

## **MSME Policy Inputs**

The Policy Paper has raised the following issues that we intend to provide inputs on, given as under:

### **1. What ails MSMEs?**

The following are important:

- (i) Lack of affordable and quality service providers that can not only advise but also provide handholding services to ensure that the advice is implemented at enterprise level
- (ii) Lack of industrial land with too many firms operating from agricultural and residence land leading to their non-registration and thus not operate in a formal economic system
- (iii) Lack of finance as banks are generally not interested in small sized loans
- (iv) Lack of coordination among various ministries and institutions that need to act in a coherent manner to upgrade the MSMEs and ensure that they comply with mandatory requirements. Sectoral and MSME wide coordination systems be created to ensure synergy and convergence of inputs that support each other rather than conflict.

### **2. How to make entry smooth?**

There should be a single point registration system through alternate channels where accredited BMOs be also given this responsibility and registration system be incentivised for enterprises and BMOs.

### **3. How to create global players?**

Not all enterprises and clusters can become global players. Therefore a system of identifying star clusters be devised and these clusters & their enterprises be linked to the global markets. Also create virtual network of star clusters with star MSMEs in other clusters for diffusion of best practices. Also create incentive mechanisms and legal frameworks for enhanced sub-contracting for FDI and large and medium enterprises. This will not only lead to greater equity but also diffusion of best practices, knowledge, information, technology and thus up-gradation of enterprises.

### **4. How to promote Make in India?**

Suggestions as above and also publish list of registered MEs through virtual platform enabling inter-linkages among enterprises for production, sourcing and marketing.

### **5. Promoting services**

- (i) Easy registration
- (ii) Easy availability of finance
- (iii) No need for pollution certification, but instead monitor pollution intensively.

### **6. Regulatory Regime Framework**

**Incentivise regulations:** This means that not only compliance to regulations be incentivised, but also linked to services & service providers who can help them achieve the compliances. Alternate mechanisms be created such as access to private insurance be made more liberal for the contract and informal workers without having to rigidly follow only one framework.

### **7. Subsidy framework**

It is impossible for Centre to micro manage. Need to decentralise with proportionate funds by the States and then monitor intensively. Invest in deployment of suitable agencies to monitor, evaluate and then come up with constructive feedback so that the Ministry can work upon them.

## **8. Pain points of environmental compliance, how to implement**

Environment education programmes through classroom sessions and exposure visits to hospitals to show the consequences of pollution should be made compulsory for those that are found polluting. Moreover, incentivise compliance through promotion of low cost technologies that can help alleviate the problem.

## **9. Zero defect promotion:** Make available low cost consultants to attain minimum standards and also see point 3 above. This must be undertaken by identification of the gaps where such BDS is required and then creating a market through strengthening of such service providers. A central portal, existing or new be created to enhance matchmaking options. Specialised training courses be created and run to help BDS providers customise their services and help customise their services to MSEs that do not always need the best solutions but appropriately most optimal solutions. Most services providers are not adept in customising their inputs accordingly.

## **10. New Product development framework**

It is best left to markets by strengthening and liberalising the schemes like Design Clinic that help incentivise product development. Moreover, every cluster/district should have plug and play facilities where enterprises can come, get access to hardware and more importantly the access to service providers (designers, prototype developers, private equipment suppliers, die makers etc.) who are willing to collaborate for undertaking this kind of work. These may be called innovation centres which can be housed in existing institutions but with open access and friendly atmosphere for interaction and experimentation. To promote innovation, create pools of retired managers, students, mentors and even existing staff from large firms and deploy them at appropriate price paid through provisionof services. Some of these innovations can then go to the public domain and also disseminated. Linkages be forged at local level among engineering colleges and industry to come up with problems in search of solutions that can then be solved through internship and collaborative projects. This be made compulsory for all relevant academic institutions to follow industry academia cells.

## **11. Export and Market promotion**

Select sectors, work with star clusters and then move step by step, prioritization and intensive application with targets will be the key. Branding of clusters with prioritization will be as important.

## **12. Role of Associations:** Grade and empower BMOs as per capability by providing with tasks like registration, CLCSS, PMEGP, environment education, etc.

## **13. Financial provisioning**

Creation of Micro lending banks on the pattern of MFIs. These banks should essentially be local banks with maximum loan limits of Rs. 10 lakhs, customised as per local requirements.

## **14. Exit Policy:** A legal framework has already been suggested for easy exit. Special institutions be created to help quick closure, undertake negotiations for settlements and disposal of assets so that entrepreneurs can then go for a new commercial life and the assets disposed off can be used by other entrepreneurs quickly, rather than let these rot.