9 crore. They will be more competitive and user friendly as they will not be bound by the Government procedure and competitiveness will be the only criteria for selection of promoters of these Tool Rooms. The approved Plan expenditure under the Scheme is Rs. 135 crore.
- (e) Marketing Assistance/support to MSEs (Bar Code): The objective of the 'Marketing Assistance/ Support to MSEs' scheme of NMCP is to popularise the Bar Code registration and motivate the Small and Micro-Manufacturing Enterprises to adopt the Bar Code Certification on large scale and to sell their value added products worldwide and enable higher export price realization. It also helps in domestic marketing (wholesale & retail). 75% of annual fee (recurring) of Bar Code certification for the first three years are reimbursed to Micro & Small Entrepreneurs, under the Scheme.
- (f) Lean Manufacturing Competitiveness Programme for MSMEs: Under the Lean Manufacturing Programme (LMP), MSMEs will be assisted in reducing their manufacturing costs, through proper personnel management, better space utilization, scientific inventory management, improved process flows, reduced engineering time and so on. LMP also brings improvement in the quality of products and lowers costs which are essential for competing in national and international markets. The total GoI contribution is stipulated as Rs. 28.60 crore (approx.) for this scheme. The broad activities planned under the scheme include Total Productive Maintenance (TPM), 5S, Visual Control, Standard Operation Procedures, Just in Time, Kanban System, Cellular Layout, Poka Yoke, TPM, etc. The Scheme has been approved as a pilot project for Lean Techniques interventions in 100 Mini Clusters.





- (g) Promotion of Information & Communication Tools (ICT) in Indian MSME Sector: The objective of this programme envisages that some of those clusters of SMEs, which have quality production and export potential, shall be identified & encouraged and assisted in adopting ICT applications to achieve competitiveness in the national and international markets. The total GoI contribution is stipulated as Rs. 160 crore (approx.) for this scheme. The broad activities planned under the scheme include, identifying target clusters for ICT intervention, setting up of e-readiness infrastructure, developing web portals for clusters, skill development of MSME staff in ICT

applications, preparation of local software solutions for MSMEs to enhance their competitiveness, construction of e-catalogue, e-commerce, etc. and networking MSME cluster portals on the National Level Portals in order to outreach MSMEs into global markets.

- (h) Design Clinics Scheme for MSMEs: The main objective of the scheme is to bring the MSME sector and design expertise into a common platform and to provide expert advice and solutions on real time design problems, resulting in continuous improvement and value-addition for existing products. It also aims at value-added cost effective solutions. The GoI contribution is stipulated as Rs.50 crore for this scheme. The broad activities planned under the scheme include creation of Design Clinics Secretariat along with regional centres for intervention on the design needs of the MSME sector.
- (i) Marketing Assistance and Technology Upgradation Scheme for MSMEs: The objective of this scheme is to identify and encourage those clusters of MSMEs, which have quality production and export potential and assist them to achieve competitiveness in the national and international markets. The scheme aims at improving the marketing competitiveness of MSME sector by improving their techniques and technology for promotion of exports. The GoI contribution is stipulated as Rs.19 crore for this scheme. The broad activities planned under the scheme include technology upgradation in packaging, development of modern marketing techniques, competition studies, etc.
- (j) Technology and Quality Upgradation Support to MSMEs: The objective of the Scheme is to sensitize the manufacturing (MSME) sector in India to upgrade their technologies, usage of energy efficient technologies to reduce emissions of Green House Gases, adoption of other technologies mandated as per the global standards, improve their quality and reduce cost of production, etc., towards becoming globally competitive. The major activities planned under the scheme include Capacity Building of MSMEs Clusters for Energy Efficiency/Clean Development Interventions, Implementation of Energy Efficient Technologies in MSME sector, Setting up of Carbon credit aggregation centres and encouraging MSMEs to acquire product certification licences from National/International bodies.

**Skill Development:** The Ministry of Micro, Small & Medium Enterprises promotes the development of micro and small enterprises in the country with the objective of creating self-employment opportunities and upgrading the relevant skills of existing and potential entrepreneurs. The entrepreneurship and skill development scheme is implemented by Office of the DC (MSME) through its network of 58 MSME-DIs and their branches. The programmes are conducted include Entrepreneurship Development, Entrepreneurship and Skill Development, Management Development and Business Skill Development. These programmes are of short duration and the curriculums based on needs of the industry and are customized, if required by the clients. 20% of the targeted training programmes are conducted exclusively for the weaker sections of the society (SC/ST/Women/Physically Handicapped), for which no fee is charged. Besides, a stipend of Rs.500/- p.m. is provided. The office of the DC (MSME) also conducts vocational and educational training







through its Regional Testing Centres, Field Testing Stations and autonomous bodies like Tool Rooms and Technology Development Centres (TDCs). These long term, short term, trade/field-specific and industry-specific tailor-made courses also include specialized programmes for Engineers, Diploma holders so that their absorption by the industry is immediate. A good number of trainees have set up their own enterprises in creating employment opportunities. The Ministry is at present training about 3 lakh persons per annum both for business and technical

skill development, which is among the largest programme by any single Ministry in India. The Ministry is also focusing on socially backward groups and on least developed areas under its 'Outreach Programme'.

### Marketing and Procurement

Under Government Stores Purchase Programme, various facilities are provided to enterprises registered with National Small Industries Corporation (NSIC) in order to assist them for marketing their products in competitive environment. These facilities are : (i) issue of Tender Sets free of cost; (ii) exemption from payment of Earnest Money Deposit; (iii) waiver of Security Deposit upto the Monetary Limit for which the unit is registered; and (iv) price preference up to 15% over the quotation of large-scale units. In addition to these facilities/benefits, 358 items have also been reserved for exclusive purchase from the MSE Sector. However, as these guidelines were/are not of a mandatory nature, the same has failed to achieve the desired results. To assist the MSEs in marketing of their products, Section 12 of the new MSMED Act enjoins the formulation of a scheme of preferential procurement of goods/services produced/rendered by MSEs both at the Central and State/UT levels. Once formulated, the procurement scheme may be more effective in providing the much-needed marketing support that MSEs seek so desperately. Each Ministry/Department, CPSU, etc., would have to make specific mention of the compliance of the preference policy in its Annual Report to be tabled in Parliament.

### Export Promotion

Export promotion from the MSE sector has been accorded a high priority. To help MSEs in exporting their products, the following facilities/incentives are provided: (i) Products of MSE exporters are displayed in international exhibitions and the expenditure incurred is reimbursed by the Government; (ii) To acquaint MSE exporters with latest packaging standards, techniques, etc., training programme on packaging for exporters are organised in various parts of the country in association with the Indian Institute of Packaging; (iii) Under the MSE Marketing Development Assistance (MDA) Scheme, assistance is provided to individuals for participation in overseas fairs/exhibitions, overseas study tours, or tours of individuals as member of a trade delegation going abroad. The Scheme also offers assistance for (a) sector specific market study by MSE Associations/Export Promotion Councils/Federation of Indian Export Organisation; (b) Initiating/contesting anti-dumping cases by MSE Associations; and (c) reimbursement of 75 per cent of the one time registration fee and annual fee (recurring for first three years) charged by GSI India (formerly EAN India) for adoption of Bar Coding.

### Infrastructure Development

For setting up of industrial estates and to develop infrastructure facilities like power distribution network, water, telecommunication, drainage and pollution control facilities, roads, banks, raw materials, storage and marketing





outlets, common service facilities and technological back up services, etc., for MSMEs, the Integrated Infrastructural Development (IID) Scheme was launched in 1994. The scheme covers rural as well as urban areas with a provision of 50 per cent reservation for rural areas and 50 per cent industrial plots are to be reserved for the micro enterprises. The Scheme also provides for upgradation/strengthening of the infrastructural facilities in the existing industrial

estates. The estimated cost (excluding cost of land) to set up an IID Centre is Rs.5 crore (\$1.25 million). Central Government provides 40 per cent in case of general States and upto 80% for North East Region (including Sikkim), J&K, H.P. and Uttarakhand, as grant and remaining amount could be loan from SIDBI/Banks/Financial Institutions or the State Funds. The IID Scheme has been subsumed under the Micro and Small Enterprise Cluster Development Programme (MSECDP). All the features of the IID Scheme have been retained and will be covered as "New Clusters" under MSECDP.

#### Fiscal Concessions

Under the General Excise Exemption Scheme, full excise exemption up to turnover of \$375 thousand per annum is provided to enterprises having annual turnover of up to \$1 million. However, the limits of excise exemptions has encouraged tendency among MSEs is to go in for horizontal expansion (i.e., fragmentation) rather than vertical expansion and upward graduation into medium and large enterprises. For incentivising such graduation of small to medium/large enterprises so as to enable them to achieve economies of scale, extension of excise exemptions to the graduating medium enterprises on a tapering scale is under consideration of the Government.

#### Strengthening of Database

A reliable database is the key input in any policy decision-making process. This is more so for the MSME sector in view of its large size and wide disparity among the enterprises within the sector. The Ministry has so far conducted three Census in the year 1971-72, 1992-93 and 2002-03 for strengthening/updating the database on MSE sector. However, the long gap between the Census has limited the reliability of the MSE database. To strengthen the database for the MSME Sector, statistics and information will now be collected in respect of number of units, employment, rate of growth, share of GDP, value of production, extent of sickness/closure, exports and all other relevant parameters of micro, small and medium enterprises, including khadi and village industry, through annual sample surveys and quinquennial census. The quinquennial census and annual sample surveys of MSMEs will also collect data on women-owned and / or managed enterprises.

#### Inclusiveness

The Ministry of MSME launched a special programme, namely, 'Outreach Programme for Skill Development in Less Developed Areas' in September, 2006. Under this programme, the field offices of the Ministry organizes short-term skill development programmes in the less developed areas. Such short-term courses are tailor-made for these areas so as to enable trainees to get employment or start self-employment ventures. These programmes are of short duration of 1-3 weeks and the activity selected for trainees are relevant to the local requirement. The target group consist wholly or partly of disadvantaged sections. Further, under the recently announced Promotional Package for MSEs, 20% of Skill Development Programmes have been reserved for weaker sections along with the provision of a stipend of Rs.500 per capita per month exclusively for SCs/STs, women and physically handicapped. In case of the regular EDP/MDP/Skill Development programmes, a nominal fee of Rs.100 is charged. However, there is no fee for SCs/STs, women and physically handicapped candidates.

India's pioneering policies for the development of MSEs offers case studies for the developing world. Government has moved away, though not yet fully, from its role of direct interventions to that of a friend and facilitator. There is growing realization that protection in the form of reservation needs to be replaced with easy access to capital, technology and skill development to integrate the MSMEs more firmly with the domestic and global economy. And these are now the specific target areas of the Ministry of MSME.





# INDIAN MSMEs: AREAS OF COOPERATION

India benefited immensely from experience of several countries, especially in the field of technology. However, the rich Indian experience gained in the last sixty years in the MSME sector could also be of equal use for both developing as well as developed countries. Some of the areas that offer ample opportunities for cooperation in the MSME sector are:

- Fee-based consultancy services and training in the following areas:
  - i) Capacity Building of Entrepreneurs and Technical Manpower of SMEs;
  - ii) Policy & Institutional Framework for SME Promotion, Development and Enhancing Competitiveness;
  - iii) Entrepreneurship Development; and
  - iv) Business Development Services.
- Establishment of Turnkey Projects for setting up manufacturing MSMEs on commercial terms.
- Skill upgradation programmes in selected areas such as CNC Machining, Sheet-Metal Technologies, CAD & CAM Designing, Wool Processing & Weaving, Leather Technology, Plastic Technology, Wood Working, etc.
- Conducting surveys and studies to identify the tooling and related skill requirements in specific areas or regions like hilly/backward/indigenous.
- Providing turnkey assistance to set up Tool Rooms & Training Centres.
- Providing consultancy to existing manufacturing SME in upgrading their production facilities, selection of machine tools, design consultancy for tools, moulds, dies, jigs & fixtures, etc.
- Providing specialized/tailor-made training courses for specific target groups.
- Providing consultancy to existing training institutes in course design and curriculum development including trainers training programmes.
- Assistance in product design, tool design and manufacturing of intricate toolings.
- High precision tools, moulds, dies, jigs & fixtures etc. as per design/specifications of local industry.
- Product development & rapid prototyping services.



## ILLUSTRATIVE LIST OF INTERNATIONAL TRAINING PROGRAMMES CONDUCTED BY MSME TOOL ROOMS

S.No.	Training Programmes	Duration	Intake	Fee	Requirements
1.	Design of Jigs & Fixtures	10 weeks	30	US \$ 1800	Degree/Diploma in Mechanical Engineering or its equivalent
2.	Sensors Technology for Automation	10 weeks	30	US \$ 1800	Degree/Diploma in Engineering in any discipline
3.	CAD/CAM (AutoCAD and Master CAM)	10 weeks	30	US \$ 1800	Degree/Diploma in Mechanical Engineering
4.	Programmable Logic Controllers for Advanced Automation	10 weeks	30	US \$ 1800	Degree/Diploma in Engineering in any discipline
5.	Design of Die Casting & Plastic Processing Tools	10 weeks	30	US \$ 1800	Degree/Diploma in Mechanical Engineering
6.	3D Modeling using Pro/Engineer Software	10 weeks	30	US \$ 1800	Degree/Diploma in Mechanical Engineering
7.	Advanced Computer Aided Manufacturing	10 weeks	30	US \$ 1800	Degree/Diploma in Mechanical Engineering
8.	Design of Sheet Metal Forming Tools	10 weeks	30	US \$ 1800	Degree/Diploma in Mechanical Engineering
9.	Mechatronics & Its Applications	10 weeks	30	US \$ 1800	Degree/Diploma in Engineering in any discipline
10.	Advanced FEA/FAM Using Ansys	10 weeks	30	US \$ 1800	Degree/Diploma in Mechanical Engineering

*For further details please contact*  
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