

## Draft Concept Note and Activity Plan on new areas of development for MSMEs in NCT Delhi

### Background

MSMEs are the growth engine of Indian economy. In India, MSMEs contribute 30% to the GDP and 40 - 45% of the total export, providing employment to 40% of the workforce. Delhi has a total of 9.36lakhs<sup>1</sup> of MSMEs. MSMEs are mostly operating from conforming urban industrial areas. The MSMEs are employing 23 Lakh people in national capital territory of Delhi.

Table 1: No. of MSMEs (unregistered and registered) and Employment in the Sector (all values in Lakh) as per NSS 73<sup>rd</sup> Round, 2015-16

MSMEs in Delhi		MSMEs in India	
9.36		633.88	
Employment		Employment	
Male	Female	Male	Female
20.59	2.41	844.68	264.92

(Source: Annual Report 2021-22, Ministry of Micro, Small and Medium Enterprises (MOMSME))

Ministry of MSME, Government of India has an organised enterprise registration system for micro, small, and medium enterprises which is fully online, paperless and based on self-declaration by the enterprises. Only ADHAAR number is required for the registration. PAN & GST linked details on investment and turnover is taken automatically from Government data bases. This registration system, UDYAM, showing 3,48,526 MSMEs from NCT of Delhi are registered with MOMSME, GOI.

Table 2: No. of Udyam Registered MSMEs (As on 23.12.22, 03:23 PM)

Delhi			India		
Total: 348526			Total: 12834058		
Micro	Small	Medium	Micro	Small	Medium
321408	24242	2876	12360896	433413	39749

(Source: MSME Dashboard, State Wise Udyam Registration Details)

The contribution of Delhi's real GSDP to GDP at the national level has increased from 3.94 percent in 2011-12 to 4.21 percent in 2021-22. This has a significance as Delhi is only 1.52 percent of the total population of the country. The main contribution to the economy of Delhi is of the service sector and its contribution to the Gross State Value Added at current market prices is 83.94 percent, while the contribution of the secondary sector is 13.78 percent and that of the primary sector is 2.28 percent.<sup>2</sup>

<sup>1</sup> (Source: Annual Report 2021-22, Ministry of Micro, Small and Medium Enterprises)

<sup>2</sup> Budget Speech 2022-23: [https://finance.delhigovt.nic.in/sites/default/files/Budget-2022-23\\_English.pdf](https://finance.delhigovt.nic.in/sites/default/files/Budget-2022-23_English.pdf)

Delhi has huge number of garments and furniture manufacturers, followed by producer of electronic and electrical equipment, suppliers of mass consumption goods, repair services, legal services, education services, financial services, food processing units, printing & packaging services, health related service provider, IT product manufacturers and assembler & IT enabled services.

According to Economic Survey of Delhi 2021-22 report<sup>3</sup>, textile products have maximum number of factories, followed by basic metal and alloy industry; metal products and parts machinery & transport equipment; rubber, plastic, petroleum coal products; paper & paper products printing publishing allied; repair of capital goods and services; food processing products; leather and non-leather products; wooden products, furniture and fixture, chemical and chemical products, etc. The MSMEs in Delhi can be categorized into 18 broad heads based of their activities. The list is given below.

Table 3 - MSMEs categorised into 18 broad products/services

Sl No	Sector	Sl No	Sector
1	Food processing Products	10	Metal Products and parts
2	Beverage, Tobacco and Tobacco products	11	Electricity, gas, stream water works and supply
3	Textile Products	12	Wholesale trade in Fuel, perfumery, ceramic glass
4	Wood Products, furniture and fixture	13	Repair of capital goods & repair services
5	Leather and Leather fur products	14	Travel and Hospitality services
6	Rubber, Plastic, Petroleum, coal products	15	Financial, legal, event management services
7	Chemical and Chemical Products (except petroleum products)	16	IT and ITeS related services
8	Non-metallic products	17	Print and Packaging product manufacturing
9	Basic Metal & Alloy Industry	18	Printing services

(Source: Economic Survey of Delhi 2021-22)

However, there are challenges and bottlenecks, for which MSMEs are not able to achieve their full potential. Many MSMEs are not conversant with the provisions of relevant Acts and Rules, compliances, application forms, and the location of government offices to submit the applications for approvals, certificates and licenses to start enterprises or to avail government incentives. Entrepreneurs are required to visit various offices to enquire, consult, and finally to submit applications. Apart from running around, they often become victims of unscrupulous middlemen.

Considering the aforementioned gaps of the MSMEs in Delhi, this concept note and activity plan is being developed for providing suggestions on concrete intervention and futuristic measures for

<sup>3</sup> Economic Survey of Delhi 2021-22 ([http://delhiplanning.nic.in/sites/default/files/E9\\_Industry.pdf](http://delhiplanning.nic.in/sites/default/files/E9_Industry.pdf))

identification new areas and scope for MSMEs in NCT of Delhi. This proposal is developed encompassing new areas for MSMEs, areas of intervention, implementation process which would help the MSMEs to be competitive and growth of their business.

### **Identified New Areas/ Sectors and Scopes for MSMEs**

Manufacturing and services MSMEs in NCT of Delhi have business scopes in the upcoming sectors identified here. GOI has already launched programmes or initiatives which open avenues for the MSMEs of the state and grow their businesses. The identified sectors and scope for MSMEs are briefed here.

#### **❖ Defence Supply Chains and related sector**

- The Make in India initiative of GOI is to bring MSMEs into defense supply chain and thereby boost the self-reliance of the nation in defence. This would also contribute towards defence export market. To encourage MSMEs entering in the defence supply chain, DSIIDC/ COI, GNCTD may educate them about the requirements and expectations of the defence sector. MSMEs also need to understand enabling provisions and avenues introduced by the GOI. The GOI organises various events time to time in collaboration with local industry associations for dissemination of information to MSMEs.
- There are specific reservations on orders up to 100 Crore per year for MSMEs kept in the 'Defence Acquisition Procedure 2020' by the GOI.
- Innovations for Defence Excellence (IDEX) was launched in April 2018 and aimed at creation of an ecosystem to foster innovation and technology development in Defence and Aerospace by engaging MSMEs, Start-ups, Individual Innovators, R&D institutes and Academia. It was developed to provide grants/funding and support to carry out R&D which has potential for future adoption for Indian defence and aerospace needs.
- DRDO transfers technologies to MSMEs by making MSME partners. The Technology Development Scheme (TDF) is an important DRDO scheme which funds MSMEs, Start-ups an amount of Rs. 10 Cr. for innovation, research and development of Defence Technologies in the field of Defence and Aerospace.

#### **❖ Energy Conservation and Management Sector**

- MSMEs need to contribute in energy conservation process by reducing use of fossil fuel-based (directly and indirectly) energy and increasing use of renewable energy. At present their commitments to adhere to climate requirement is sub-optimal given their unorganised working culture.
- Strategic Framework is required to encourage the MSMEs to upgrade technologically and install energy efficient production process and produce green products. The MSMEs may need to incentivise for installation of solar rooftop at enterprises (eg.

Gujarat has already implemented MSME incentives as interest subsidy for term loan to switch to solar energy).

- GOI has already undertaken several initiatives for promoting renewable energy in agriculture, industry, infrastructure sectors. PM-KUSUM initiatives provides clean energy to farmers by solarising agricultural pumps, rooftop solar program is for residential segment, solar park is a concentration zone of development of solar power generation projects, green energy corridors are developing for transmission and evacuation of green energy inter-state and intrastate transmission. All these GOI initiatives increase scope for micro, small and medium manufacturing and supplying enterprises.

#### ❖ **Telecommunication and Networking sector**

- Department of Telecommunications (DoT), Ministry of Communications, GOI notified the Production Linked Incentive (PLI) Scheme to boost domestic manufacturing, investment and export in the telecom and networking products sector. The Scheme earmarked financial allocation of Rs. 1000 Crore for MSMEs.
- MSMEs which are registered as Micro, Small and Medium enterprises with the Ministry of MSME, GOI can propose manufacturing of goods covered under PLI Scheme target segments and could apply under this scheme for approval.
- Global Manufacturing Revenue for MSMEs should be more than Rs. 10 Crore in the base year.
- SIDBI had integrated Udyami Mitra portal and developed the PLI Portal for telecom sector (<https://www.pli-telecom.udyamimitra.in/>). It is a customized IT enabled digital platform developed, operated and maintained by SIDBI. MSMEs can register, apply online through this portal. Project Management Agency would scrutiny the application, eligible applications would be shortlisted and final selection out of eligible application would be completed using digital process on the portal.

#### ❖ **Electric Vehicle Sector & its batteries**

- GNCT of Delhi has its own Electric Vehicle Policy to accelerate the pace of electric vehicle adoption across vehicle segment, particularly 2-wheeler, public transport, and goods carrier. The policy also aimed to bring down emissions from the transport sector in Delhi. The policy intends to deploy 25% of all new vehicles to be battery operated by 2024. The policy also sought to put in place measures to support the creation of jobs in driving, selling, financing, servicing, and charging of electric vehicles. Incentives are given to end users/ consumers for procuring vehicles mostly on per KW of battery.
- The policy has separate components such as i) financial incentives for purchase, scrapping and interest subvention on loans; ii) waiver of road tax and registration fees;

- iii) establishment of charging station networks, swappable battery stations; iv) setting up of training centres for job creation; v) battery recycling units vi) single window clearance etc.
- MSMEs can operate in this sector as owner of public vehicles, service station, charging station, recycling unit, scrapping unit etc. Capital subsidy for the cost of chargers' installation expenses will be given to energy operator MSMEs.
- 100 per cent of the net SGST, accrued to the GNCTD, shall be provided as reimbursement to the energy operator MSMEs for purchase of advanced batteries to be used at swapping stations.
- MSMEs will get purchase incentive Rs. 30000 for the first 10000 e-carriers registered in Delhi after this policy announcement and interest subvention on 5 per cent on loans and/ or hire purchase scheme for purchase of e-carriers. They are also eligible for Scrapping incentives for scrapping and de-registering of old internal combustion engine (ICE) vehicles registered in Delhi.
- Purchase incentive of Rs. 30000 per vehicle shall be provided by GNCTD to registered owner of e-Auto. The owner will also be eligible for scrapping incentive and 5 per cent interest subvention on loans.
- Registered e-Rickshaw and e- Cart owners will receive purchase incentive for Rs. 30000 for only one vehicle per person.

#### ❖ **Green Economy**

- MSMEs would be encouraged to contribute towards developing green economy for the state. To achieve the target of setting up eco-conscious and eco-friendly businesses, existing and aspiring entrepreneurs can always get assistance from Ministry of MSME, GOI. The Ministry has launched MSME Champion Scheme, which has four components such as MSME innovative Scheme, Digital MSME Scheme, Lean Manufacturing Scheme, and ZED scheme. MSMEs can access these scheme benefits towards developing eco-conscious and eco-friendly businesses.
- 'Make in India' and 'Zero Defect and Zero Effect' initiatives of GOI are launched to encourage MSMEs to constantly upgrade their quality standards in products and processes without damaging the environment. Purpose of these initiatives was to inculcate understanding of balance growth with sustainability and social inclusion among the MSMEs.
- Delhi has a service led economy. Service sector MSMEs in sub-sectors like Financial, Banking, Retail trade, Real estate, Tourism and Hospitality management, Transport and Logistics, Medical value travel, IT & ITeS would require support in terms of efficient resources use, increased innovation, adoption of green technologies in either to set up or extend their businesses in NCT of Delhi. These MSMEs could contribute majorly and help Delhi to become green economy.

#### ❖ **National Hydrogen Mission**

- Ministry of Power, GOI has launched Green Hydrogen Policy in February, 2022 under National Hydrogen Mission as one of the measures to achieve net zero targets. Transition to Green Hydrogen/ Green Ammonia is one of the major requirements for reduction of emissions, especially in the hard to abate sectors.
- Hydrogen shall be produced by way of electrolysis of water using renewable energy. Renewable energy plant would be set up in manufacturing zones located various parts of the nation.
- The MSMEs in NCT of Delhi who manufacture various parts of automobiles, energy sector equipment, engineering equipment, defence sector etc. could have opportunity to become supplier to these renewable energy plant manufacturers. These MSMEs may require technological upgradation, skilled manpower and low-cost finance for setting up new enterprises or modification of existing enterprises.

#### ❖ **Solid Waste Management**

- Delhi has total population nearly 2 Crore. It generates around 11144 metric ton of solid waste every day. Delhi has an existing municipal solid waste processing facility of 5259 (47%) metric ton per day. 53% of the solid waste is disposed in 3 landfill sites. So, there is a gap prevails in solid waste management and there is scope for intervention in collaboration with the local government.
- MSMEs can play a significant role in providing the service economically and efficiently. MSMEs can set up service-oriented enterprises and provide their services as on-demand waste collection, provide a systematic and rational approach to workplace cleanliness and waste management with sensitivity for one's surrounding and the environment at large, develop glitch-free waste management system for healthy and hygienic society, serve an efficient and effective services in a professional and customer-focused manner, pledging to deliver sustainable growth and social prosperity.

#### ❖ **New Potential/ Sunrise Sectors**

- **Artificial Intelligence**

Many MSMEs in India have already embarked on their AI journey. According to various reports, 45 per cent of companies in India have increased use of AI due to the Covid pandemic. AI is poised to radically revolutionise the foundation of every industry, the manufacturing industry also stands to gain significantly from this technological disruption.

In this new business environment, distributors cannot rely solely on traditional sales tactics and in-person meetings to do business. The shift toward digitalization and maximizing sales productivity is permanent, between labor shortages, supply chain disruptions and

fewer face-to-face customer interactions, many distributors find themselves in need of a radical solution to help them maintain profitability. Retail sector MSMEs are now mostly depends on AI based supply chain management.

MSMEs can compete with their competitors by using AI from real-time maintenance of equipment to pre-empting imperfections during production (for both - product & machinery), and from streamlining the process of designing which enables improved and customised products to creating a smart supply chain.

- **Portable Petrol Pump**

Recently Ministry of Petroleum and Natural Gas, GOI has approved plan to setup Portable Petrol Pumps in the country. This petrol pumps will be set up in areas with less developed infrastructures for filling stations. This kind of pumps will immensely benefit the people in rural areas/hilly remote areas and in turn provide employment. The GOI has set up a target of 50000 portable petrol pump in next 5-7 years.

MSMEs which are already making equipment or parts for filling stations would have an opportunity to cater in the supply chain of portable petrol pump sector.

- **Portable Workshop**

Mobile workshop van having air compressor, high pressure grease pump, oil pumps with attachment, diesel generating set, portable blower, portable angle grinder, lifting device along with vehicle parts is an upcoming service facility in India. Such facility is very beneficial for semi urban areas, hilly areas, national highway sides where workshop facility for vehicle is not frequently available. MSMEs can own such service facility and also can be part of the supply chains of such workshops. It will provide employment to lakhs of people in rural areas.

## **Thematic Areas for Intervention**

It is important to have a strategic intervention plan with long term vision and outcome-oriented activities to support the MSMEs for tapping the potential businesses in the identified sectors. Some thematic areas have been mentioned here which require specific interventions synergising long-term vision and outcome-oriented activities.

### **❖ MSME Policy Framework and Scheme Guidelines**

- Delhi needs MSME Policy and scheme guidelines to promote and facilitate technically enabled, green energy oriented SMART MSMEs in NCT of Delhi. 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 and initiatives for promotion and development of 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. 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 and Non-fiscal Incentives for MSMEs**

- Fiscal incentives would be marked for individual entrepreneurs for new 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 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.

#### ❖ **Facilitation Centre and Single Point of Contact**

- An institutional mechanism or facilitation centre 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.

#### ❖ **Cluster Development Approach for Collective Solutions**

- Existing manufacturing industrial units cannot expand in existing place as land/ industrial plot allotted to them are fixed. These industrial units are not allowed to establish new manufacturing units in new industrial areas as the State government has already announced its decision of not having manufacturing units in new industrial areas in the city of Delhi.<sup>4</sup> The existing manufacturing units need to reorganize and improvise its operation to be cost competitive, environment friendly manufacturing units through implementing cluster approach.
- The industry associations and enterprises could conceptualize various joint activities viz. awareness program, skill upgradation training program, entrepreneurship development training program, lean management activities, consultancy support for zero defect zero effect program, exposure visit to successful clusters, participation in exhibition etc by consulting its members and authorise central government agency to undertake central sector cluster scheme implementation.

#### ❖ **Strengthening of Institutions for Capacity Enhancement**

- 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

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<sup>4</sup> <https://www.thehindu.com/news/cities/Delhi/no-manufacturing-units-allowed-in-new-industrial-areas-delhi-cm/article33005557.ece>

division of trained officials for Micro, Small and Medium units would help the enterprises in much focused manner.

#### ❖ **Technical Infrastructure in Clusters as Common Facility Centre**

- Industrial estates have various types of manufacturing or services units located in one place. To develop the MSMEs in an industrial area, cluster formation would be a viable proposal. A cluster of manufacturing or service units will be formed by taking similar kind of manufacturing or service units. These cluster units would leverage scheme supports viz. financial assistance for establishment of Common Facility Centres (CFCs) for Testing, Training Centres, R&D, Effluent Treatment, Raw Material Depot, and to create/ upgrade infrastructural facilities in the new/ existing industrial areas/ clusters of MSEs such as flatted factory complex, power distribution network, water, telecommunication, drainage and pollution control facilities, roads, raw material storage and marketing outlets, common service facilities and technological back-up services for MSEs in the new/ existing industrial estates/ areas. The enterprises need to form an SPV to implement Central Sector Cluster Development Scheme (MSE-CDP).

#### ❖ **Technical Interventions**

- Technology will play a significant role for the MSMEs to capitalize businesses in the identified sectors. Scouting of genuine, affordable, proven and efficient technology require hefty investment, proper knowledge/ technical expertise. DSIIDC/ COI, GNCTD may extend its support in identifying sources for proven technology through collaboration with institutions.
- DSIIDC/ COI, GNCTD may organise awareness programmes, dissemination workshops, seminars, technology orientation programmes for the MSMEs and provide them information regarding activities, processes, compliances of the identified sectors and encourage them for technology up-gradation.

#### ❖ **Skill Development Intervention**

- It has been observed manufacturing micro and small enterprises are mainly facing skilled manpower shortages than service-oriented enterprises. World Class Skill Centres and other skill institutes produce skilled manpower who are absorbed or placed in mostly medium and large category units as they are good pay master and have very organised working system. Most of such medium and large category units are located in NCR areas. Our suggestions for skilled manpower are for manufacturing MSEs in NCT Delhi.

- Skill upgradation centre within industrial areas could be an option for MSMEs to send their unskilled or semi-skilled workforce and have basic skill upgradation at nominal cost. These centres would be operated either by industry associations or in collaboration with industry associations. These centres would have infrastructure for general as well as customised skill upgradation programme. The State govt. may provide capital assets and miscellaneous fixed asset. The MSME associations would monitor training module and implementation of training programme. The accountability for running the centres would be on industry associations. Skill programmes of these centres would be provided on affordable charge.
- The MSME associations could develop an industry academia partnership for imparting of short-term skill upgradation programmes (such as refresher course, orientation programme). The industry academic partnership would bridge the gap between individual enterprise and existing skill development institutes e.g. World Class Skill Centres. There are two such skill institutes are available in 2 industrial areas which are under DSEU as Wazirpur Campus and Okhla Campus. These institutes need to develop short term skill upgradation programmes in consultation with Delhi based MSMEs. The State govt. may reimburse 75 per cent of the cost of these programmes to the institution and 25 per cent programme cost would be borne by the enterprise.
- Skill on Wheel could be another programme through which unskilled workforce can be trained on basic skills of a particular trades. Industry associations would approach to large original equipment manufacturers for this programme. The large manufacturers may sponsor the programme through corporate social responsibility funds. They would provide a vehicle and basic tool kits required for imparting basic skills among unskilled workforce. Some trainers of particular trades would be hired by the industry or trade bodies. The vehicle would move to the enterprise and train the unskilled workforce on demand basis. The enterprise would pay the charge for the training programme fixed by the industry or trade bodies.

#### ❖ **Market Assistance Programme**

- Participation in national and international exhibitions is an important activity for MSMEs to showcase their products, technology, design and provide a platform to prospective buyers. It has been observed that entrepreneurs are very keen to participate in domestic and overseas exhibitions being organized by ITPO/ Trade Promotion Bodies.
- Expenses for participation in overseas exhibition, if held in Southeast Asian countries (like Vietnam, Thailand, Indonesia, Philippines, Singapore, Laos, and Malaysia) and East Asian countries (like China, Taiwan, Japan, South Korea, Hong Kong) are less compared to Latin America, European and Middle East countries. Space rent for 3days international exhibition in Southeast Asian and East Asian countries varies from Rs. 290000 – Rs. 315000 for 9 sq. m per unit, whereas in Latin America and European countries, it is Rs. 550000 – Rs. 800000 for 9 sq. m. or 100 sq. ft. in 2022 -23. Whereas

space rents for national fair of 3 -5 days ranges between Rs. 1,20,000 – Rs. 1, 50,000 for 9 sq. m.

- Financial assistance for marketing support activities are available with the Ministry of MSME, GOI. The Ministry is providing assistance in reimbursement basis for participation in national and international exhibition, organising national and international buyer-seller meet, seminar/workshop/exhibition.
- DSIIDC/ COI, GNCTD may access GOI financial assistance through systematic approach of applying for reimbursement and receiving funds.

#### ❖ **Credit Connects**

- Medium, and to an extent, small category enterprise has very sound financial networks to get credit linkages, but micro enterprises mostly face credit linkage challenges due to unorganised in nature, sole dependency on owner, inadequate time to follow up with banks, lack of proper financial plans. Nonetheless, credit is disbursed based on the merit of the loan applications. Credit flow to MSMEs can be increased either by increasing number of lodged loan applications to banks or identify credit starved eligible borrowers. Herewith some options to enhance credit flow to MSMEs are mentioned.
- Onboarding on TReDS Platform – Reserve Bank of India facilitated the concept of Trade Receivables Discounting System (TReDS) through setting up of institutional mechanism and convert trade receivables into liquid funds. It addressed the long pending issue of receivables realization cycles for MSMEs. It is unsecured and non-recourse financing facility for the MSMEs. 15-20per cent MSMEs in Delhi are selling their products to State Government department, PSUs and CPSUs. The State government may think to onboard its departments on the TReDS platform as buyer to give discounting system benefits to supplier MSMEs.
- Contact Less Platform for financing – Large number of micro and small enterprises in Delhi are running their business either on leased premises or premises purchased/ hired on general power of attorney. Hence these MSMEs do not have permission to mortgage of their land/ plot/ shed. Such MSMEs mostly facing challenges to lodge offline loan applications at bank branches as most of the branch credit officials do not entertain MSMEs who do not have mortgageable industrial plot/shed or title of plot is not clear. Contact Less Platform such as OnlinePSBloansin59minutes is very useful to lodge loan applications hassle free. The loan applicant requires to register using GSTN user-ID and then upload only 2 documents (ITR return for previous 3 years and Bank account statement for last 6 months) on the web portal. The software will check financial credibility of the applicant through collation of KYC documents, financial transactions, CIBIL and revert with in-principle of sanction of loan. This in-principle sanction will have information about rate of interest, loan amount and nearest branch to contact. The loan applicant will contact to the branch to get the disbursement. The branch will undertake preliminary checking, due diligence and evaluation of business operations and disburse to eligible borrowers. CLP works in transparent manner. Chances of credit flow to MSEs would be higher with the number of loan applications lodged with the

banks. The State Govt. needs to promote CLP in Delhi through engaging respective associations in industrial areas. Association would handhold the MSMEs to apply on CLP.

- Cluster Based Financing – Cluster based approach for lending to enterprises in a particular industrial area would be beneficial for banks. Banks could consult the respective industrial area association during due diligence process. In addition, industry association can mobilise or collect loan applications and get it processed through banks. This approach would be beneficial in dealing with well-defined and recognised group of enterprises, wherever appropriate information for risk assessment would be available.
- Formalization of MSMEs – Banks need to have provision to give working capital finance on the basis of GST invoices. It would accelerate formalisation of MSMEs through maximum number of GST registration of businesses in MSME sector. DSIIDC/ COI, GNCTD may organise financial camps in industrial areas involving public and private sector banks.

#### ❖ **Quality Management**

- Standardisation of quality of product, process and services is one of the important aspects for the MSMEs for achieving growth in the above-mentioned sectors. MSMEs need to be encouraged and enabled for manufacturing quality products and rendering services using latest technology, tools & constantly upgrade their processes for achievement of high quality and high productivity with the least effect on the environment.
- DSIIDC/ COI may facilitate MSMEs in accessing and applying MSME Champion Scheme benefits for promotion of all forms of innovations in the complete value chain from developing ideas into innovative applications through incubation and design interventions, provide appropriate facilities and support for development of concept to market, design competitiveness and protection & commercialization of intellectual creations, standardisation of processes, waste minimisation, quality certification etc.

#### ❖ **Infrastructure development**

- Redevelopment of existing industrial areas is already undergoing in NCT of Delhi. There is a need for developing new designated areas for service sector enterprises, export promotion zones, multifacility logistic park, etc.
- Existing manufacturing MSMEs may not be in position to extend/ upgrade their units with new technological equipment as they already have previous construction made as per their previous requirements. These enterprises would also require new areas equipped with modern facilities to run their businesses.
- To operationalize business quickly with minimal fitting out and lower investment costs industrial infrastructure requires sleek and modern frontage with separate loading

areas, efficient factory layouts. The layout should have column free production areas, semi-detachable workspaces, configurable factory space to meet different operational needs.

- There is need for flexible infrastructure solutions for MSMEs. MSMEs who prefer to adopt an asset light strategy to reduce initial capital cost can opt for flexible lease options and be completely relieved from land and building ownership after mutually agreed and stipulated period.

#### ❖ **Business Development Services**

- MSMEs face challenges w.r.t 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.
- DSIIDC/ COI may include such services under Facilitation Centre activity. This Centre would empanel few service providers (individual and institution) in the areas of technology, finance, legal services, tax, skilled manpower, market connect, detailed report preparation, pollution control, industrial safety.

#### **Intervention Strategy**

Intervention strategy would depend on the assessment of the existing situation of the MSMEs. Most of the MSMEs operating in different industrial areas raise issues which become concern for their survival such as lack of basic infrastructures in the industrial areas, they seek State intervention on the land management policy, electricity tariff to become competitive with the neighbouring states. Many enterprises are shifting to nearby industrial areas in neighbouring states where labour cost is half comparing NCT of Delhi, enterprises can avail fiscal incentives for setting up new units, entrepreneurs have land ownership which help them to get institutional finance.

An effective intervention strategy would have

- Defined outcome
- Carefully plan activities
- Start a pilot project
- Monitoring Progress

- Scale up initiatives
- Sharing the results

### **Implementation Plan**

- DSIIDC/ COI may form a Committee consists of state government and industry representatives, technical experts, skill training institutes, management consultants etc.
- DSIIDC/ COI may appoint a nodal officer for coordinating with all the stakeholders and organise focus group discussions on the identified new sectors/ areas and receive feedback from them.
- DSIIDC/ COI would undertaken a survey of individual enterprises to understand their existing operations, capacities and challenges in terms of technology, market, skilled manpower, credit availability.
- Techno feasibility assessment including structural, safety, skill, energy audits of existing industrial areas need to be undertaken.
- Based on the stakeholder feedbacks, enterprise survey and techno feasibility assessment report, a strategy paper would be developed for discussion in the Committee.

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