

Concept Note on System Improvement for development of MSMEs in NCT of Delhi

Submitted to Delhi State Industrial and Infrastructure Corporation



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Introduction

MSMEs are the growth engine of Indian economy. They not only contribute in terms of increasing the financial capital, but also significantly contribute to the development of social capital in the nation. As per the economic survey of Delhi 2021-22, there are total 178079 MSMEs registered in Delhi which includes 156843 micro units, 18715 small and 2521 medium enterprises. As on 29.03.2023, NCT of Delhi has 373404 micro, 25250 small and 2948 medium enterprises registered in UDYAM portal.

However, there are challenges and bottlenecks exist due to which MSMEs are not able to achieve their full potential.

- Delhi has 11 administrative districts but no District Industries Centre like other states. The Commissioner of Industries office is situated in East Delhi. The linkage between the MSMEs and Industry Department is weak which needs to be bridged by developing an institutional system.
- Many MSMEs are not conversant with the provisions of accessing credit, relevant acts and rules, compliances, application forms, and the location of government offices and credit agencies to submit the applications for approvals, certificates and licenses to start enterprises or to avail financial incentives of the government. Entrepreneurs are required to visit various offices to enquire, consult, and finally to submit applications to get financial assistance. Apart from running around, they often become victims of unscrupulous middlemen.

System improvement for development of the MSME sector requires process of identifying and making changes to existing systems, processes, and policies to increase efficiency, effectiveness, and transparency. The goal of system improvement is to better serve the needs of entrepreneurs and businesses, improve delivery of public services, and ensure that resources are used in the most effective and efficient manner possible. This may involve implementing new technologies, streamlining processes, or changing policies to better align with changing circumstances and needs.

Systems improvement in the government sector is necessary for several reasons:

- **Increased efficiency:** Improved systems can help streamline processes, reduce bureaucracy, and increase efficiency in the delivery of public services.
- **Improved accountability:** Improved systems can help increase transparency and accountability in government operations and decision-making.
- **Better use of resources:** By improving systems, the government can better allocate its resources and ensure that they are being used effectively and efficiently.
- **Improved public satisfaction:** Improved systems can lead to better service delivery and higher levels of public satisfaction with government operations.
- **Improved decision making:** Improved systems can provide government leaders with better data and insights, enabling them to make informed decisions that better serve the needs of citizens.

Industries Department for MSMEs

The industries department mandate is promoting and facilitating industrial development and investment within the state. This includes providing information and support to MSMEs, assisting with the issuance of permits and licenses, and implementing government policies

and programs aimed at boosting industrial growth. The specifics of how this system operates in the state may depend on local regulations and economic conditions, as well as the priorities and policies of the government.

MSME Policy & Schemes

Delhi needs MSME Policy and scheme guidelines to promote and facilitate technically enabled, green energy oriented SMART MSMEs in NCT of Delhi. Delhi is one of the important trading hubs across the nation. So, a policy framework, scheme guidelines and proper institutional mechanism to implement the guidelines are very much required to be placed on priority which would have indications of State Government support in terms of fiscal and non-fiscal incentives to be given on minimum criteria to be fulfilled by the MSMEs.

- The policy framework would be developed in consultation with internal and external stakeholders which includes various line departments, industry representatives, technical experts, environment specialist, academicians, investors, trade bodies to have a 360° view. The policy would have well defined vision and strategy to promote advance technology, green/ renewable energy, cluster-based financing, strengthening of industry associations, promotion of public procurement, creation of common hard infrastructure in clusters, upgradation of skilled manpower, industry academia partnership, develop export readiness, market linkage etc. for MSMEs in Delhi.
- Scheme guidelines would encompass largely systematic plan to achieve defined goal. The scheme would provision budget for activities such as awareness programme, technical sessions, exposure visit, buyer seller meet, participation/ organising market linkages activities etc. which could be implemented in collaboration with industry associations. Fiscal incentives would be marked for individual entrepreneurs for technology installation/ upgradation through Industry 4.0 i.e. a smart integration of digital technologies (e.g. automation, use of cloud computing, additive manufacturing, simulation and data analytics for creating new product/ service, IoT enabled asset creation, setting up end-to-end digital supply chain etc.), implementation of energy 4.0 (use of big data & artificial intelligence in energy management e.g., intelligent energy management technologies by TPDDL for real time monitoring of energy consumption), development of brand, design development, implementation of IoT for skill assessment and upgradation etc. Fiscal incentives could be in terms of interest subsidy on term loan, subsidy on energy cost, subsidy on stamp duty and registration fee, incentives for water conservation measure, compliance to standard for environmental measures, reimbursement of patent registration. Non-fiscal incentives such as waiving / reduction of frequency in getting approvals/ renewal, providing ownership of industrial plots (leasehold to freehold), setting up health check-up facilities, public conveniences, and canteen facilities for all in collaboration with industrial associations within industrial estates, and social audits in industrial areas could also be beneficial for the MSMEs.
- An institutional mechanism and single point of contact to address challenges faced by MSMEs to be developed in parallel to policy framework. During interaction with MSMEs and industry associations it has been observed that very few entrepreneurs understand MSME definition, UDYAM information and support /benefits available for them to develop/ upgrade their businesses. They tend to hide their basic business information from others even from their associations. One of the reasons behind this attribute is lack of adequate institutional mechanism to approach and get solutions during tough time. A hybrid model (online and offline) of institutional mechanism could help the MSMEs to come forward and reduce information asymmetry and address their challenges.

Facilitation Centre and Single Point of Contact

- An institutional mechanism such as facilitation centre/ help desk as single point of contact to address challenges faced by MSMEs to be developed in parallel to policy framework. During interaction with MSMEs and industry associations it has been observed that very few entrepreneurs understand MSME definition, UDYAM information and support /benefits available for them to develop/ upgrade their businesses. They tend to hide their basic business information from others even from their associations. One of the reasons behind this attribute is lack of adequate institutional mechanism to approach and get solutions during tough time. A hybrid model (online and offline) of institutional mechanism could help the MSMEs to come forward and reduce information asymmetry and address their challenges.

Proposal for MSME Facilitation Center (MFC)

MSME Facilitation Centre

Considering the aforementioned needs of the MSMEs in Delhi, State Government may decide to take a pilot initiative to set up a facilitation centre/help desk to facilitate the MSMEs in the industrial area. The MSMEs from different industrial areas avail support/ guidance/ facilitation related to credit and business development services as per their requirement from the facilitation centre/ help desk.

Financial Services

- The MFC would primarily facilitate activities to address the challenges faced by MSMEs in accessing adequate and timely credit. The MFC would connect entrepreneurs with Banks/SIDBI for financial assistance. The MFC would further link enterprises with financial consultants/ CAs/ Credit counsellors who would counsel the borrower, assist in understanding/ calculating of loan component, provide support in making necessary financial documents for availing loans, provide guidance in financial components of project proposals, etc. These service providers shall also advise and educate MSMEs on acquiring and managing debt alongside risk management.

Business Development Services

- Apart from finance services, MSMEs face challenges with respect to access to Business Development Services (BDS) which mainly includes operational and strategic services. Under 'Operational BDS', there is a dearth of service providers who can provide operational handholding and services for the business at reasonable price including, but not limited to, Income Tax filing, GST filing, compiling to various legal and statutory compliances etc. Also, under 'Strategic BDS' gap, MSMEs face shortage of service providers who can help them in terms of technology upgradation, help them avail various GoI and state schemes and grants aimed at development of MSMEs, affordable, timely and adequate credit etc. Business facilitation, including ideation, preparation of a bankable business proposal and project report, Techno-economic viability report etc. are some of the aspects where MSMEs require urgent and focused intervention.

Activities to be undertaken by the proposed MSME Facilitation Centre/ Help Desk

- Develop information repository for the MSMEs about various GOI and State Govt. schemes for the enterprises.
- Sensitize and mobilize the MSMEs for various financial products, green financing products, eligibility, quantum amount, interest rates and repayment period etc. through contacting banks.
- Assist enterprises in documentation and preparation of all sorts of compliances by answering their queries, facilitate handholding support as and when required.
- Provide handholding services to new and existing entrepreneurs about their onboarding on aggregator platforms such as Udyami Mitra Portal, PSBloansin 59 minutes, GeM, TReDS.
- Understand technological issues of the entrepreneurs and connect them with technical institutions.
- Provide handholding support to start-ups in setting up their enterprises.
- Organise awareness programme, technical sessions in consultation with MSMEs.
- The facilitation help desk officer would seek basic details and background of the unit owners/ aspirants.
- The help desk officer shall answer or facilitate answer to general and non-customized queries free of cost. The officer would connect the information seeker with competent authority/ department/ office/ institution/ expert if unit owners/ aspirants seek more details.

Capacity enhancement of Institutions

- Industry association acts mainly as facilitator between the government organization and its member units. It disseminates information and knowledge among its members free of cost. Very few associations add value to its regular operation. Associations may also take up the responsibility to arrange business development services by themselves or through other providers, enter into partnership with technical and sector specific institutes for regular sectoral updates, organize skill upgradation programmes and use it for business benefits. It can also pursue strategic marketing initiatives. This will save time, effort, money of the member units.
- Similarly, state government officials who directly deal with enterprises through its office need capacity building training on cluster development program and various MSME related schemes of GOI. The officials would handhold, mobilize, and motivate the industry associations and local unit owners to undertake joint activities and take scheme supports. Identification of clusters based on certain criteria and then preparation of detailed project report of a cluster requires special skill sets. A separate division of trained officials for Micro, Small and Medium units would help the enterprises in much focused manner.

Start-up Promotional Activities

- Delhi has start-up cluster which is actually a scattered cluster across NCR and it's not a formal cluster in existence like other traditional clusters. So activities are required to formalize this as a cluster, to create a formal network among those.
- Activities should be focused majorly on Incubators and secondary on start-ups. Incubators will ultimately provide support to start-ups
- Indian Science and Technology Entrepreneurs Parks and Business Incubator Association (ISBA) is the strongest Association of Incubators and is active in the South India. The state may plan some activities/training with them for capacity building of Incubators/Start-ups. They can also arrange experts for delivering training programs. The Most important part is the industries department need some association to make all interventions sustainable.
- A series of training programs (online/ offline) as per the needs like IPR/ Funding/ Pitch Deck/ Marketing/ resource Management/ etc could be organised for incubators and start-ups.
- Incubators are more interested in bringing transparency while supporting start-ups. A formal network could be developed for incubators and start-ups to promote transparency on having support from one or more incubators and vice-versa.
- A study could be undertaken to assess existing status of the incubators and start-ups. This study would have a roadmap for capacity building of incubators and plan to equip them with forthcoming technologies in the next 10-12 years.
- Rating of Incubators on certain parameters is very much required to make them competitive.
- Investors Meet, Buyer-seller meet could be organized for start-ups.
- The State may decide to be create partnership with some Institutional partner who should drive the activities.
- To complement the focus of the State Govt. in promoting knowledge-based entrepreneurship and support aspirants in establishing start-up enterprises in the State, SIDBI Venture Capital Fund could be explored. Venture Capital Fund can provide financial assistance during the initial incubation phase for the start-ups and cushion their new, innovative ideas for transforming into commercial ventures. The corpus shall be utilized for the seed capital funding to the start-ups.

Digital Empowered MSMEs

- The MSMEs of NCT of Delhi needs to be digitally empowered and they should be encouraged to adopt ICT tools and applications in their business process and production with a view to improve their competitiveness in national and international market.
- The Industries Department may provide financial assistance to MSMEs for adoption of software/applications related to enterprise resource planning (ERP), accounting, manufacturing design and regulatory compliances at the initial phase.
- Open Network for Digital Commerce (ONDC) would be an option for providing marketing assistance to MSMEs. The Industries Department may sign an MoU with ONDC to promote the online/ e-commerce presence of the MSMEs.

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Small Industries Development Bank of India (SIDBI), established under an Act of Parliament in 1990, acts as the Principal Financial Institution for Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector as well as for co-ordination of functions of institutions engaged in similar activities. In the context of the changing MSME lending landscape, the role of SIDBI has been realigned through adoption of SIDBI Vision 2.0 which envisages an integrated credit and development support role of the Bank by being a thought leader, adopting a credit-plus approach, creating a multiplier effect and serving as an aggregator in MSME space.

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