Introduction

1. The Micro, Small and Medium Enterprises (MSME) sector has emerged as a vibrant and dynamic sector of the Indian economy. MSMEs play crucial role in providing large employment opportunities at comparatively lower cost than large industries. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly to the socio-economic development of the country.

New Definition of MSMEs

2. At present, the *Micro, Small & Medium Enterprises Development (MSMED) Act* 2006 (Section 7) classifies the Micro, Small and Medium Enterprises (MSMEs) on the basis of investment in plant and machinery for manufacturing units, and investment in equipment for service enterprises. In February 2018, the Union Cabinet had approved changes in the basis of classifying Micro, Small and Medium enterprises from ‘investment in plant & machinery/equipment’ to ‘annual turnover’. The objective of the change is to encourage ease of doing business, collection make the norms of classification growth oriented.

Contribution of MSMEs in Indian Economy

3. As per the 73rd round of *National Sample Survey* (NSS) 2015-16, there were 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities (196.65 lakh in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission, 230.35 lakh in Trade and 206.85 lakh in other Services) excluding the MSMEs registered under (a) Sections 2m(i) and 2m(ii) of
the Factories Act, 1984, (b) Companies Act, 1956 and (c) Construction activities falling under F Section of National Industrial Classification (NIC) 2008 and provides employment to over 1109.89 lakh persons. The contribution of MSME sector India’s Gross Value Added (GVA) and Gross Domestic Product are 31.83 per cent and 28.90 per cent respectively during 2016-17. The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.

4. Employment generation/ Job generation in MSME sector cuts across different Ministries of the Government of India. Various Ministries are implementing Schemes leading to job creation in their respective verticals. The Ministry of Micro, Small and Medium Enterprises, being nodal Ministry for MSME, envisions a vibrant MSME sector by promoting growth and development of the sector, including Khadi, Village and Coir Industries, in cooperation with concerned Ministries/Departments, State Governments and other stakeholders, by providing support to existing enterprises and creation of new enterprises.

Table 1: Estimated Employment in MSME Sector (Broad Activity Category Wise)

<table>
<thead>
<tr>
<th>Broad Activity Category</th>
<th>Employment (in lakh)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>186.56</td>
<td>173.86</td>
</tr>
<tr>
<td>Trade</td>
<td>160.64</td>
<td>226.54</td>
</tr>
<tr>
<td>Other Services</td>
<td>150.53</td>
<td>211.69</td>
</tr>
<tr>
<td>Electricity*</td>
<td>0.06</td>
<td>0.02</td>
</tr>
<tr>
<td>Total</td>
<td>497.78</td>
<td>612.10</td>
</tr>
</tbody>
</table>

*Non-captive electricity generation and transmission


5. Major Schemes in Micro, Small & Medium Enterprises Sector

5.1 Prime Minister’s Employment Generation Programme (PMEGP): A credit linked subsidy scheme titled Prime Minister’s Employment Generation Programme (PMEGP) was launched in 2008-09 through merger of the erstwhile schemes of Prime Minister’s Rozgar Yojana (PMRY) and Rural Employment Generation Programme (REGP). The scheme is aimed at generating self-employment opportunities through establishment of micro-enterprises in the non-farm sector by helping traditional artisans and unemployed youth in rural as well as urban areas. As per evaluation study report, scheme has been able to provide...
sustainable employment. It has good reach and has targeted at almost all sections of the society. Since inception upto 2018-19, a total of 5.45 lakh units were set-up by utilizing Margin Money (MM) Subsidy of Rs. 12074.04 crore, which provided employment opportunities to 45.22 lakh persons. The entire process from application to sanction is online.

5.2 **Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE)**: The Ministry of Micro, Small and Medium Enterprises introduced a new scheme, ASPIRE in March 2015. A total of 100 Livelihood Business Incubators (LBIs) and 20 Technology Business Incubators (TBIs) were envisaged to be set up. Till 31st March 2019, 74 LBIs have been approved and 39 commenced incubation. Over 28000 incubates have completed incubation and about 25% have set up their own enterprises or engaged in productive employment. 11 TBIs have been approved, 55 compelling ideas have been received from these TBIs. The “Fund of Funds” has been enhanced from Rs.60 crore to Rs. 310 crore and has been released to Small Industries Development Bank of India (SIDBI) for investment in start-ups in agro-based industries.

5.3 **Scheme of Fund for Regeneration of Traditional Industries (SFURTI)**: The scheme aims at organising the traditional industries and artisans into clusters in order to make them competitive and sustainable in the long term. It also helps in enhancing the marketability of the products of the micro and small enterprises clusters with design interventions, improved packaging and infrastructure. The scheme was revamped during 2014 with an outlay of Rs. 149.44 crore for developing 71 clusters (including coir) with coverage of 44,500 artisans in the first phase. During the period 2015-18, 72 Detailed Project Reports of clusters have been approved providing employment to over 60,000 artisans/workers with funding commitment of Rs.140 crore. As on 15.10.2019, out of 72 clusters, 53 have been completed. Continuation of the scheme with a corpus of Rs.350 crore has been sanctioned to set up 100 additional clusters in Khadi, Village Industries and Coir Sectors. During 2018-19 and 2019-20 (till 30.9.2019), 110 proposals with SFURTI support of Rs.244.18 crore (apx.) have been approved benefiting about 59000 (apx.) artisans/workers.

5.4 **Market Promotion and Development Assistance (MPDA)**: The Market Development Assistance (MDA) scheme of KVIC has been modified as Market Promotion and Development Assistance scheme (MPDA). MPDA scheme is formulated as a unified scheme by merging different schemes/sub-schemes/components of different Heads implemented in the 11th Plan, namely, Market Development Assistance, Publicity, Marketing and Market promotion. A new component of Infrastructure namely setting up of Marketing Complexes/ Khadi Plazas has been added to expand the marketing net work of Khadi & Village Industries (VI) products. Under Modified Market Development Assistance (MMDA), financial assistance at 30% of the Prime Cost of Khadi and Polyvastra production is distributed amongst producing
Institutions (20%), selling institutions (10%), Artisans (40%) and the remaining (30%) is given to best performing Khadi Institutions selected through a transparent scorecard.

5.5  **Interest Subsidy Eligibility Certificate (ISEC) Scheme:** The Interest Subsidy Eligibility Certificate (ISEC) Scheme is an important mechanism of funding programme of khadi institutions. Under ISEC Scheme, credit at concessional rate of interest is made available through Banks as per the requirement of the Khadi institutions. The institutions are required to pay interest of only 4 per cent; any interest charged by banks over 4 per cent will be paid by the Government of India through Khadi and Village Industries Commission to the banks.

5.6  **Solar Charkha Mission:** A pilot project on Solar Charkha was implemented at Khanwa village, Nawada District of Bihar in 2016. Based on the success of the pilot project, Government of India has accorded approval to set up 50 such Clusters during 2018 - 19 and 2019 - 20. The scheme envisages setting up of “Solar Charkha Clusters”, which would mean a focal village and other surrounding villages in a radius of 8 to 10 kilometres. Further, such a cluster will have 200 to 2042 beneficiaries, viz., Spinners, Weavers, Stitchers and other Skilled Artisans.

5.7  **Honey Mission:** Based on the clarion call of Hon’ble PM for “Sweet Kranti”, ‘Honey Mission’ has been launched in May 2017, aiming at enhancing income of farmers/beekeepers, quantity & quality of honey and hive products, crop yield through bee pollination and introducing best beekeeping and trade practices. Under the Scheme, 1,09,231 Bee boxes were distributed to 11,020 beneficiaries from the financial year 2017-18 till 31st October, 2019 providing them direct employment.

5.8  **Skill Upgradation & Mahila Coir Yojana:** Under the programme of Skill Upgradation, regular training programmes, Entrepreneurship Development Programmes (EDPs), Workshops, Exposure Tours, Seminars etc. are organised. Women artisans are given training with a stipend of Rs.3000 per month under the training programme of Mahila Coir Yojana. The trained women are eligible for seeking financial assistance for setting up of coir units with a project cost up to Rs. 25 lakhs under the Prime Minister Employment Generation Programme (PMEGP) w.e.f. 1st March 2018.

5.9  **Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE):** In July 2000 a Trust named Credit Guarantee Fund Trust for Small Industries (CGTSI) was set up for implementing the Credit Guarantee Fund (Scheme) for Small Industries (CGS). The Trust was renamed as Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and the Scheme as “Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS)” after the passing of the MSMED Act, 2006. CGS was launched to make available
collateral and third party guarantee free credit to the Micro and Small Enterprises (MSEs). The guarantee cover available under the scheme is up to 85 percent of the sanctioned amount, for a maximum credit facility of Rs. 200 lakhs.

5.10  **Credit Linked Capital Subsidy component under Credit Linked Capital Subsidy and Technology Up-gradation Scheme (CLCS-TUS):** Ministry of MSME is implementing Credit Linked Capital Subsidy Scheme (CLCS) for Technology Up-gradation of Micro and Small Enterprises. The objective of CLCS is to facilitate technology up-gradation in Micro and Small Enterprises (MSEs) by providing capital subsidy of 15 per cent (limited to maximum of Rs. 15 lakhs) on institutional finance availed of by them for induction of well-established and improved technology in specified 51 sub-sectors/products approved under the scheme. The maximum limit of eligible loan for calculation of subsidy under the scheme is Rs. 100 lakhs.

5.11 **Micro and Small Enterprises-Cluster Development Programme (MSE-CDP):** The Government has adopted the Cluster Development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs). Objectives of the scheme are:

(i) To support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital, etc.

(ii) To build capacity of MSEs for common supportive action through formation of self help groups, consortia, upgradation of associations, etc.

(iii) To create/upgrade infrastructural facilities in the new/existing Industrial areas/ Clusters of MSEs.

(iv) To set up Common Facility Centres (for testing, training centre, raw material depot, effluent treatment, complementing production processes, etc.)

(v) Promotion of green & sustainable manufacturing technology for the clusters so as to enable units switch to sustainable and green production processes and products.

5.12 **Public Procurement Policy for MSEs:** The Public Procurement Policy for Micro and Small Enterprises (MSEs) has mandated that every Central Ministry/ Department/PSU shall set an annual goal of minimum 25 per cent of the total annual purchases from the products or services produced or rendered by MSEs. Out of the total annual procurement from Micro and Small Enterprises, 3 per cent from within the target shall be earmarked for procurement from Micro and Small Enterprises owned by women. A sub-target of 4% out of annual procurement is earmarked for procurement from MSEs owned by SC/ ST Entrepreneurs. During the FY 2018-19, Procurement of Rs. 40,343.08 crore has been reported by 164 CPSEs benefitting 1,27,705 MSEs, accounting for 26.31% of total procurement. It includes procurement of Rs. 823.86 crore benefitting 4,579 SC/ST owned MSEs and Rs. 231.50 crore benefitting 1398 Women MSEs.
6. Recent Initiatives

6.1 On 2nd November 2018, Hon’ble Prime Minister made following 12 key announcements for holistic development of the MSME sector through better credit flow, technology upgradation, ease of doing business and facilitating market access.

i. Loans upto 1 crore within 59 minutes through online portal.

ii. Interest subvention of 2% for all GST registered MSMEs, on fresh or incremental loans.

iii. All companies with turnover of more than Rs. 500 crore to be mandatorily on TReDS platform to enable entrepreneurs to access credit from banks, based on their upcoming receivables, thus, solving the problems of cash cycle.

iv. All Central Public Sector Undertaking (CPSUs) to achieve an overall procurement of a minimum of 25% from MSEs.

v. Out of the 25% procurement, mandated from MSEs, 3% reserved for women entrepreneurs.

vi. All CPSUs to compulsorily procure through Government e-Marketplace (GeM) portal.

vii. 20 Hubs and 100 Spokes in the form of Tool Rooms for Technological Upgradation to be established across the country with a fund allotment of Rs. 6000 crore.

viii. Govt. of India to bear 70% of the cost for establishing Pharma clusters.

ix. Returns under 8 Labour laws and 10 Union regulations to be filed once in a year.

x. Establishments to be visited by an Inspector will be decided through a computerized random allotment.

xi. Single consent under air and water pollution laws. Returns to be accepted through self-certification and only 10% MSME units to be inspected.

xii. For minor violations under the Companies Act, entrepreneurs no longer have to approach court but can correct them through simple procedures.

6.2 Expert Committee on MSMES Constituted By the Reserve Bank of India: The Reserve Bank of India had constituted an ‘Expert Committee on Micro, Small and Medium Enterprises’ under the Chairmanship of Shri U K Sinha on 2nd January 2019 to suggest long-term measures for the economic and financial sustainability of the MSME sector. The Committee submitted its recommendations to Reserve Bank of India on 18th June 2019.

6.3 Ease of Registration Process of MSMEs - Udyog Aadhaar Memorandum (UAM): The Ministry of MSME had notified Udyog Aadhaar Memorandum (UAM), a one page online registration system for MSMEs based on self – certification since 18th September 2015. This has been a step towards promoting ease-of-doing-business for MSMEs in India. The information sought for registration is on self-certification
basis and no supporting documents are required at the time of online filing of UAM. More than 80.5 lakh units have so far registered under UAM since issuance of this notification.

6.4 Framework for Revival and Rehabilitation of MSMEs: In order to provide a simpler and faster mechanism to address the stress in the accounts of MSMEs and to facilitate the promotion and development of MSMEs, the Government vide its Gazette Notification dated May 29, 2015 notified a ‘Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises’. Reserve Bank of India has also issued related guidelines to the Banks on 17 March 2016. Under these guidelines Banks have created a mechanism for finalizing corrective action plan for revival & rehabilitation of MSMEs.

6.5 National Scheduled Caste and Scheduled Tribe Hub (NSSH): National Schedule Caste and Schedule Tribe Hub was launched by Hon’ble Prime Minister in October 2016 to provide professional support to SC/ST entrepreneurs to fulfill the obligations under the Central Government Public Procurement Policy for Micro and Small Enterprises Order 2012, for adopting applicable business practices and leverage the Stand up India initiatives. The total project cost of the Hub is Rs. 490 crore for the period from 2016-17 to 2019-20. The Scheme is being implemented through National Small Industries Corporation Ltd. (NSIC). The functions of the Hub include collection, collation and dissemination of information regarding SC/ST enterprises and entrepreneurs capacity building among existing and prospective SC/ST entrepreneurs through skill training and EDPs and vendor development.

6.6 For effective implementation of the Hub, 15 NSSH offices have been opened for carrying out the activities of Hub in coordination with stakeholders including industry associations, mentors, MSME DIs, DICs CPSEs, State Governments, etc. These offices are working for carrying out interventions under NSSH and to handhold the SC/ST entrepreneurs in e-tendering, finance facilitation through bank/financial institutions, etc.”

7. GST Rollout and MSME

7.1 Ministry of MSME made elaborate arrangements to support smooth roll out of GST. The following measures were taken in this regard.

- All field organisations under the Ministry, namely, Office of Development commissioner (Micro, Small and Medium Enterprises), Khadi and Village Industries Commission (KVIC), National Small Industries Corporation (NSIC), Coir Board, National Institute for Micro, Small and Medium Enterprises (Ni-MSME), Mahatma Gandhi Institute for Rural Industrialization (MGIRI) opened GST Cells in their respective offices to provide requisite support to MSMEs with respect to GST issues.
- A special issue of Laghu Udyog Samachar was brought out fully dedicated to GST related issues.
- A GST specific window has already been opened within the Internet Grievance Redressal System (IGMS) of the Ministry of Micro, Small and Medium Enterprises.
- Ministry set up a 24x7 helpline in NSIC to attend to queries.
- Ministry also conducted a wider consultation workshop with all associations in which, the sector expert pertaining to MSME of the GST Council made a presentation and clarified the queries and concerns in FICCI Auditorium on 13 July 2017.
8. **Digital Payments**

8.1 The Government has been making efforts for promoting a less cash economy and to provide the facility of seamless digital payment to all citizens of India in a convenient manner. Promotion of digital payments has been accorded highest priority by the Government of India to bring each and every segment of our country under the formal fold of digital payment services. The Vision is to provide facility of seamless digital payment to all citizens of India in a convenient, easy, affordable, quick and secured manner. As a partner in the initiative, Ministry of MSME has taken numerous initiatives to digitally enable the entire MSME ecosystem.

9. **Grievance Monitoring**

9.1 The Ministry of MSME attends to all the grievances on Centralized Public Grievance Redress and Monitoring System (CPGRAMS). The Ministry has started an internet basis grievance monitoring system (eSAMADHAN) to track and monitor other grievances and suggestions received in the Ministry.

10. **MSME SAMADHAAN (To Address Delayed Payment to MSEs)**

10.1 MSME Delayed Payment Portal – MSME Samadhaan (https://samadhaan.msme.gov.in) has been launched empowering micro and small entrepreneurs across the country to directly register their cases relating to delayed payments by Central Ministries/Departments/CPSEs/State Governments. Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 contains provisions to deal with cases of delayed payment to Micro and Small Enterprises (MSEs). As per the provisions, the buyer is liable to pay compound interest with monthly rests to the supplier on the amount at three times of the bank rate notified by Reserve Bank in case he does not make payment to the supplier for the supplies of goods or services within 45 days of the day of acceptance of the goods/service or the deemed day of acceptance.

11. **MSME SAMPARK**

11.1 A Job portal called “MSME SAMPARK” has been launched by the Hon’ble President of India on 27 June 2018, wherein jobseekers (i.e. passed out trainees/students of MSME Technology Centres) and recruiters can register themselves for mutually beneficial interaction.

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