

Entrepreneurship and E-Business

Assignment No. 3

Aim: Notes on MSMEs and the schemes available from GOI.

MSME

In India, MSMEs contribute nearly 8% of the country's GDP, around 45% of the manufacturing output, and approximately 40% of the country's exports. It won't be wrong to refer to them as the **Backbone of the country**.

The Government of India has introduced **MSME** or **Micro, Small, and Medium Enterprises** in agreement with the Micro, Small and Medium Enterprises Development (MSMED) Act of 2006. These enterprises primarily engaged in the production, manufacturing, processing, or preservation of goods and commodities.

MSMEs are an important sector for the Indian economy and have contributed immensely to the country's socio-economic development. It not only generates employment opportunities but also works hand-in-hand towards the development of the nation's backward and rural areas. According to the annual report by the Government (2018-19), there are around 6,08,41,245 MSMEs in India.

MSME Redefined

A proposal was made to redefine MSMEs by the Micro, Small and Medium Enterprises Development (Amendment) Bill, 2018, to classify them as manufacturing or service-providing enterprises, based on their annual turnover.

Classification of enterprises into micro, small and medium enterprises (in Rs)

Kind of enterprise	Act of 2006		Bill of 2018
	Manufacturing	Services	All enterprises
	Investment towards plant and machinery	Investment towards equipment	Annual Turnover
Micro	25 lacs	10 lacs	5 cr

Small	25 lacs to 5 cr	10 lacs to 2 cr	5 cr to 75 cr
Medium	5 cr to 10 cr	2 cr to 5 cr	75 cr to 250 cr

Benefits of the above proposed reclassification

According to the proposed reclassification or the new classification, there would be no need for frequent inspections to check the investment in plant and machinery. Also, the operations of MSMEs would be transparent, non-discriminatory, and objective in nature.

Highlights of new MSMEs

Atma Nirbhar Bharat Abhiyan or the Self-Reliant India Scheme of 2020 by the Government of India has given a new definition for MSMEs.

Following are a few highlighting features of new MSMEs

1. A provision of Collateral Free Loans to MSMEs.
2. An arrangement of loans to MSMEs MSME worth Rs. 3 lac crores.
3. An offer for MSMEs to get a Moratorium period of 12 months.
4. Consideration of Manufacturing and Service MSMEs as the same entities.
5. MSM is granted a repayment Tenure of 48 months.
6. MSMEs are assured a 100% Credit Guarantee.
7. Reclassification of MSMEs will benefit approximately 45 Lac units.

Features of MSMEs

Following are some of the essential elements of MSMEs:

1. MSMEs work for the welfare of the workers and artisans. They help them by giving employment and by providing loans and other services.
2. MSMEs provide credit limit or funding support to banks.
3. They promote the development of entrepreneurship as well as up-gradation of skills by launching specialized training centers for the same.
4. They support the up-grading of developmental technology, infrastructure development, and the modernization of the sector as a whole
5. MSMEs are known to provide reasonable assistance for improved access to the domestic as well as export markets.
6. They also offer modern testing facilities and quality certification services.

7. Following the recent trends, MSMEs now support product development, design innovation, intervention, and packaging.

Importance of MSMEs for the Indian Economy

Across the globe, MSMEs are accepted as a means of economic growth and for promoting equitable development. They are known to generate the highest rate of growth in the economy. MSMEs have driven India to new heights through requirements of low investment, flexible operations, and the capacity to develop appropriate native technology.

1. MSMEs employ around 120 million persons, becoming the second-largest employment generating sector after agriculture.
2. With approximately 45 lac units throughout the country, it contributes about 6.11% of GDP from manufacturing and 24.63% of the GDP from service activities.
3. MSME ministry targets to increase its contribution towards GDP by up to 50% by 2025 as India moves ahead to become a \$5 trillion economy
4. Contributing around 45% of overall Indian exports
5. MSMEs promote all-inclusive growth by providing employment opportunities, especially to people belonging to weaker sections of the society in rural areas.
6. MSMEs in tier-2 and tier-3 cities help in creating opportunities for people to use banking services and products, which can amount to the final inclusion of the contribution of MSMEs for the economy.
7. MSMEs promote innovation by providing an opportunity to budding entrepreneurs to help them build creative products and thereby boost competition in business and fuel the growth.

Schemes available from GOI

1. Prime Minister's Employment Generation Programme (PMEGP)

Objective:

- The scheme aims to provide financial assistance to set up self-employment ventures and generate sustainable employment opportunities in rural as well as urban areas.
- To generate sustainable and continuous employment opportunities to rural and unemployed youth as well as prospective traditional artisans and thereby halt occupational migration.

Key Benefits:

- Bank-financed subsidy program for setting up new micro-enterprises in the non-farm sector.
- Margin Money subsidy on Bank Loan ranges from 15% to 35% for projects up to Rs. 25 Lakh in manufacturing and Rs. 10 Lakh in the service sector.
- For beneficiaries belonging to special categories such as SC / ST / Women / PH / Minorities / Ex-Servicemen / NER, the margin money subsidy is 35% in rural areas and 25% in urban areas. The maximum cost of projects is Rs. 25 lakh in the manufacturing sector and Rs.10.00 lakh in the service sector.

Scheme applicable for:

- Any individual, above 18 years of age can apply.
- Self Help Groups, Institutions registered under Societies, Production Co-operative Societies and Charitable Trusts.

2. 2nd Loan for up-gradation of the existing PMEGP/MUDRA units

Objective:

- With an objective to assist existing units for expansion and upgradation, the scheme provides financial assistance to successful/ well performing units.
- The scheme also caters to the need of the entrepreneurs for bringing new technology/ automation so as to modernize the existing unit.

Key Benefits:

- Maximum subsidy would be 15% of the project cost (20% for NER and Hill States). The balance amount of the total project cost is provided by Banks as a term loan.

Scheme applicable for:

- Existing well performing PMEGP/MUDRA units

3. Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE)

Objective:

- To encourage first generation entrepreneurs to venture into self-employment opportunities by facilitating credit guarantee support for collateral free / third-party guarantee-free loans to the Micro and Small enterprises (MSEs), especially in the absence of collateral.

Key Benefits:

- Credit guarantee for loans up to Rs. 2 crores, without collateral and third-party guarantee.
- Guarantee coverage ranges from 85% (Micro Enterprise up to Rs 5 lakh) to 75% (others).
- 50% coverage is for retail activity.

Scheme applicable for:

- Existing Entrepreneurs and Aspiring Entrepreneurs

4. Credit Linked Capital Subsidy Component (CLCS & TU Scheme)

Objective:

- The objective is to facilitate technology up-gradation in MSEs with state-of-the-art technology, with or without expansion and also for new MSEs which have set up their facilities by providing an upfront capital subsidy of 15 per cent (on institutional finance of upto Rs 1 crore availed by them).

Key Benefits:

- Induction of established and improved technologies.
- 15% Subsidy on institutional credit up to Rs 1.00 crore with a subsidy cap of Rs.15.00 lakh.

Scheme applicable for:

- Existing Entrepreneurs and Aspiring Entrepreneurs

5. Procurement and Marketing Support (PMS) Scheme

Objective:

- To enhance the marketability of products and services in the MSME sector.
- To promote new market access initiatives, create awareness and educate the MSMEs about various marketing relevant topics
- To create more awareness about trade fairs, digital advertising, e-marketing, GST, GeM portal, public procurement policy and other related topics etc.

Key Benefits:

- Participation of Individual MSEs in domestic Trade Fair / Exhibition
- Capacity building of MSMEs in Modern Packaging Technique / Development of Marketing Haats.

- Organizing Domestic Trade Fair & Exhibition / Vendor Development Programs / National & International Workshops & Seminars/ Awareness programs

Scheme applicable for:

- Existing Entrepreneurs

6. International Cooperation (IC) Scheme

Objective:

- To enhance the competency of MSMEs, capture new markets for their products, and explore new technologies for improving manufacturing capacity, etc.
- The scheme supports MSMEs by way of participation in international events for exploring export opportunities, access to international business networks, technology upgradation / modernization, improved competitiveness, awareness of better manufacturing practices etc.

Key Benefits:

- Reimbursement for participation/visit in international exhibitions / fairs.
- Reimbursement for holding international conferences and seminars by industry associations / Govt. organizations.

Scheme applicable for:

- Existing Entrepreneurs

7. Micro & Small Enterprises Cluster Development Programme (MSE – CDP)

Objective:

- To support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills, quality, market access, etc.
- To create / upgrade infrastructural facilities in the new / existing Industrial Areas / Clusters of MSEs.
- To set up Common Facility Centres (for testing, training, raw material depot, effluent treatment, complementing production processes, etc).
- Promotion of green & sustainable manufacturing technology for the clusters.

Key Benefits:

- Creation of Common Facility Centers including Plug and Play Facilities.
- Support for Infrastructure Development Projects including Flatted Factory Complexes.

Scheme applicable for:

- Existing Entrepreneurs (in the form of a SPV).

8. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

Objective:

- To organize the traditional industries and artisans into clusters in order to make them competitive and provide support for their long- term sustainability.

Key Benefits:

- Support traditional artisans to provide sustainable employment
- Government of India supports up to Rs. 2.5 cr. up to 500 artisans and Rs. 5 cr. for more than 500 artisans.
- Set up physical infrastructure with CFCs, latest machines, training, etc. in clusters.

Scheme applicable for:

- Existing artisans from traditional industries

9. A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE)

Objective:

- To set up a network of technology centres and incubation centres to accelerate entrepreneurship and promote innovation to further strengthen the competitiveness of the MSME sector.

Key Benefits:

- Set up Livelihood Business Incubators (LBIs) and Technology Business Incubators (TBIs) to skill youths for their own enterprises and incubation of innovative ideas.
- Maximum Rs. 1 cr. to Government agencies and maximum Rs. 50 Lakh to private agencies for procuring plant and machinery.
- Maximum Rs. 1 cr. given to new TBIs and maximum Rs.30 Lakh to existing TBIs for procurement of plants and machinery.

Scheme applicable for:

- For LBIs:
 1. Any agency/institution of Govt. of India/ State Govt.

2. Any Private Institution under PPP mode with any agency of Govt. of India/State Govt.
- For TBIs:
 1. Existing Incubation Centers under Ministries / Departments of Govt. of India
 2. National/ Regional institutions of Govt. of India / State Govt.
 3. New TBIs can be set up by Industry Associations Academic Institutions, R&D labs, Universities, Govt. entities and Technology Parks.

10. ZED Certification Scheme

Objective:

- The objective of the scheme is to enable MSMEs for manufacturing of quality products. by inculcating Zero Defect & Zero Effect practices in manufacturing processes, ensure continuous improvement thereby supporting the Make in India initiative.

Key Benefits:

- Promote adaptation of Quality tools/ systems and Energy Efficient manufacturing.
- Financial assistance will be provided to the MSMEs in obtaining a ZED certification.
- Reimbursement of Certification fees/ Consultancy charges on successful certification, subject to an upper ceiling as per the scheme guideline. This can be claimed only once each for National and International Standards.
- For MSMEs supplying for Defence, reimbursement shall be admissible additionally on Defence related certificates / Standards only once.

Scheme applicable for:

- Existing Entrepreneurs

11. Lean Manufacturing Competitiveness for MSMEs

Objective:

- To enhance the manufacturing competitiveness of MSMEs through the application of various Lean Manufacturing (LM) techniques by – Reducing waste, Increasing productivity, Introducing innovative practices for improving overall competitiveness, Inculcating good management systems, and Imbibing a culture of continuous improvement

Key Benefits:

- Financial assistance is provided for implementation of lean manufacturing techniques, primarily the cost of lean manufacturing consultants (80% by GoI and 20% by beneficiaries).

Scheme applicable for:

- Existing Entrepreneurs

12. Design Clinic for Design Expertise to MSMEs

Objective:

- To provide expert advice and cost-effective solutions on real-time design problems for the MSMEs in India and to enhance their competitiveness in the global markets through new product development or value addition for existing problems.

Key Benefits:

- To facilitate MSMEs to develop new Design strategies and or design related products through design interventions and consultancy. Financial assistance to the MSMEs for engagement of design consultants for design intervention (GoI contribution @ 75% for micro, 60% for SMEs for the project range up to Rs. 40 lakh).
- The Design Scheme shall support design work by reimbursing 75% of expenses incurred up to Rs. 1.5 lakh for final year student project done for MSMEs

Scheme applicable for:

- Existing Entrepreneurs

13. Digital MSME

Objective:

- To promote Information and Communication Technology (ICT) in MSME Sector by adopting ICT tools and applications in their production and business process.
- The scheme is also aimed at creating awareness, supporting developments and e-platforms, creating literacy, training and promoting digital marketing in MSME sectors.

Key Benefits:

- To digitally empower MSMEs and enhance their performance for greater competitiveness with low cost and high efficiency.

Scheme applicable for:

- Existing Entrepreneurs

14. Entrepreneurial and Managerial Development of SMEs through Incubators

Objective:

- To promote emerging technological and knowledge based innovative ventures that seek the nurturing of ideas from professionals beyond the traditional activities of Micro, Small & Medium Enterprises (MSMEs)

Key Benefits:

- Funding support up to Rs. 15 Lakh for development of innovative ideas into commercial products.
- Seed funding supports up to Rs. 100 Lakh for setting up new units for commercialization of successful innovative ideas.

Scheme applicable for:

- Existing Entrepreneurs and Aspiring Entrepreneurs

15. Awareness on Intellectual Property Rights (IPR)

Objective:

- To enhance awareness among the MSMEs about Intellectual Property Rights, to take measures for protecting their ideas and business strategies thereby assisting them in technology upgradation and enhancement of their competitiveness.

Key Benefits:

- Reimbursement of Patent/Trademark/GI
 1. Patent:
 - a. Indian Patent up to Rs.1.00 Lakh
 - b. Foreign Patent up to Rs. 5.00 Lakh
 2. Trademark up to Rs. 0.10 Lakh
 3. GI Registration Rs. 2.00 Lakh
- Assistance for setting up IP Facilitation Centre up to Rs. 1.00 cr. for a period of 5 years.

Scheme applicable for:

- Existing Entrepreneurs

16. Entrepreneurship Skill Development Programme (ESDP) Scheme*Objective:*

- To promote new enterprises, capacity building of existing MSMEs and inculcating entrepreneurial culture in the country.

Key Benefits:

- Widen the base of entrepreneurship by development, achievement, motivation and entrepreneurial skill to the different sections of the society.

Scheme applicable for:

- Aspiring and Existing Entrepreneurs

17. National SC-ST Hub*Objective:*

- To provide professional support to Scheduled Caste and Scheduled Tribe Entrepreneurs to fulfill the obligations under the Central Government Public Procurement Policy for Micro and Small Enterprises Order 2012, adopt applicable business practices and leverage the Stand-Up India initiatives.

Key Benefits:

- To achieve a 4% Public Procurement target from SC-ST entrepreneurs.
- Facilitating SC/ST Entrepreneurs to be part of vendor development programs and mentoring support.
- Collection, collation and dissemination of information regarding SC/ST enterprises and entrepreneurs.
- Distribution of trade specific tool kits to trained candidates.

Scheme applicable for:

- Existing and Aspiring SC/ST Entrepreneurs

18. Assistance to Training Institutions (ATI) Scheme*Objective:*

- To create and strengthen infrastructure and assistance for entrepreneurship and skill development training programmes.

Key Benefits:

- Support for infrastructure and capacity building of training institutions of the Ministry of MSME and existing State level EDIs.
- Support for skill development programmes by training institutions of the Ministry of MSME.

Scheme applicable for:

- Only for training institutions of the Ministry of MSME and State level EDIs.

19. Coir Industry Technology Upgradation Scheme*Objective:*

To provide assistance to the entrepreneurs for procurement of eligible Plant & Machinery for modernization, upgradation and/or establishing a new unit.

Key Benefits:

- To establish new state of the art coir processing units
- To provide modern infrastructure facilities to the production units.
- Upper ceiling of Financial assistance will be Rs.2.50 crores.

Scheme applicable for:

- Existing and Aspiring Entrepreneurs

20. Skill Upgradation and Mahila Coir Yojana*Objective:*

Impart training in processing of coir and value addition to potential workers, coir artisans/entrepreneurs through training centres of Coir Board.

Provide self-employment opportunities to rural women artisans in regions processing coconut husk.

Key Benefits:

- Training to personnel in the cadres of supervisors / instructors/ artisans in the coir industry.
- EDPs / Workshops/Seminars on development of the coir industry.

Scheme applicable for:

- Existing and Aspiring Entrepreneurs

21. Interest Subsidy Eligibility Certificate (ISEC)*Objective:*

- To provide funding for khadi programmes undertaken by khadi institutions by mobilizing funds from banking institutions for filling the gap between the actual fund requirements and availability of funds from budgetary sources.

Key Benefits:

- Credit at the concessional rate of interest is made available as per the requirement of the Khadi Institutions (KI) to mobilize additional requirements of funds from the Financial Institutions / Banks.
- The KI is required to pay only 4% interest rate. The difference between the actual Interest charged by the Bank and 4% is borne by the KVIC as “Interest Subsidy”.

Scheme applicable for:

- All Khadi Institutions registered with the KVIC or State Khadi and Village Industries Boards (KVIBs) can avail of financing.

22. Work-Shed Scheme for Khadi Artisans*Objective:*

To facilitate and empower khadi spinners and weavers to chart out a sustainable path for growth, income generation and better work environment.

Key Benefits:

- To provide better ambience by providing a better workplace to artisans to enable them to carry out their spinning and weaving work efficiently.
- To provide more storing and working space for housing slivers, raw material, implements etc.
- To help in improving the efficiency and thereby the production, productivity of spinners, weavers and also to increase their earnings.

Scheme applicable for:

- Khadi/ polyvastra producing Institutions and Khadi Artisans

23. Rojgar Yukt Gaon

Objective:

- Scheme aims towards development of Khadi and creation of sustainable employment opportunities.

Key Benefits:

- To transform socio-economically distressed villages into sustainable and self-reliant Khadi based enterprises.
- To give further motivation to the Khadi Sector, it is proposed to introduce the RYG scheme with an enterprise-led business model for strengthening Khadi Institutions (KIs).

Scheme applicable for:

- New Entrepreneur or Corporate entity with partnership with KIs

24. Mahatma Gandhi Institute for Rural Industrialization (MGIRI)*Objective:*

- To support, upgrade and accelerate the process of Rural Industrialization in the country to move towards the Gandhian vision of sustainable village economy self-sufficient in employment and amenities.

Key Benefits:

- Science and technology Intervention & Innovations for Rural Industries.
- Networking and National/ International Collaboration on R&D and Technology Transfer related to the KVI Sector.
- Skill/ Entrepreneurship Development Training for Enterprise development in the KVI sector.

Scheme applicable for:

- Existing and Aspiring Entrepreneurs

New Schemes available from GOI

1. Pottery Activity under **Gramodyog Vikas Yojana (GVY)** scheme
2. Beekeeping Activity under **Gramodyog Vikas Yojana (GVY)** Scheme
3. Agarbatti Making Project under **Gramodyog Vikas Yojana (GVY)** Scheme
4. Tool Rooms and Technical Institutions - A Component of Infrastructure Development & Capacity Building scheme