

BOLSTERING MSMEs FOR MAKE IN INDIA

WITH SPECIAL
FOCUS ON CSR

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MESSAGE

DR. MAHESH GUPTA

PRESIDENT, PHD CHAMBER

The small and medium sized enterprises (SMEs) play a central role in driving India's economic growth and development at the regional, national and global platforms. The SME sector in India has demonstrated remarkable resilience in the last few years to sustain an annual growth rate of over 10% even in the face of the global and domestic economic slowdown.

The sector plays a pivotal role in employment generation, usage of technology, industrial development across rural regions, use of traditional and inherited skills, mobilization of local resources and has low capital requirements. As more than 65% of population resides in rural and semi rural areas, small businesses are a major source of income for local residents and after agriculture, small businesses in India is the second largest employer of human resource generating over 100 million jobs across the 49 million units in India and contributing 45% to country's manufacturing unit.

During the recent years, the Government has launched various initiatives to improve the ease of doing business and to make Micro, Small and Medium Enterprises more globally competitive. These initiatives include ease of registration of the business in the form of Udyog Aadhaar Memorandum Framework to revive sick MSMEs, promoting innovation in rural entrepreneurship through ASPIRE scheme and Scheme of Fund for regenerating traditional industries (SFURTI) among others.

The Prime Minister's Start Up India initiative announced few months earlier is also an encouraging step for budding entrepreneurs that eases out the start up process from one point online registration, funding provision, patent and legal support, credit guarantee to tax exemptions and so on.

At this juncture, when the Government is highly ambitious towards making India a global manufacturing hub and MSMEs which carry huge potential to drive the economic growth further; we believe that the assimilation of both can make the vision of Make in India initiative a reality, going forward.

I wish all success to the Summit and look forward to fruitful deliberations.





MESSAGE

VISHWA NATH

CHAIRMAN, COMMITTEE ON MSMEs, PHD CHAMBER

MSMEs sector plays a critical role in the growth and development of Indian economy which is majorly attributed to its significant contribution in India's GDP, employment, investments and exports. In the light of its significance, the Government since independence has been focused upon its continuous expansion and progression and thus initiated several initiatives/schemes/measures over a period of time.

However, the sector is still encountered with various major bottlenecks including lack of finance, high operational cost, complicated procedures, lack of awareness, technology obsolescence and so on. All these problems are hindering the sector to grow at its potential rate.

On the other hand, the recent initiative of the Government i.e. Make in India has set high ambition of accelerating manufacturing sector of the country and it is believed that the initiative and its emphasis on increasing the share of manufacturing in the gross domestic product (GDP) from the present 14-15% to 25% by 2022 has the potential to transform the fortunes of the MSME sector, enabling it to scale hitherto unheard-of heights.

At this backdrop, it is imperative to find out novel ways to overcome the problems of MSMEs sector in India so that its potential can be unleashed in the direction of making vision of Make in India a reality.

In this direction, the present study has made an attempt to suggest Corporate Social Responsibility as a strategic tool to address few challenges of MSMEs sector and strengthen it further.

I am quite hopeful that the study will enable the readers to have a new perspective towards the role of corporate social responsibility in Make in India programme of the Government.





FOREWORD

NITIN MANTRI

CHIEF EXECUTIVE OFFICER, AVIAN MEDIA

As India emerges as one of the leading economies globally, Micro, Small and Medium Enterprises (MSMEs) are expected to play a significant role. Even now, the sector employs 100 million people directly or indirectly, producing more than 6,000 products, contributing 37 per cent to manufacturing output and about 40 per cent to exports. Driven by entrepreneurial spirit and innovating skills, MSMEs can be the backbone for high-growth businesses, with both domestic and foreign companies investing in the government's Make in India initiative.

Considering how crucial this sector is for the Indian economy, Avian Media commissioned a research report to understand what ails MSMEs and the steps that can be taken to bolster their growth. As a case study, we investigated the condition of MSMEs in Faridabad and Okhla industrial areas in the Delhi-NCR region. The challenges faced by MSMEs are copious, especially in the areas of availability of skilled labour, retention of employees, supply of raw material, lack of latest technical know-how, access to markets, infrastructure, etc. The sector, overall requires a solution-based approach to reduce the challenges and achieve a steady growth pattern. This study has explored these solutions and concluded that sustainability of the MSME sector is dependent on the underlying soundness of management and investments.

The report has also highlighted the immense scope for the sector to become active partners in the area of Corporate Social Responsibility (CSR), an area which has not been previously explored. MSMEs offer far more sustainable models than NGOs or non-profits, which are dependent on grants and not sustainable. Hence, development of social enterprises for project delivery, as well as planning out a policy on individual CSR execution, will ensure both growth and sustainable social impact for the sector. Their active participation as CSR activity implementers will also go a long way in resolving the internal issues highlighted in this study.

Under the new CSR policy, for all corporates, strategic spending will require the assistance of social sector enterprises, which form a prominent segment of the MSME sector. This sector, therefore, will have to quickly learn to be compliant with these diverse set of requirements. There also needs to be an active campaign and advocacy around this so that MSMEs are seen as viable CSR partners in the long run.





ACKNOWLEDGEMENTS

SAURABH SANYAL

SECRETARY GENERAL, PHD CHAMBER

PHD Research Bureau of PHD Chamber in association with Avian Media has undertaken the study, *Bolstering MSMEs for Make in India: with special focus on CSR*.

The study aims to highlight the several challenges faced by MSMEs situated across Faridabad and Okhla regions and recent initiatives undertaken by the Government to boost up this sector. The study also encompasses a novel suggestion to presume CSR as a strategic tool for addressing various challenges of the sector and contributing in making Make in India a success, going forward.

I thank Mr Nitin Mantri, CEO, Avian Media and Mr Nikhil Khanna, MD, Avian Media for collaborating with PHD Chamber for this study.

We express our sincere thanks to all the experts from the MSMEs industry and other stakeholders for providing their valuable inputs and deep insights while conducting the study.

We commend and appreciate the efforts of PHD Research Bureau led by Dr. S P Sharma, Chief Economist and Ms. Rashmi Taneja, Senior Research Officer, PHD Chamber, for working on this study with Avian Media and bringing this innovative idea for strengthening the crucial sector of the economy. I wish for a successful release of the study.





PREFACE

SHARMISTHA GHOSH

HEAD, CSR AND ADVOCACY PRACTICE, AVIAN MEDIA

Corporate Social Responsibility (CSR) took centre stage with the New Companies Act 2013 that mandated CSR spending of 2% of three-year average annual net profits for select companies. The law has brought in thousands of new corporates for the first time within the CSR fold, creating avenues for sustainable development solutions in the area of environment sustainability, gender equality, skill development, education, art & culture, rural sports, healthcare & sanitation, among others.

Going with the core principle of CSR, every rupee spent needs to be measurable and aligned with the company's business objectives and goals, thus creating sound business value and a positive social change. Hence, there is a need to expand the activities in the Schedule VII of Section 135 of the Companies Act 2013 and look at avenues that will eventually become self-sustainable. Given their structure, we believe small and medium scale enterprises, (MSMEs) which currently contribute nearly 38 percent of the country's GDP, could be important recipients of the CSR funds.

To delve into the core areas where CSR funding can be channelized in the MSMEs space, we conducted a research with select micro, small and medium scale enterprises. The findings highlighted three core need areas – technology and quality upgradation, sustainable raw material and upgrading of staff skills and expanding their capabilities. By contributing CSR resources to these core areas of small-scale enterprises, we will not only improve the overall business environment, but also ensure better job opportunities, better productivity, besides high-quality and sustainable products and services, thereby, meeting the needs of local and global markets. Looking at market linkages, this arrangement will also boost the reputation and market value of the funding company, thus, creating a healthy overarching ecosystem.

This study aims to pro-actively advocate with key stakeholders that MSMEs or SMEs have before them first-hand platforms for enhancing their knowledge, developing their skills, gaining exposure, building their capacities and pooling in resources for sustainability. This would help this entire segment of the economy to unleash their latent potential in the direction of making the vision of Make in India a path-breaking reality in the near future.



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EXECUTIVE SUMMARY

The past few years, especially after the new Government was sworn in has witnessed remarkable changes in the economy in terms of flowing of new ideas, technologies, processes, investments and various initiatives. All these changes are rooted in one major initiative of the Government i.e., Make in India, which aims to facilitate investments, foster innovation, enhance skill development, build world-class infrastructure in the country and make India a global manufacturing hub for the entire world economy.

In Order to pursue these highly ambitious targets, the government has identified various sectors which are to be focused, including automobiles and auto components, food processing, leather and textiles among others. Since, almost all these identified focused sectors are majorly operating under the MSMEs segment of the country, this sector seems to further play a critical role for making the Make in India initiative a success, going further.

However, the study found that the sector is facing various challenges including effective management of resources, stringent conditions of raising finance, lack of skilled manpower, lack of technology upgradation, difficulty in procuring raw material from domestic as well as foreign markets, multiple taxes, lack of quality infrastructure, operational challenges and less focus on research and innovation among others.

In specific terms, the survey conducted for MSMEs situated across Faridabad and Okhla regions of NCR revealed that:

- Around 59% of the employees working in MSMEs are skilled, 21% are on job training, while 20% of employees are reported as unskilled.
- About 42% of the respondent MSMEs conduct skill development training programmes for their employees, of them 69% believe that these structured programmes benefit their organizations in terms of improving know-how, reducing knowledge gaps amongst employees and enhancing their capabilities to handle job responsibilities.
- ITC tools are used by MSMEs across different business verticals such as finance, sales/marketing, supply chain, market research and human resource. Specifically it was found that ITC tools for financial operations was reported to be used the most i.e. 41%, followed by sales (39%), supply chain (34%), market research (21%) and human resource (13%) respectively.

Under the aegis of the Make in India programme, the Government in the past few years has undertaken several

measures to bolster the MSMEs sector of the country including extending the benefits of the existing schemes for MSMEs, launching new policy initiatives to overcome the structural problems of this sector and undertaking sector-specific policy measures so as to provide focused efforts for the development of the key MSMEs sector of the country.

The major existing schemes for developing and strengthening MSMEs include the Procurement Policy which was made mandatory recently, while a few major schemes such as the National Manufacturing Competitiveness Programme (NMCP), Credit Guarantee Scheme for Micro and Small Enterprises, Credit Linked Capital Subsidy Scheme (CLCSS), MSE Cluster Development Programme and Marketing Assistance Scheme remain the focus areas.

Continuing the process of undertaking new schemes for the expansion and progression of the MSMEs sector of the country, the Government has launched various new initiatives including ASPIRE: A Scheme for Promoting Innovation and Rural Entrepreneurship and the Udyog Aadhaar Memorandum (UAM). It has also revamped the existing schemes viz. Scheme of Fund for Regeneration of Traditional Industries: SFURTI, Prime Minister's Employment Generation Programme (PMEGP) etc. Furthermore, a proposal pertaining to a change of definition of MSMEs is to be passed by the Government and a Framework for Revival and Rehabilitation of MSMEs has been notified in the last year.

The Make in India programme while focusing upon fostering manufacturing in the country through foreign as well as domestic investments has launched several initiatives under the ambit of four major components viz. NEW PROCESSES, NEW INFRASTRUCTURE, NEW SECTORS and NEW MINDSET.

Under the New Process component, a number of initiatives have already been undertaken to ease the business environment. Under New Infrastructure, various initiatives are set to be undertaken to develop industrial corridors and smart cities, create world class infrastructure with state-of-the-art technology and high-speed communication. Under New Sectors, the Government of India has identified 25 sectors which carry huge potential to attract investments and generate employment in the economy and under New Mindset, a dedicated cells viz. Investor Facilitation Cell and a dedicated Japan+ Cell have been established in order to act as facilitators to the industry and not as a regulator.

The thrust of the Budget 2017 proposal for Indian industry is also towards the ambitious programme of our Hon'ble Prime Minister - Make in India. This is reflected in the various positive moves which have been announced to promote startups/new companies and MSMEs sector of the country as well as to promote several industrial sector operations in the country.

In the wake of the changing dynamics under the Make in India initiative, whereby several innovative measures are constantly being taken by the Government, we would like to suggest Corporate Social Responsibility as a tool for addressing various long standing problems of the MSMEs in the country. The basis of suggesting Corporate Social Responsibility as a way to eradicate the problems of MSMEs lies in the notification of Section 135 and Schedule VII of the Companies Act 2013 as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules 2014 which came into effect from April 1, 2014. With effect from April 1, 2014, every company, private or public limited, which either has a net worth of Rs 500

crore, a turnover of Rs 1,000 crore or a net profit of Rs 5 crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities.

This has brought small and medium enterprises under the category of spending mandated funds on CSR activities. Furthermore, a few specific Rules of the Companies Act 2013 have opened a window of opportunity for collaborating resources with other companies, undertaking CSR activities pertaining to conducting skill development and rural development projects within the MSMEs local area settings. This also brings in considerable prospects of exposure to new methods/processes/technology/excellence parameters of large enterprises which would enable the SMEs to enhance their capacities and overall productivity. Though this process of enhancing associations between large enterprises and SMEs would be gradual and has to be advocated, we believe that it will generate the desired results in the direction of making Make in India a great success in the coming times.

1 INTRODUCTION - AN OVERVIEW OF INDIA'S CURRENT ECONOMIC SITUATION

The global macroeconomic landscape is currently going through a slowdown and turmoil characterized by the weak growth of world output. The situation has been aggravated by declining prices of a number of commodities, with reduction in crude oil prices being the most visible of them, turbulent financial markets and volatile exchange rates. Nonetheless, India has registered a robust and steady pace of economic growth in the recent times.

The growth of India's GDP at 7.3% in Q3 of FY 2015-16 is inspiring, despite weak global activity which shows that with the recovery in the world economic scenario; there are better growth prospects for the Indian economy in the coming times.

Additionally, the economy's other macroeconomic parameters like Index of Industrial Production (IIP), inflation, fiscal deficit and current account balance are improving. The wholesale price inflation has been in negative territory for more than a year and the all-important consumer prices inflation has declined to nearly half compared to previous years

The cumulative growth of IIP for the period April-December 2015 stands at 3.1% as compared to 2.6% in the corresponding period of the previous year. Driven by the increase in the prices of potato, non-food items and egg, meat and fish, inflation increased to (-) 0.9% (Y-O-Y) for the month of January 2016 as compared to (-) 0.73% (Y-O-Y) for the month of December 2015. The all India general CPI (Combined) for January 2016 stands at 5.69% as compared to 5.61% in December 2015.

India's exports have been registering a negative growth rate for the last fourteen months in a row. On an average country's exports registered a fall of around (-) 16% from December 2014 to January 2016.

The cumulative value of exports for the period April-January 2015-16 is US\$218 billion as against US\$ 264 billion over the same period last year registering a negative growth of around (-)17.6% in Dollar terms. The cumulative value of imports for the period April-January 2015-16 is US\$324.5 billion as against US\$384 billion registering a negative growth of (-) 15.5% over the same period last year.

Growth in agriculture has been poor due to two successive years of less than-normal monsoon rains. Saving and investment rates are showing hardly any signs of revival. The rupee has depreciated vis-à-vis the US dollar but has appreciated against a number of other major currencies. Still there is ample scope for major macro-economic indicators to revive in the coming times.

According to the Economic Survey 2015-16, the Indian economy stands out as a haven of macroeconomic stability, resilience and optimism and can be expected to register GDP growth that could be in the range of 7% to 7.75 % in the coming year. With focus on reforms in key sectors coupled with stable macroeconomic conditions, the above growth prospect for the economy in the next year appears achievable.

The government also presented the Railway Budget 2016-17 which is a pragmatic budget with well-defined strategies and stresses on modernization, employment generation, freight movement, socio-economic welfare and private participation.

The Union Budget presented recently by the Hon'ble Finance Minister, Shri Arun Jaitley, has touched the ground and its focus on rural India would go a long way to generate demand in the economy and give a push to overall growth and development of the country. The nine pillars of the Union Budget viz. agriculture, rural sector, health sector, education skills and job creation, infrastructure and investments, financial sector reforms, governance and ease of business, fiscal discipline, and tax reform to reduce compliance burden will not only fuel economic growth but increase India's competitiveness.

Going ahead, given the focus of the budget on rural sector and infrastructure development, the economy is expected to get a boost in demand especially rural demand which will scale up economic growth in the coming times.

In the light of above developments, India is seen as a bright spot in the global economic system, projected to grow at a robust pace in the times to come. The macro-economy is stable, founded on the government's commitment to fiscal consolidation and low inflation. Sustained growth over the next few decades requires timely implementation of the reforms agenda even though continuing sensitivity to shocks can derail growth, given that the world environment is far from conducive to sustained high growth. If the reforms agenda is implemented effectively at the grassroot level, we should expect to see the economy progressing rapidly with increased presence in the world economic system in the coming times.

Given the realistic and ground-touching budget announced by the Hon'ble Finance Minister, we expect the economy to register high growth of nearly 8% or higher in the coming years.

2 BOLSTERING MSMEs FOR MAKE IN INDIA

In the past few years, especially after the new Government was sworn in, remarkable changes in the economy were witnessed, in terms of flowing of new ideas, technologies, processes, investments and other initiatives. All these changes are rooted in one major initiative of the Government, i.e. 'Make in India' which aims to facilitate investments, foster innovation, enhance skill development, build world-class infrastructure in the country and to make India, a global manufacturing hub for the entire world economy. The Government's approach towards boosting India's manufacturing sector is manifest in the vision statement of the National Manufacturing Policy which is drawn under the ambit of Make in India programme announced in September, 2014. The policy aims at achieving an increase in the manufacturing sector growth rate of up to 12-14% per annum, an increase in the share of manufacturing in the country's Gross Domestic Product from 16% to 25% by 2022 and to create 100 million additional jobs by 2022 in manufacturing sector among others.

In order to pursue these highly ambitious targets, the Government has adopted various policy instruments including

telecommunication equipment, defence equipment and solar energy, and industries where India enjoys a competitive advantage such as automobiles, pharmaceuticals & medical equipment, have been identified for a special impetus and booster.

This is to highlight that almost all of these identified focused sectors are majorly operating under the MSMEs segment and thus we can assess that MSMEs segment of the country is going to play a critical role in the success of the Make in India programme.

Furthermore, the role of MSMEs sector under the Make in India programme can be estimated with its huge potential of producing varied products, generating numerous employment opportunities and making significant contribution in India's manufacturing output and it's GDP. In India, there is a vast network of around 49 million MSME units and the sector generates employment for over 100 million people and produces more than 6000 products. The sector contributes around 38% to India's GDP and around 37% in the manufacturing output of the country.

However, the MSMEs sector despite making significant contribution to India's growth and development, is facing several challenges including (refer Table 1) lack of adequate

TABLE 1: INDIA'S MSME SECTOR

PARTICULARS	CONTRIBUTION
CONTRIBUTION IN GDP	38%
CONTRIBUTION IN MANUFACTURED OUTPUT	37%
CONTRIBUTION IN TOTAL EXPORTS	40%
EMPLOYMENT ^	111.4 MILLION PERSONS
NO. OF MSMEs ^	48.8 MILLION
REGISTERED MSMEs *	1.56 MILLION
UNREGISTERED MSMEs *	1.99 MILLION (96%)
NO. OF PRODUCTS PRODUCED BY MSMEs	>6,000

Source: PHD Research Bureau, compiled from Annual Report 2014-15, Ministry of Micro, Small and Medium Enterprises, Government of India,*Data pertains to Fourth All India Census of MSMEs 2006-07, ^ Data represents projections made by Ministry of Micro, Small and Medium Enterprises, Government of India

identifying and boosting focused sectors and building National Investment and Manufacturing Zones (NIMZ). Various sectors which are to be focused viz. employment-intensive industries - textiles and garments, leather and footwear, gems and jewellery and food processing industries; capital goods industries - machine tools, heavy electrical equipment, heavy transport, earthmoving and mining equipment; industries with strategic significance like aerospace, shipping, IT hardware & electronics,

finance, skilled manpower, marketing support, research, innovation and so on.

There is another big picture that emerges in this scenario. For any company or enterprise, its business activities have a direct and indirect impact on society. A responsible business activity is not only aimed at its stakeholders and consumers, but also needs to contribute to improving the quality of life of the

communities and environment of the economic zone in which it operates through its plants, factories and operational areas. Keeping in view the new CSR guidelines issued by the Government in 2014, corporate social responsibility (CSR) for any organization operating in India has to go beyond its legal obligations and integrate the country's social, environmental and ethical concerns into its business processes. CSR is, therefore, closely linked with the practice of sustainable development. In view of this, it is vital to explore and examine if MSMEs can have a key role to play under the areas listed in Schedule VII of the Companies Act, 2013 as key collaborative and implementing partners. Since most MSMEs are based at state, district and grassroot levels, they are equipped with sound knowledge of ground realities and implementation feasibilities vis-à-vis the business objectives. They can act as effective integrators and facilitators.

At this juncture, it is imperative to address the challenges of the MSMEs sector so that its full potential can be realized in the direction of making 'Make in India' programme successful and to take India in the category of world economic leaders.

2.1 OBJECTIVES OF THE PRESENT STUDY

The present study attempts to know the various initiatives undertaken by the Govt. for MSMEs sector in the wake of the Make in India programme, while identifying the various challenges that the sector has been facing since long and highlighting a few innovative ways to address these with special reference to corporate social responsibility. The specific objectives of the study are:

- To analyse the growth and performance of MSMEs sector in India
- To discuss the policy framework for MSMEs sector in India, with special reference to recent reforms undertaken by the Government
- To identify the various issues and challenges of MSMEs sector in India
- To discuss the role of Corporate Social Responsibility for addressing the challenges of MSMEs sector
- To suggest a few measures to make the MSMEs sector of the country globally competitive, going ahead.

2.2 RESEARCH METHODOLOGY

In the light of the above stated objectives, the following methodology was adopted to draw concrete and meaningful inferences.

2.2.1 DATA COLLECTION

The report takes into consideration both primary and secondary data analysis. The primary data collection comprised of in-depth field survey of the MSMEs through a structured questionnaire and discussion with several stakeholders. Secondary data were collected from the various Government reports viz. Annual Report of MSMEs, Fourth All India Census of MSMEs, journals, magazines and newspapers.

2.2.2 DATA COLLECTION AND ANALYSIS TECHNIQUE

In order to conduct the primary survey, a structured questionnaire was prepared and disseminated amongst 350 MSMEs units across Faridabad and Okhla region and about 125 respondents provided their inputs. The survey was primarily focused on collecting inputs with regard to challenges faced by the MSMEs firms in terms of finance, labour, technology gaps and raw material.

2.2.3 REPORT FORMAT

The entire report is categorized into six sections. Section 1, the introduction, highlights the current economic situation of India; Section 2 highlights the role of MSMEs sector under the Make in India programme and research methodology to conduct the present study; Section 3 discusses the conceptual framework of MSMEs in India; and encompasses the growth and performance analysis of MSMEs sector in India; Section 4 highlights the various policy initiatives undertaken by the Government for strengthening MSMEs sector; Section 5 portrays the various issues and challenges of MSMEs sector in India; Section 6 discuss the role of Corporate Social Responsibility for addressing the challenges of MSMEs sector and Section 7 is a concluding note on measures which are imperative to make MSMEs sector of the country globally competitive, going ahead.

3 MSMEs (MICRO, SMALL AND MEDIUM ENTERPRISES) SECTOR IN INDIA: GROWTH AND PERFORMANCE ANALYSIS

Small scale industrial sector is one of the key segments of Indian economy. Over the past six decades, successive governments have framed several policies to protect the interests of the small-scale industrial sector and facilitate its rapid development. In pursuance of their policies, the sector has resulted in positive results in terms of increase its size, increase its contribution in country's GDP, manufacturing output, employment and exports among others. A brief overview of MSMEs's sector growth and performance analysis is outlined here below :

3.1 DEFINITION OF MSMEs

With the promulgation of the MSMED Act, 2006, the ambit of small scale industries had widened under the nomenclature of Micro, Small and Medium enterprise (MSMEs). The act recognized the concept of "enterprise" to include both manufacturing and services sectors. Both categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery (for manufacturing enterprises) or in equipment (in case of enterprises providing or rendering services). Thus the entire non-agricultural sector of the economy was brought under the coverage of the MSME sector, subject to the revised investment criteria prescribed for defining Micro, Small and Medium Enterprises separately for manufacturing and services sectors.

3.1.1 MANUFACTURING ENTERPRISES

The enterprises engaged in the production of goods pertaining to any industry specified in the First Schedule to the industries (Development and regulation) Act 1951 or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use are taken in the scope of manufacturing enterprises. These enterprises are defined in terms of investment in plant and machinery. Micro enterprises are classified as those with an investment in plant and machinery not exceeding Rs. 25 lakhs, while for small enterprises, it is kept in the range of Rs. 25 lakhs and Rs. 5 crores, and for medium enterprises it is defined with an investment in plant and machinery in the range of Rs. 5 crores and Rs. 10 crores. (refer Table 2)

3.1.2 SERVICE ENTERPRISES

The enterprises engaged in rendering of services and are defined in terms of investment in equipments are specified as service enterprises. These enterprises are defined as micro enterprises where investment in equipments does not exceed Rs. 10 lakhs; small enterprises where investment in equipment falls between Rs. 10 lakhs and Rs. 2 crores and for medium enterprises the investment in equipment falls between Rs. 2 crores and Rs. 5 crores.

TABLE 2 DEFINITION IN ACCORDANCE WITH MSMED ACT, 2006

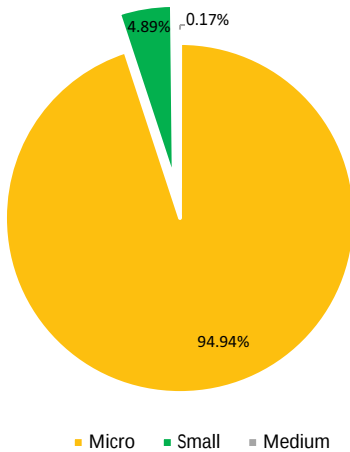
	INVESTMENT CEILING FOR PLANT, MACHINERY OR EQUIPMENTS	
CLASSIFICATION	MANUFACTURING ENTERPRISES	SERVICE ENTERPRISES
MICRO	UP TO RS.25 LAKH	UP TO RS.10 LAKH
SMALL	ABOVE RS.25 LAKH & UP TO RS.5 CRORE	ABOVE RS.10 LAKH & UP TO RS.2 CRORE
MEDIUM	ABOVE RS.5 CRORE & UP TO RS.10 CRORE	ABOVE RS.2 CRORE & UP TO RS.5 CRORE

Source: Ministry of Micro, Small and Medium Enterprises, Annual Report 2014-15

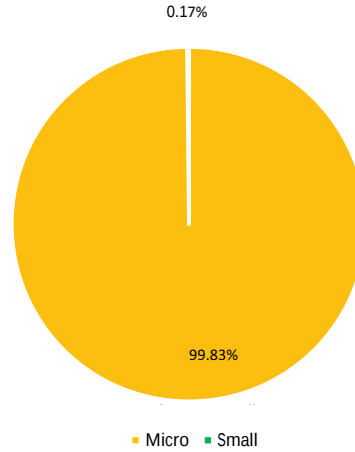
3.2 TYPES OF MSMES

The size of the registered MSMEs in India stands at 15.64 lakh, of which about 94.94% are micro enterprises accounts, 4.89% are small enterprises and 0.17% are medium enterprises. On the other hand, the size of the unregistered MSMEs in India stands at about 199 lakh, of which 99.83% is accounted by micro enterprises and about 0.17% is accounted by small enterprises. Thus, both registered and unregistered MSME sector, are primarily concentrated by micro enterprises in India.

REGISTERED MSMES



UNREGISTERED MSMES



Source: PHD Research Bureau compiled from Ministry of Micro, Small and Medium Enterprises, Annual Report 2014-15

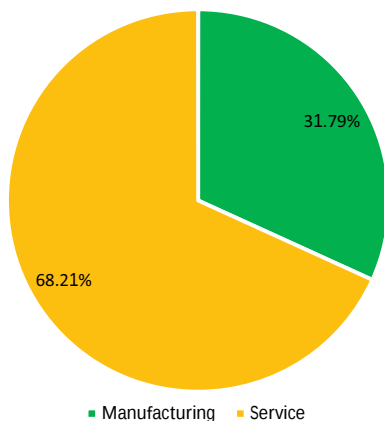
Note: Data represents for registered and unregistered MSME sector for 2006-07

3.3 NATURE OF ACTIVITIES

In India, around 32% of enterprises in the MSME sector are engaged in manufacturing activities, whereas 68% of enterprises are engaged in providing varied services. The major products which are produced by MSMEs in India are pertained to automotive, gems and jewellery, textile, leather, cosmetics, engineering, electronics, machinery and information technology industries among others. Specifically, food products and beverages, apparel, textiles, metal products with about 9 million firms and 21 million employees constitute the highest share of manufacturing MSMEs.

In the present scenario, MSMEs are also engaged in providing numerous services viz. education, hospitality, transportation, health, courier, telecommunication etc. The service industry in which most of the MSMEs are engaged is sale (retail and wholesale), maintenance and repair of household and industrial products; which comprises 16.3 million MSMEs and around 29 million employees. Overall, it is apparent that MSMEs in India are more occupied in the service sector as against manufacturing sector.

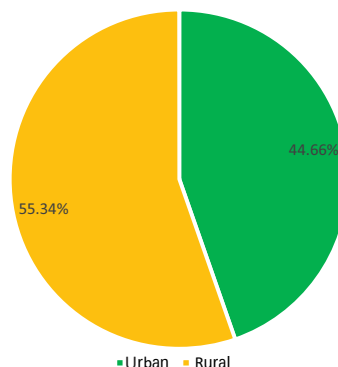
ACTIVITY-WISE- MSMES



Source: PHD Research Bureau compiled from Ministry of Micro, Small and Medium Enterprises, Annual Report 2014-15

3.4 RURAL VS URBAN MSMES

Rural areas with 20.19 million MSMEs account for around 55% of the total enterprises and urban areas with 16.01 million MSMEs account for around 45% of the total enterprises in the MSME sector. Thus, despite the acute problems of deficient infrastructure, inadequate information, insufficient finance etc. in the rural areas, MSMEs are located more in the rural areas as compared to the urban areas.



Source: PHD Research Bureau compiled from Ministry of Micro, Small and Medium Enterprises, Annual Report 2014-15

3.5 KINDS OF ORGANIZATIONS

With regard to ownership of enterprises within the MSME sector, 94.41% of the enterprises are proprietary, 1.18% of the enterprises are partnerships and 0.14% of the enterprises are private companies. The rest of the enterprises are owned by public limited companies, co-operatives/ trusts or others. Since, proprietary firms account for the maximum proportion of the MSMEs, therefore, this tilts the MSME sector primarily towards the micro enterprises.

TYPE OF ORGANISATIONS (NUMBERS IN LAKHS)

PROPRIETARY	341.54 (94.41%)
PARTNERSHIP	4.28 (1.18%)
PVT. COMPANY	0.49 (0.14%)
CO-OPERATIVES	1.21 (0.33%)
OTHERS	8.09 (2.24%)
NOT RECORDED	6.15 (1.7%)

Source: PHD Research Bureau compiled from Ministry of Micro, Small and Medium Enterprises, Annual Report 2014-15

3.6 OVERALL PERFORMANCE OF MSMEs IN INDIA

The MSMEs sector in India has experienced noteworthy developments over a period of time in terms of no. of working enterprises, gross output, employment and exports. There were only 10 million working small scale enterprises in 2001-02 which increased to around 36 million in 2007-08 and to around 48 million MSMEs in 2013-14. The gross output of MSMEs manufacturing sector escalated from around Rs. 2 lakh crores in 2001-02 to Rs. 18 lakh crores in 2012-13, registering a compound annual growth rate (CAGR) of 17%. There is also a big jump in the growth of employment in the MSMEs sector. There were around 24 million people who were employed in the MSME sector in 2001-02 which is estimated to increase to about 111 million people in 2013-14. Exports from the MSME sector grew three fold from Rs. 71 thousand crores in 2001-02, to around Rs. 2 lakh crores in 2007-08. Thus, the overall performance of MSMEs sector in the country has been quite encouraging and positive. (refer Table 3)

TABLE 3 GROWTH TRENDS OF MSMEs SECTOR IN INDIA

YEAR	NO. OF WORKING ENTERPRISES (IN LAKHS)	CHANGE IN % (YOY)	GROSS OUTPUT OF MSMEs MANUFACTURING SECTOR (RS CRORE)	CHANGE IN % (YOY)	EMPLOYMENT (IN LAKH)	CHANGE IN % (YOY)	EXPORTS (IN RS. CRORES)	CHANGE IN % (YOY)
2001-02	105.21		282270		249.33		71244	2.07
2002-03	109.49	4.07	314850	11.54	260.21	4.36	86013	20.73
2003-04	113.95	4.07	364547	15.78	271.42	4.31	97644	13.52
2004-05	118.59	4.03	429796	17.90	282.57	4.11	124417	27.42
2005-06	123.42	4.12	497842	15.83	294.91	4.37	150242	20.76
2006-07	361.76*	193.11	1198818	140.8	805.23	173.04	182538	21.50
2007-08#	377.37	4.32	1322777	10.34	842	4.57	202017	10.67
2008-09#	393.7	4.33	1375589	3.99	880.84	4.61	N/A	N/A
2009-10#	410.80	4.34	1488352	8.20	921.79	4.65	N/A	N/A
2010-11#	428.73	4.36	1653622	11.1	965.69	4.76	N/A	N/A
2011-12#	447.64	4.41	1788584	8.16	1011.69	4.76	N/A	N/A
2012-13#	447.54	-0.02	1809976	1.20	1061.40	4.91	N/A	N/A
2013-14#	488.46	9.14	N/A		1114.29	4.98	N/A	N/A

Source: PHD Research Bureau, compiled from various Annual Reports, Ministry of Micro, Small and Medium Enterprises

projected figures for no. of working enterprises & employment

4 MAKE IN INDIA & POLICY INITIATIVES TO BOLSTER THE MSMEs SECTOR

In the wake of the Make in India programme, the Government in the past few years has undertaken several measures to bolster MSMEs sector of the country, including, extending the benefits of the existing crucial schemes for MSMEs, launching new policy initiatives to overcome the structural problems of the MSMEs sector and undertaking sector-specific policy measures so as to provide focused efforts for their development. A brief summary of the policy measures/initiatives/schemes undertaken by the Government is described below to highlight the Government's positive, ambitious and progressive approach for the growth of the MSMEs sector.

Firstly, a few major policies which have been in existence since long are discussed here below:

4.1 EXISTING MAJOR SCHEMES FOR MSMEs

Procurement Policy was made mandatory - The Government of India notified the Public Procurement Policy for MSEs, vide Order dated 23.3.2012 (effective from 1st April, 2012), for goods produced and services rendered by Micro & Small Enterprises (MSEs). The policy mandates that all the Central Ministries / Departments / CPSUs shall procure minimum of 20% of their annual value of goods / services required by them from Micro and Small Enterprises. Further, the policy has earmarked a sub-target of 4% procurement out of this 20% from MSEs owned by SC / ST Entrepreneurs. The policy was made mandatory with effect from 1.4.2015.

Constant focus on National Manufacturing Competitiveness Programme (NMCP) - With a view to build the capacity of the Indian micro, small and medium manufacturing enterprises for overcoming competition in the global markets and facing challenges being posed by the entry of the multi-nationals, the M/o MSME is implementing the National Manufacturing Competitiveness Programme (NMCP). The objective of NMCP is to ensure healthy growth of the MSME Manufacturing Sector. There are eight components of NMCP which address the entire gamut of manufacturing in the sector:

- Support for Entrepreneurial and Managerial Development of SMEs through Incubator (INCUBATOR)
- Building Awareness on Intellectual Property Rights (IPRs)
- National Programme for Application of Lean Manufacturing

(LEAN)

- Enabling Manufacturing Sector to be Competitive through Quality Management Standards and Quality Technology Tools (QMS/QTT)
- Technology Upgradation and Quality Certification Support to SMEs (TEQUP)
- Marketing Assistance for SMEs and Technology Upgradation Activities (MARKETING)
- Design Clinic Scheme to bring Design expertise to the Manufacturing Sector (DESIGN)
- Promotion of ICT in Indian Manufacturing Sector (ICT)

Credit Guarantee Scheme for Micro and Small Enterprises

-The objective of the scheme is to make available credit to SSI units, particularly tiny units, for loans up to Rs. 100 lakh without collateral/ third party guarantees. The Scheme covers collateral free credit facility (term loan and/ or working capital) extended by eligible lending institutions to new and existing micro and small enterprises up to Rs. 100 lakh per borrowing unit.

Credit-linked Capital Subsidy Scheme (CLCSS) - CLCSS scheme aims at facilitating technology upgradation of small scale industries, including tiny, agro and rural industrial units, by providing 15% upfront capital subsidy institutional finance availed by them for induction of well-established and improved technology in specified sub- sectors/products approved under the Scheme.

Focus on spreading MSE Cluster Development Programme -

The Micro and Small Enterprises – Cluster Development Programme (MSME-CDP) is being implemented for holistic and integrated development of micro and small enterprises in clusters. The scheme envisages soft interventions i.e diagnostic studies, hard interventions i.e setting up of CFCs and Infrastructure Development in the new/ existing industrial estates. A cluster is a group of enterprises located within an identifiable and as far as practicable, contiguous area and producing same/similar products/services. A total of 965 interventions in various clusters spread over 29 States and 1 UT in the country have so far been taken under the programme for Diagnostic Study, Soft Interventions and Hard Interventions. The efforts under the scheme are focused on covering more and more clusters from all the States / UTs.

Performance & Credit Rating Scheme -The main objective of the scheme is to provide a trusted third party opinion on the

capabilities and creditworthiness of the MSEs so as to create awareness amongst them about the strengths and weakness of their existing operations. Rating under the scheme is being carried out through empanelled rating agencies i.e. CRISIL, CARE, ONICRA, SMERA, ICRA and Brickwork India Ratings. Under this Scheme, rating fee payable by the micro & small enterprises is subsidized for the first year only and that is subject to a maximum of 75% of the fee or Rs.40000/-, whichever is less.

Marketing Assistance Scheme - The main objectives of the scheme is to enhance the marketing competitiveness of MSMEs; to provide them a platform for interaction with the individual/institutional buyers; to update them with prevalent market scenario and to provide them with a forum for redressing their problems. MSMEs are supported under the Scheme for capturing the new market opportunities through organising/ participating in various domestic & international exhibitions/ trade fairs, buyer-seller meets, intensive-campaigns and other marketing events.

International Cooperation (IC) Scheme -Technology infusion and/or upgradation of the Indian micro, small and medium enterprises (MSMEs), their modernisation and promotion of their exports are the principal objectives of assistance under the Scheme. The Scheme would cover the following activities : (a) Deputation of MSME business delegations to other countries for exploring new areas of technology infusion/upgradation, facilitating joint ventures, improving market of MSMEs products, foreign collaborations, etc; (b) Participation by Indian MSMEs in international exhibitions, trade fairs and buyer-seller meets in foreign countries as well as in India, in which there is international participation; (c) Holding international conferences and seminars on topics and themes of interest to the MSME.

Prime Minister's Employment Generation Programme (PMEGP) - PMEGP is a credit-linked subsidy scheme for setting up new self-employment ventures/ projects/ micro-enterprises to generate employment opportunities in rural as well as urban areas of the country. The other objective is to bring together widely dispersed traditional artisans/rural and urban unemployed youth and give them self-employment opportunities to the extent possible, at their place so as to help arrest migration of rural youth to urban areas. The assistance is provided in the form of subsidy upto 25% (35% for special category) of the project cost in rural areas while it is 15% (25% for special category) for urban areas.

Scheme of Fund for Regeneration of Traditional Industries (SFURTI) - With a view to making the traditional industries more productive and competitive and facilitating their sustainable development, the Govt. of India announced setting up of a fund

for regeneration of traditional industries. Funding for the cluster varies from Rs.1.5 crore to Rs.8 crore in view of the size and scale of the project.

Market Development Assistance Scheme for Khadi & Polyvastra - Under MDA, financial assistance in the form of production incentive is provided to khadi institutions @ 20% of the value of production of khadi and polyvastra, to be shared among artisans, producing institutions and selling institutions in the ratio 25:30:45.

Interest Subsidy Eligibility Certificate for Khadi and Polyvastra- The ISEC scheme is applicable for all registered institutions under KVIC / State KVIBs. The quantum of subsidy shall be limited to the difference between the actual rate of interest charged by the financing institutions and 4 (four) per cent to be borne by the borrower.

4.2 RECENT INITIATIVES OF THE GOVERNMENT FOR MSMEs

During the recent years, the Government has launched various initiatives to improve the ease of doing business and to make Micro, Small and Medium Enterprises more globally competitive. These initiatives include ease of registration of the business in the form of Udyog Aadhaar Memorandum, Framework to revive sick MSMEs, promoting innovation in rural entrepreneurship through ASPIRE scheme and earmarking a fund for regenerating traditional industries. A few of the initiatives launched recently are briefly discussed here below:

ASPIRE: A Scheme for Promoting Innovation and Rural Entrepreneurship

- A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship was launched by the Ministry on 18.3.2015. The scheme was formulated to set up a network of technology centres and to set up incubation centres to accelerate entrepreneurship and also to promote start-ups for innovation and entrepreneurship in agro -industry. The important components of the scheme is to set up Livelihood Business Incubators (LBI), Technology Business Incubators (TBI) at twin levels (supporting existing incubation centres, new incubation centres) and create a framework for start-up promotion through Small Industries Development Bank of India MSME at a GLANCE 32 (SIDBI) by using innovative means of finance like Equity, Quasi-Equity, Angel fund, Venture capital fund, Impact funds, Challenge funds etc. The financial support under LBI is up to Rs. 1 crore for NSIC & others and Rs.50 lakh for PPP incubators. For setting up of TBI, the assistance is Rs. 30 lakh for existing and Rs. 1 Crore for new incubators. Other financial support includes funds for incubation of ideas @ Rs.3 lakh per idea and a seed capital of Rs.1 Crore for setting up of

start-ups by the incubators. Under the scheme, 500 new incubation centres will be set up all over India by next year.

Revamped Scheme of Fund for Regeneration of Traditional Industries: SFURTI - For the traditional and village industries, the new Government has significantly enhanced allocation and revamped the ongoing Scheme of Fund for Regeneration of Traditional Industries (SFURTI), to achieve better and more intensive coverage with professional/expert inputs. A special component plan to support 100 Khadi institutions and Self Help Groups in the Border, Hill and Left Wing Extremism affected areas has been sanctioned at a cost of Rs.76 crore.

New Initiatives under PMEGP:

- In order to expand the scope of PMEGP, the negative list of PMEGP Guidelines has been modified. Under the Modified Guidelines, the following activities have now been allowed: a. Industries such as processing of pashmina wool and other products such as hand spinning and hand weaving. b. All rural and urban transport activities. c. Value added Products for Tea, coffee, rubber etc., sericulture, horticulture and floriculture.
- To bring in transparency in the implementation of PMEGP scheme as well as to create data base of PMEGP beneficiaries, e-tracking of PMEGP applications has been introduced.
- The PMEGP and REGP units have been enabled to register online for filing Entrepreneurship Memorandum (EM-1) Application for industrial land application for credit, pollution clearance etc. so that the entrepreneurs can obtain the benefits under the EM-1 of Ministry of MSME.
- MoU with RSETI to impart EDP training: KVIC has executed aMoU on 20th February 2015 with National Association of RSETI (Rural Self Employment Training Institutes) to impart EDP training through the 578 training centres of RSETI/RUDSETI under PMEGP.

Technology Centre Systems Programmes – In a change of definition of MSMEs Under Technology Centre System Programme(TCSP), 15 New Technology Centres (Tool Rooms) would be set up and existing Tool Rooms would be upgraded with the support of World Bank. The expanded and upgraded network would be supplied by (a) Technology partners to strengthen technical capabilities of MSMEs (b) Clusters Network Managers to establish linkages amongst all key stakeholders of the entire ecosystem and (c) National portal for creating a vibrant and interactive platform to meet various needs of MSMEs. Loan Agreement between GOI and World Bank has been signed on 10.11.2014 and the loan has become effective w.e.f. 19.12.2014. Locations have been identified at 9 states and a total of 150 acres of land has been taken possession of at 9 places.

Change of definition of MSMEs - The Cabinet, in its meeting held on 25.3.2015 approved the proposal of this Ministry for introduction of a Bill, namely, Micro, Small and Medium Enterprises Development (Amendment) Bill 2015 in Parliament to amend the Micro, Small and Medium Enterprises Development Act 2006. The objective of the proposed amendments are to (i) enhance the existing limit for investment in plant and machinery, considering changes in price index and cost of inputs consistent with the emerging role of the MSMEs in various Global Value Chains (ii) include in such classification, the micro or tiny enterprises or the village enterprises, as part of medium enterprises apart from small enterprises so as to enable the aforesaid category of enterprises to avail the benefits and become competitive, and (iii) empower the Central Government to revise the existing limit for investment, by notification, considering the inflation and dynamic market situation. Steps have been taken to introduce the Bill in Parliament.

Udyog Aadhaar Memorandum (UAM) - The Government in September 2015 under the MSME Development Act, 2006 has notified that every unit shall file an Udyog Aadhaar Memorandum (UAM). This is a path breaking step to promote the ease-of-doing-business for MSMEs in India as the UAM replaces the filing of Entrepreneurs' Memorandum (EM part-I & II) with the respective States/UTs. While some of the States/UTs had made the process online, either by themselves or through the portal created by this Ministry, several States/ UTs were still relying on the manual way of filing EM. The cumbersome filing of EM has now been dispensed with and the entrepreneurs in the MSME sector just need to file online to instantly get a unique Udyog Aadhaar Number (UAN). The information sought is on self-certification basis and no supporting documents are required at the time of online filing of UAM.

Framework for Revival and Rehabilitation of MSMEs - The existing mechanism for addressing revival, rehabilitation and exit of small enterprises is very weak in the country. The most recent Doing Business (DB) Report ranks India 137 out of the 189 economies for resolving insolvencies. It notes that resolving insolvency takes 4.3 years on average and costs 9.0% of the debtor's estate, with the most likely outcome being that the company will be sold as piecemeal sale. Pending a detailed revision of the legal framework for resolving insolvency/bankruptcy, there was a felt need for special dispensation for revival and exit of MSMEs. The MSMEs facing insolvency/bankruptcy need to be provided legal opportunities to revive their units. This could be through a scheme for re-organization and rehabilitation, which balances the interests of the creditors and debtors. A Framework for Revival and Rehabilitation of MSMEs has thus been notified in May 2015

under Section 9 of the Micro, Small and Medium Enterprises Development Act, 2006. The salient features of the same are as follows:

- Identification of incipient stress
- Committees for Distressed Micro, Small and Medium Enterprises
- Corrective Action Plan (CAP) by the Committee with various Options
- Restructuring Process
- Prudential Norms on Asset Classification and Provisioning
- Identification of Willful Defaulters and Non-Cooperative Borrowers

District Industry Profile and Skill Mapping - MSME-DIs, have compiled a brief industrial profile of each district of the country, which contains the details of resources as well as the industrial set-ups in the respective districts. Efforts are being made to update the District Industrial Profiles. On this basis, District Industrial Profiles of 658 districts we have also been compiled with district-wise Skill Development Needs.

Digital Initiatives - A few digital initiatives have been launched in the direction of improving ease of doing business, enhancing efficiency and promoting MSMEs. This includes e-Office in the Ministry of MSME, Aadhar Based Attendance, Social Media, Mobile Friendly Website, Web portal for MSME Naukri and Web portal for MSME Shopping.

4.3 MAKE IN INDIA INITIATIVES VIS-À-VIS MSMES SECTOR

The Make in India programme in addition to fostering manufacturing in the country through foreign as well as domestic investments has launched several other initiatives to attract more and more investments in the Indian industrial sector. Since the MSMEs sector comprises of over 90% of the entire industrial sector in the country, the sector is going to be benefited in many ways in terms of more investments, technology, employment, a hassle-free business environment and ultimately enhanced manufacturing activities.

In this direction, the Make in India programme comprises of four major components, which have been framed to overcome the structural bottlenecks of the industrial sector of the country. These include infrastructural gaps, rigid labour reforms processes, complicated business environment; lack of new business opportunities and the need to facilitate the business sector to make new investments across national and

international markets. All these components encompass various initiatives which are briefly described here below:

New Processes: 'Make in India' recognizes the 'ease of doing business' as the single most important factor to promote entrepreneurship and to make the environment conducive for doing business. A number of initiatives have already been undertaken to ease the overall business environment. A few of these are described as follows:

The process of applying for Industrial License (IL) and Industrial Entrepreneur Memorandum (IEM) has been made online.

- Consent to establish/NOC no longer required for new electricity connections
- Documents reduced from 7 to 3 for exports and imports
- Option to obtain company name and DIN at the time of incorporation
- Online application process for environmental and forest clearances
- 14 government services delivered via eBiz, a single-window online portal, Through eBiz portal, a business user can fill the e-Forms online/offline, upload the attachments and make payment
- New initiatives on Labour reforms that include a Unified online portal (Shram Suvidha) for: Registration of Labour Identification Number (LIN), Submission of returns, Grievance redressal, Combined returns under 8 labour laws, Online portals for Employees State Insurance Corporation (ESIC) and Employees Provident Fund Organization (EPFO)
- In order to promote research and innovations in the industrial sector, the Indian government has taken several initiatives to create a conducive environment for the protection of intellectual property rights of innovators and creators by bringing about changes at legislative and policy level. This includes e-filing of applications, incentives for online filing, concessions for MSMEs for filing an application and so on. Concession for MSMEs implies that applicants belonging to the category of micro, small and medium enterprises (SMEs) are required to pay only 50% of the fee payable by other entities. The objective is to encourage the MSMEs to protect their knowledge assets. This facility can be availed equally by foreign applicants.

New Infrastructure – The Government intends to develop industrial corridors and smart cities, create world class infrastructure with state-of-the-art technology and high-speed communication. Innovation and research activities are supported through a fast paced registration system and improved infrastructure for IPR registration. The requirement

of skills for the industry are to be identified and accordingly, the development of workforce needs to be taken up.

- To provide impetus to develop industrial corridors and smart cities, approval has been accorded to 17 National Investment and Manufacturing zones (NIMZ). NIMZ is a combination of production units, public utilities, logistics, residential areas and administrative services. It would have a processing area, where manufacturing facilities, along with associated logistics and other services and required infrastructure will be located, and a non-processing area, to include residential, commercial and other social and institutional infrastructure.
- The Government of India is developing the Delhi-Mumbai Industrial Corridor (DMIC) as a global manufacturing and investment destination utilizing the 1,483 km-long, high-capacity western Dedicated Railway Freight Corridor (DFC) as the backbone.
- Other four corridors planned include Bengaluru Mumbai Economic Corridor (BMEC); Amritsar - Kolkata Industrial Development Corridor (AKIC); Chennai Bengaluru Industrial Corridor (CBIC), East Coast Economic Corridor (ECEC) with Chennai Vizag Industrial Corridor as the first phase of the project (CVIC).

New Sectors: The Make in India programme aims at promoting India as an important investment destination and a global hub for manufacturing, therefore the Government of India has identified 25 sectors which carry huge potential to attract investments and generate employment in the economy. These sectors are: (refer Table 4)

This is to highlight that almost of all these sectors viz. auto components, food processing, leather, textiles & garments are operating as MSMEs in the country, thus the various initiatives undertaken by the Government for providing impetus to specific sectors are expected to boost up manufacturing activities in these sectors. Key initiatives undertaken by the government are highlighted below :

- 100% Foreign Direct Investment (FDI) is allowed under the automatic route in the auto components sector, subject to all the applicable regulations and laws.
- Foreign Direct Investment (FDI) up to 100% is permitted through the automatic route for Greenfield and through the government route for brownfield, for pharmaceuticals.
- 100% FDI is permitted in the automatic route for most food products.
- 100% Foreign Direct Investment is permitted through the automatic route in leather sector
- 100% FDI is allowed under the automatic route in the textile sector;
- Amended Technology Upgradation Fund Scheme for Textiles industry (ATUFS) is approved give a boost to "Make in India" in the textiles sector. A budget provision of Rs.17,822 crore has been approved, of which Rs. 12,671 crore is for committed liabilities under the ongoing scheme, and Rs. 5,151 crore is for new cases under ATUFS.

New Mindset: In order to partner with industry in the economic development of the country Government shall act as a facilitator and not a regulator.

- Investor Facilitation Cell established
- Dedicated Japan + Cell established

TABLE 4 - 25 SECTORS IDENTIFIED BY THE GOVERNMENT UNDER MAKE IN INDIA

AUTOMOBILE	CONSTRUCTION	IT AND BPM	PHARMACEUTICALS	SPACE
AUTO COMPONENTS	DEFENCE	LEATHER	PORTS AND SHIPPING	TEXTILES & GARMENTS
AVIATION	ELECTRICAL MACHINERY	MEDIA	RAILWAYS	THERMAL POWER
BIOTECHNOLOGY	ELECTRONIC SYSTEM	MINING	RENEWABLE ENERGY	TOURISM & HOSPITALITY
CHEMICALS	FOOD PROCESSING	OIL AND GAS	ROADS & HIGHWAYS	WELLNESS

4.4 BUDGET – 2016-17 ANNOUNCEMENTS WITH REFERENCE TO MSMES/NEW COMPANIES/START-UPS

The thrust of the Budget 2017 proposal for the Indian industry underlies the ambitious programme of our Hon'ble Prime Minister's 'Make in India' initiative. This is reflected in various

positive moves which have been announced to promote startups/new companies to foster the MSMEs sector of the country and to promote several industrial sectors operations. A few announcements are highlighted here below:

BUDGET – 2016-17 HIGHLIGHTS

- For MSMEs, turnover limit under Presumptive taxation scheme under Section 44 AD of the Income Tax Act is increased to 2 crores to bring big relief to a large number of assesseees in the MSME category; the presumptive taxation scheme is extended with profit deemed to be 50% to professionals with gross receipts up to Rs. 50 lakh.
- New manufacturing companies incorporated on or after 1.3.2016 to be given an option to be taxed at 25% + surcharge and cess, provided they do not claim profit-linked or investment-linked deductions and do not avail of investment allowances and accelerated depreciation.
- Corporate tax rate for small companies having turnover less than Rs. 5 crore is reduced to 29% plus surcharge and cess.
- New startups involving innovation development, set up before April 1, 2019 proposed to be provided with 100% deduction of profits for 3 out of 5 years. However, MAT would be applicable.

All these policy initiatives/schemes/measures undertaken by the Government over a period of time and especially under the ambit of Make in India, if implemented effectively, can be a game changer for the MSMEs sector. This would also enable

the Government to make the Indian economy a manufacturing hub and help in its growth as one of the major economic leaders in the world economy eventually.

5 CHALLENGES FACED BY MSMEs IN FARIDABAD AND OKHLA REGIONS

This section attempts to analyse and discuss the issues faced by the MSMEs of the regional clusters of Faridabad and Okhla, NCR. The two clusters are strong in the manufacturing of auto components, light engineering, plastics, medical devices and surgicals, among others.

5.1 LACK OF ADEQUATE AND TIMELY FINANCE

Finance is a vital component for any business unit irrespective of size and ownership structure. However, the survey revealed that majority of MSMEs face several challenges pertaining to raising adequate and timely funds for initiating their projects. In this regard, the survey revealed several facts pertaining to the responsiveness of the Government channels towards the needs of MSMEs, responsiveness of banks towards the financial requirements of MSMEs, administration and procedural requirements for raising finance etc.

Key survey findings are highlighted as below:

- ★ Majority of the respondents reported that the Government and banks both are responsive to the needs of MSMEs and have a clear vision towards expanding the MSME sector, while lack of adequate and timely finance is still a major constraint which limits their rapid growth and development.
- ★ All respondents across varied sectors unanimously responded that they rely heavily on bank loans to meet their financial requirements. However, they reported that they are also dependent on local money lenders to meet their day to day capital requirements.
- ★ Respondents highlighted that young (established for less than 10 years) and very old firms (established for over 35 years) tend to rely upon lower proportions of long-term credit as compared to middle-aged firms (22-28 years).

Commercial banks are reported to be the most important source of finance, while non-banking financial institutions are relatively less accessed.

- ★ A large number of MSMEs opined that on an average, they obtain finance from different sources such as banks, financial institutions etc. within 45-60 days.

Middle-aged units (in the vicinity of 18-20 years) believe that banks do not prefer to entertain loan requests filed by MSMEs which have been in existence for less than three years.

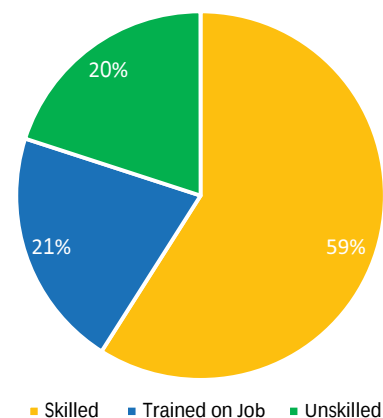
- ★ Collateral conditions are reported as a major hurdle for MSMEs to raise funds from the banks, as the units cannot provide desired information on their financial state and prove their profitability of projects.
- ★ Complex and time consuming banking procedures are also reported as major obstacles for raising funds from the banks and financial institutes.
- ★ MSMEs are not much aware about the Government policies/scheme that facilitate bank credit to the small scale sector.

5.2 LACK OF SKILLED MANPOWER

Skilled manpower is very crucial for a competitive sector such as MSMEs. Pertaining to this aspect, following findings are observed while doing survey of MSMEs in Okhla and Faridabad region:

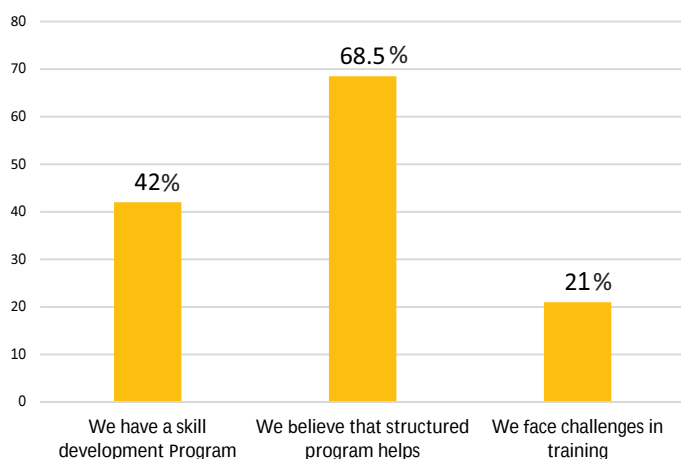
- ★ Lack of skilled manpower is observed as a one of the key hurdles in the development of the MSMEs sector in the region,
- ★ Furthermore, retaining and managing the existing skilled manpower is quite challenging as skilled people are usually attracted by large enterprises with high salary scales and other financial and non-financial benefits.
- ★ Pertaining to the proportion of skilled and unskilled employees in MSMEs, the survey found that, around 59% of the employees working in MSMEs are skilled, 21% are on job training, while 20% of employees are reported as unskilled.

SKILLED VIS-À-VIS UNSKILLED EMPLOYEES



- ★ Respondents stated that a large number of employees when they join work are relatively unskilled and have to be provided with a training programme to equip them with the necessary skills.
- ★ Pertaining to conducting the training programmes by the MSMEs sector, a few aspects were explored while doing this survey. These were:
 - ★ Do MSMEs in the specified region conduct any kind of structured skill development training programme?
 - ★ Do MSMEs believe that structured training benefits their organization in enhancing their productivity and competitiveness?
 - ★ Do MSMEs face any challenges while conducting these skill development training programmes?

MSMES RESPONSIVENESS TOWARDS CONDUCTING SKILL DEVELOPMENT TRAINING PROGRAMMES

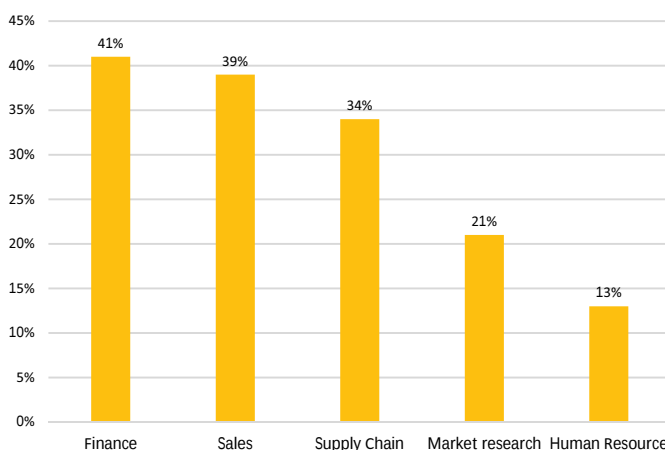


- The survey found that about 42% of the respondent MSMEs conduct skill development training programmes for their employees, of them 69% believe that these structured programmes benefits their organization in terms of improving know-how, reducing knowledge gaps amongst employees and enhancing their capabilities to handle the job responsibility in a better way. 21% of the MSMEs reported that they faced challenges while conducting skill development training programmes in terms of resistance from the employees, absenteeism and lack of adequate resources for conducting the programmes.

5.3 USE OF TECHNOLOGY

In the present scenario, enhancing competitiveness has become indispensable for surviving in the global marketplace. This can be attained by infusing advanced technology which can lead to substantial reduction in cost of manufacturing by enhancing labour productivity, reducing material wastage and minimising energy consumption. In the light of the importance of technology for the MSMEs sector, an attempt was made to know and analyse the degree of adoption/usage of technology by MSMEs units in Faridabad and Okhla regions and its results in terms of their business performance.

USE OF ITC TOOLS BY MSMES

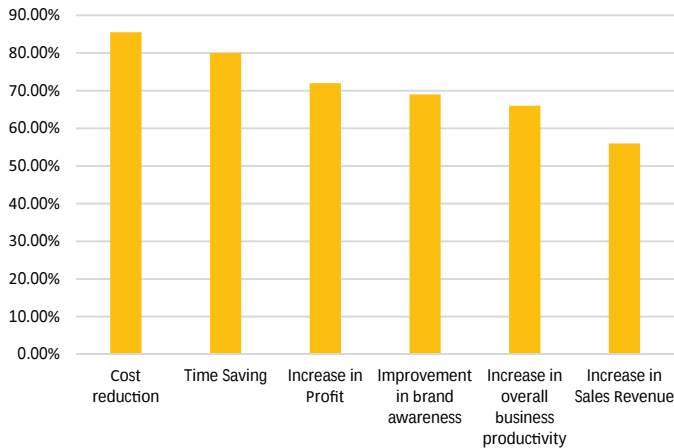


The survey found the following results :

- ★ ITC tools are used by MSMEs across different business verticals such as finance, sales/marketing, supply chain, market research and human resource. Specifically it was found that ITC tools for financial operations was reported to be used the most i.e. 41%, followed by sales (39%), supply chain (34%), market research (21%) and human resource (13%) respectively.
- ★ Revelations related with the objective of understanding how technology users have benefited, is represented in figure 6. It can be inferred from the chart that technology users have been largely benefitted by its adoption.
- ★ 85.5% of the respondents reported that ITC tools resulted in reducing cost of business operations in their enterprises, 80% of the respondents stated that technology saves time, 72% of respondents agreed to have experienced improvement in profit and inventory control. While over 60% of the respondents reported improvement in inventory control, brand awareness, business partnership and overall business productivity. 56% of the respondents agreed to have experienced technology for increase in sales revenue.

- ★ Few of the respondents reported that they could not use technology in their business because of lack of funds and adequate knowledge.

**MSMES BUSINESS PERFORMANCES
POST USE OF ITC TOOLS**



5.4 CHALLENGES RELATED TO SOURCING OF RAW MATERIALS

Continued and reliable supply of raw materials is crucial for uninterrupted production processes in business. During the survey, the following facts were found relating to procuring raw material by MSMEs.

Problems in procuring inputs from the domestic market

- ★ During the survey, almost all respondents collectively opined that unavailability of appropriate transportation is a major roadblock in procuring inputs from the domestic market.

- ★ With regard to procuring inputs from different States, high inter-states taxes are reported as a major challenge. Because these taxes increase the tax burden of the enterprises and finally the cost of the production for the MSMEs.

- ★ A large number of the MSMEs opined that other problems viz. higher prices and inadequate quantity of inputs are also obstructing their process of obtaining inputs across the domestic markets.

Problems in procuring inputs from the foreign markets

- ★ According to the survey, almost all the MSMEs across the sectors opined that informational barriers such as limited information to locate new markets, opportunities, prospective business partners impacts the process of obtaining inputs from foreign markets.

- ★ They added that lack of accessibility to an established network of railways, waterways, roadways and airways and proper established channels of telecommunication adversely

affect their process of procuring inputs from the foreign market.

- ★ In addition, they opined that stringent domestic rules and regulations, currency fluctuations, unfamiliarity with business practices impact their well-timed delivery of raw materials from abroad.

- ★ Almost all the respondents felt that barriers associated with the cumbersome custom procedures pertaining to documentation, inspection and clearances affect the timely delivery of acquiring inputs from abroad.

- ★ Also, import financing and high import duties are major deterrents to procure inputs from foreign countries. However, MSMEs operating in the services sector found that custom and port handling procedures had the least impact on them.

5.5 OTHER MAJOR CHALLENGES

Respondents also reported various other major challenges for MSMEs sector which deter their productivity and competitiveness in the domestic and foreign markets. These are highlighted as follows:

Multiple taxes : Most of the MSME respondents expressed that an increase in the burden of multiple taxes viz. Corporate Income Tax, Central Sales Tax (CST), VAT, Customs Duty, Excise Duty, Service Tax, Minimum Alternate tax (MAT), Octroi, Stamp Duty, Local Sales tax and Municipal level taxes, etc are a major deterrent for the sector. These multiple taxes escalate the final cost of goods produced by MSMEs and reduce their profitability as well.

Lack of quality infrastructure : Lack of quality infrastructure is reported as one of the major deterrents for enhancing competitiveness of MSMEs sector in the region. Poor conditions of roads and highways, inadequate storage facilities, interrupted supply of utilities viz. water, electricity are amongst the major infrastructure gaps in the country which affect the business operations of MSMEs adversely.

Operational challenges : Among operational challenges faced by MSMEs in terms of excessive regulation, energy shortages, high energy cost, water shortage, difficulty in marketing and rising competitions were reported by most of the respondents.

Lack of research and innovation : Continuous innovation is the success mantra of this competitive business environment. Every business entity, be it large scale, medium scale or small scale enterprise needs to innovate new products

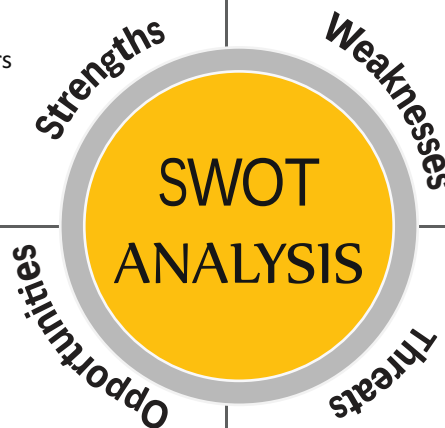
and new methods of production, distribution and marketing to respond quickly to the changing market needs. But in India, focus on Research and Development is very little. Apart from being small, 70 to 80 % of India's R&D expenditure comes from the public sector which is usually allocated to specific research institutions. Thus, the MSMEs sector receives a small proportion of funds. This results in financial crunch and inability to invest in innovations, research and development for the MSMEs. Thus, there is a need to adopt a focused approach to encourage extensive research work in MSME sector to enhance the effectiveness of the entire value chain.

High cost of doing business : The MSMEs sector has suffered extensively due to the plethora of laws, rules and regulations that have accumulated over the years of control regime. The major laws relating to taxation, labour, and environment are rigid, complex and time consuming. This institutional constraint creates unnecessary problems in the functioning of MSMEs and therefore cost of doing business is much higher in India than in other countries due to several forms and inspections that manufactures have to comply with. Thus, there is a strong need to address all these constraints by making these laws flexible, friendly and easy to comply with.

SWOT ANALYSIS OF MSMEs SECTOR IN INDIA UNDER THE AMBIT OF MAKE IN INDIA

- ★ Abundance of natural resources
- ★ Demographics Advantage
- ★ Strong consumerism in the domestic market
- ★ Strong technical and engineering capabilities backed by top-notch scientific and technical institutes
- ★ Cost of manpower is relatively low as compared to other countries
- ★ Government ambitious approach to foster MSMEs sector
Favourable policy environment which includes
 - ★ New schemes viz. ASPIRE, Market Assistance
- ★ Scheme etc. for overcoming MSMEs structural problems
 - ★ Various new initiatives/policies/measures for ease of doing business, creating new business opportunities, developing infrastructure and facilitating businesses
- ★ Well-regulated and stable financial markets open to foreign investors

- ★ Highly fragmented sector
- ★ Low productivity
- ★ High cost of finance and difficult conditions for raising finances
- ★ Demand-supply gap of skilled manpower pertaining to several sectors
- ★ Minimal use of advanced technology by the MSMEs
- ★ Multiple taxation system
- ★ Lack of quality infrastructure
- ★ Operational challenges viz. excessive regulations, energy shortages, etc.
- ★ Less focus on research and innovations
- ★ High cost of doing business
- ★ Lack of awareness of business opportunities
- ★ Inadequate exposure to international market



- ★ India, fastest growing economy amid global slowdown
- ★ Opening more sectors viz. defence, food processing, insurance etc. would attract more investments
- ★ Steps towards strengthening IPR regime in the country would encourage research and innovation
- ★ High focus on Skilling India would supply skilled and competitive manpower to MSMEs sector
- ★ A great opportunity for the sector to build itself amid global economic slowdown

- ★ Global slowdown vis-à-vis less demand in advanced nations which are destination markets for our several MSMEs products viz. garments, gems and jewellery
- ★ Slowdown in China which is a sourcing country for several Indian MSMEs viz. raw materials such as leather, cotton, etc.
- ★ Rising competition from countries viz. Vietnam, Bangladesh, Brazil in few specific sectors due to relatively less cost competitiveness
- ★ Loss of competitiveness due to currency fluctuations

6 ADDRESSING MSMEs CHALLENGES WITH SPECIAL REFERENCE TO CORPORATE SOCIAL RESPONSIBILITY

The previous sections of the study depict that MSMEs sector is vital for India's economy which is majorly attributed to its significant contribution in the country's employment, output, income, exports and society's welfare. Therefore, the Government has been observed undertaking focused measures in terms of schemes, incentives, programs for the continuous growth and development of the MSMEs sector since the promulgation of Industrial Policy Resolution 1956 (see Box).

Therefore, in order to address these challenges, various suggestions have been in the picture since long. These include:

- Rate of interest on loans should be reduced along with easing the conditions/procedures for obtaining finance from banks or financial institutions and easing the procedures for raising the funds
- The small entrepreneurs should be encouraged to adopt updated technology rather than depending upon the conventional methods of production. For this they should be made aware about the new technology along with providing them adequate training and funds. Furthermore, foreign investments that are flowing into the country as a result of increasing foreign direct investment limits in various sectors should be properly channelized in MSMEs sector of the country. This would enable them to have the benefit of partnering with foreign partners to access new technologies and methods
- Goods and Service tax (GST) should be implemented as soon as possible to reduce the burden of multiple taxation on MSMEs
- Single Window Clearance mechanism should be set up across India to overcome the problem of procedural complications.
- Though the Government is undertaking several initiatives towards skilling people under the Make in India programme, it is important to ensure its effective implementation at the grass root level.

In the wake of changing dynamics under Make in India initiative, whereby several innovative measures are constantly being taken by the Government, we would like to suggest Corporate Social Responsibility as one of the key tools for addressing various long standing problems of the MSMEs in the country. The basis of suggesting Corporate Social Responsibility as a way to eradicate the problems of MSMEs lies in the notification of Section 135 and Schedule VII of the Companies Act 2013 as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules 2014 which came into effect from

April 1, 2014.

6.1 GENESIS OF THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate Social Responsibility (CSR) has been in existence for a long time and is almost as old as civilization. During pre-industrialization period which lasted in 1850, charity and philanthropy were the main drivers of CSR, while during the independence movement the CSR was based on the Gandhian Principle of "trusteeship concept" whereby business houses were looked upon as trustees of the resources they draw from society and thus are expected to return them back manifold.

During the post independence period, CSR had its relations with "mixed economy" which was adopted by the Indian Government as a model of economic growth and development. However, the public sector was the prime mover of development and private sector was kept under tight controls in terms of industrial licensing, high taxes and restrictions which led to corporate malpractices and therefore CSR took the form of Corporate Governance. The real essence of CSR for discharging the social responsibility by the big corporate could not be achieved specifically between 1960-1980. Later, in the wake of economic liberalization and dismantling of unnecessary government controls, management practices were redefined by the private sector and resultantly they grew rapidly which induced them to contribute towards social cause.

Major focus of the Government for MSMEs at different points of time since 1956

- The Industrial Policy Resolution 1956 primarily stressed upon development of large scale industries. Along with large scale sector the thrust was also on the small scale sector in order to achieve balanced industrial growth and to exercise the advantage of Indian small sector for employment generation, removing income disparities and providing strong base to the large industries. Industrial Policy Resolution 1956 intended to enable the small scale units to withstand competition from the large scale enterprises.

Industrial Policy Statement 1977 stressed upon the wider dispersal of cottage and small industries into rural areas and small towns. It emphasized that “whatever can be produced by small and cottage industries must only be so produced”.

- Industrial Policy Statement 1980 focused on integrated industrial development and suggested the setting up of nucleus plants in those districts which were identified as industrially backward to concentrate on assembling the products of SSIs and to produce inputs needed by a large number of small units. SSI units were redefined by raising the ceiling of investment in plant and machinery. Besides the process of dereservation became a more pronounced feature of policy.

The era of economic reforms that was kickstarted in 1990, brought in a new policy approach to the development of this sector. The basic thrust of this resolution was to simplify regulations and procedures by de-licensing, deregulating, and decontrolling.

- To build the capacity of the Indian micro, small and medium manufacturing enterprises for overcoming competition in the global markets and facing challenges being posed by the entry of the multinationals in the domestic markets, the Ministry of MSME implemented the National Manufacturing Competitiveness Programme (NMCP) in 2004. It suggested measures considered necessary for improvement in the productivity of these enterprises, generation of large scale employment opportunities, linkage of the sector to institutional framework in areas like credit, raw material supply, infrastructure, technology up gradation, marketing facilities and skill development (The 10 components of NMCP address the entire gamut of manufacturing in the sector).

- The first ever legal framework Micro, Small and Medium Enterprises Development (MSMED) Act was enacted in 2006. The preamble of the Act affirms a statutory consultative mechanism at the national level, with balanced representation of all sections of stakeholders.

- The Eleventh Five Year Plan (2007-12), under its ‘inclusive growth agenda’ recognized the continuing need to upgrade the level of small industries to medium by overcoming various industrial constraints. Beyond this the Twelfth Five Year Plan (2012-17) recognized the incapacities of the country on the manufacturing front and outlined the need for a National Manufacturing Policy. The policy ensures a healthy rate of growth for the manufacturing sector through policy interventions in areas like adoption of Information technology, skill development, access to capital, marketing, procedural simplification and governance reform.

Make in India Programme 2014 - The Make in India Policy aims to facilitate investment, foster innovation, enhance skill development and build an eco-system for manufacturing infrastructure in the country. And the Ministry of Micro, Small and Medium Enterprises has been implementing a number of programmes and schemes in the areas of finance, technology, infrastructure, marketing and skill development to facilitate aims of the Make in India Policy.

However, promulgation of the Companies Act 2013 has changed the entire landscape of CSR in India’s corporate sector.

6.2 CORPORATE SOCIAL RESPONSIBILITY UNDER THE COMPANIES ACT 2013

The Ministry of Corporate Affairs notified Section 135 and Schedule VII of the Companies Act 2013 as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 which came into effect from April 1, 2014. Section 135 of the Companies Act, 2013 contains provisions exclusively dealing with Corporate Social Responsibility and Schedule VII contains a list of activities which a company can undertake as a part of its CSR initiatives.

According to the Corporate Social responsibility Rules under Section 135 of the Companies Act, 2013 Corporate Social Responsibility (CSR) is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adopting appropriate business processes and strategies. Thus CSR is not charity or mere donations. The Act also defines CSR as a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth.

6.3 NOTIFICATION W.R.T CORPORATE SOCIAL RESPONSIBILITY

With effect from April 1, 2014, every company, private limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities. The CSR activities should not be undertaken in the normal course of business and must be with respect to any of the activities mentioned in Schedule VII of the 2013 Act. To formulate and monitor the CSR policy of a company, a CSR Committee of the Board needs to be Constituted.

Activities that can be undertaken by companies in their Corporate Social responsibility policies include:

1. Eradicating extreme hunger and poverty
2. Promotion of education
3. Promoting gender equality and empowering women
4. Reducing child mortality and improving maternal health
5. Combating human immune deficiency
6. Ensuring environment sustainability
7. Employment enhancing vocational skills
8. Social development business projects
9. Contribution to the Prime Minister's National Relief Fund

Other key points :

- A company may set up an organization which is registered as a Trust or Section 8 company, or Society or Foundation or any other form of entity operating within India to facilitate implementation of its CSR activities in accordance with its stated CSR policy
- A company may also conduct/implement its CSR programmes through Trusts, Societies or section 8 companies operating in India which is not set up by the company itself.
- Companies may collaborate or pool resources with other companies to undertake CSR activities and any expenditure incurred on such collaborative efforts would qualify for computing the CSR spending.
- Only activities which are not exclusively for the benefit of employees of the company or their family members shall be considered as CSR activity.
- Company shall give preference to the local area and areas around it where it operates for spending the amount earmarked for Corporate Social responsibility activities.

6.4 CORPORATE SOCIAL RESPONSIBILITY – HANDHOLDING FOR MSMEs IN INDIA

At the backdrop of new Rules pertaining to CSR in Companies Act 2013, seem to be a strategic way to strengthen MSMEs sector of the country. This is because by requiring companies, with a minimum net profit of Rs. 5 crore to spend 2% on CSR activities, the Act has brought in many MSMEs into the CSR fold which has opened the gate of numerous opportunities for almost all the industry segments including large, medium and small. This is because of the following reasons:

Since, companies may collaborate or pool resources with other companies to undertake CSR activities, this would enable the SMEs:

- to have an exposure of new methods/processes followed by the large corporates
- to enhance their quality of work , credibility and expertise
- to have the advantage of capacity building

Since, the company can undertake activities pertaining to rural development projects and employment enhancing skill development programmes, if the large corporate spend their funds on these projects, it would benefit the SMEs:

- To enhance their skills
- To better equip them with new technologies/processes and methods
- To provide them with better opportunities for doing innovations
- To enable them to explore new business opportunities

Since, the company is required to give preference to the local area and areas around it where it operates for spending the amount earmarked for Corporate Social responsibility activities, therefore if the large corporate tie-up with small

and medium companies within their local area to enhance their skills it would enable the SMEs:

- To enhance their skills as per the changing business dynamics
- To enhance the overall productivity of their organisation
- To have a great exposure of enhancing their knowledge and learning new updated technologies

Overall, in the backdrop of new Rules of CSR, MSMEs or SMEs have before them new platforms for enhancing their knowledge, developing their skills, gaining exposure, building their capacities and pooling in resources for sustainability. This would help the entire MSMEs segment of the economy to unleash their potential eventually in the direction of making the vision of Make in India a reality in the coming times.

CONCLUSIONS

The MSMEs sector plays a critical role in the growth and development of the Indian economy which is majorly attributed to its significant contribution in India's GDP, employment, investments and exports. In the light of its significance, the Government since independence has focused upon this sector's continuous expansion and progression and thereby initiated several schemes and measures over a period of time. However, the sector still encounters major bottlenecks including lack of finance, high operational costs, complicated procedures, lack of awareness, technology obsolescence, lack of access to quality raw materials, retention of quality employees and so on.

All these challenges are a major hindrance to the sector to grow at its potential rate. On the other hand, the recent initiative of the Government i.e. Make in India, has set high ambitions of accelerating the manufacturing sector of the country. It is believed that the initiative and its emphasis on increasing the share of manufacturing in the Gross Domestic Product (GDP) from the present 14-15% to 25% by 2022 has the potential to transform the fortunes of the MSMEs sector, enabling it to scale hitherto unheard-of heights.

At this backdrop, it is imperative to find out novel ways to overcome the problems of MSMEs sector in India so that its potential can be unleashed in the direction of making vision of Make in India a reality. Various suggestions have been in the picture since long, including reducing cost and easing conditions of raising finance, implementing GST, setting up of a single window clearance mechanism, improving infrastructure, so on and so forth. However, in the wake of the changing dynamics under the Make in India initiative, whereby several innovative measures are constantly being taken by the Government, Corporate Social Responsibility is suggested as a novel tool for addressing the various long standing problems of the MSMEs in the country. This way has emerged in the light of the notification of Section 135 and Schedule VII of the Companies Act 2013 as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules 2014 which came into effect from April 1, 2014.

In this new and emerging scenario, every company, private, or public, which either has a net worth of Rs 500 crore, a turnover of Rs 1,000 crore or a net profit of Rs 5 crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities. This has brought small and medium enterprises under the category of spending mandated funds on CSR activities. Furthermore, a few specific Rules of the Companies Act 2013 including an opportunity of collaborating of resources with other companies, undertaking CSR activities pertaining to conducting skill development and rural development projects, engaging with stakeholders within the local area and setting has opened new vistas for the small and medium enterprises. This is in terms of having a vast exposure of new methods/processes/technology/resources of the large enterprises which would enable the SMEs to enhance their capacities and overall productivity.

However, the sector would need to advocate effectively for this through various channels on the policy, public and media fronts to present themselves as active and suitable partners/agencies. This process of enhancing the association between large enterprises and SMEs is envisaged to be gradual, however, it has great potential to generate the desired results in the direction of making the Make in India initiative and particularly, the MSMEs sector, a great success in the times ahead.



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