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Draft National Policy for Micro, Small and Medium Enterprises (MSME) in India

1. The Background

The Micro, Small and Medium Enterprises (MSME) is a highly vibrant and dynamic sector of the Indian economy with over 6 crores units, providing employment to 11 crores+ people (just next to Agriculture), having 28% share of GDP and 40% of exports. Like other sectors, MSME also has been adversely affected in terms of productivity during COVID 19. Accordingly, the efficiency and productivity of MSME assume further significance to achieve overall objectives of economic development and a V shape recovery of Indian Economy.

Sector is fairly diversified including activities in the agro-based industries and accommodating surplus labour from structural transformation, and service centres in rural hinterland. Further, MSMEs also partner and collaborate with domestic and external enterprises to develop manufacturing and multipronged supply chains. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. A number of statutory and non-statutory bodies work under the aegis of the Ministry of MSME¹.

Creation of MSME and MSMED Act 2006

Government of India, since the beginning of this century has initiated steps to stimulate productivity of the sector with creation of Ministry of MSME in 2004 and enactment of MSMED Act 2006, the first major step of its kind. The Act brought together the typology of units and paved way for investment-based definition of MSME in the manufacturing & services.

2. Committees' Feedback and Follow up

Government of India has also taken several steps to strengthen MSME sector in recent years². The Ministry also constituted several committees to review the status of MSMEs for

¹ These include the Khadi and Village Industries Commission (KVIC) and the Coir Board besides National Small Industries Corporation (NSIC), National Institute for Micro, Small and Medium Enterprises (NIMSME) and Mahatma Gandhi Institute for Rural Industrialization (MGIRI) etc.

² (i) MUDRA Bank with over US\$ 50 billion disbursement, (ii) online portal for facilitating payment under SAMADHAN and web based MSME data bank, (iii) 50% fee reduction, (iv) financial support for ZERO DEFECT ZERO EFFECT (ZED) manufacturing etc.

suitable correction.³ These committees recommended modifications in the ceiling/definition, Access to finance, global and domestic markets, improving R&D and adopting modern & affordable technologies, lack of marketing platforms and distribution network, affordable skilled labour and revision in labour laws taking care of the enterprises without compromising the interest of the workers, etc. Specific recommendations of two recent committees are enclosed in Annexure I and II.

3. Intercountry initiatives

Intercountry initiatives to promote MSMEs in recent years have been initiated across the different aspects of productivity in the sector. These include: (i) Access to easy finance particularly during CORONA Pandemic, (ii) Competitive SME policy themes (iii) digitalization support for SMEs, (iv) Skill development of SMEs to improve/retain competencies, and (v) Protecting start-up and scale-ups. More information on inter country experience is given in Annexure III. Important points to be noted in this regard are:

- i) COVID-19 Crisis Management Fund with attractive guarantee have been created (a) up to 80% of loan amount for 5 years and concessions in processing fee, bridge loan guarantee for 12 months in Belgium, (b) salary compensation and loan guarantee in Denmark, (c) Guarantee up to 90 percent of liquidity enhancement loans in France, KfW quick loans to MSMEs in Germany depending upon turnover along with economy stabilisation fund,(iv) loan repayment suspension in Italy along with special assistance to start up enterprises,(e) Relief in payment of energy bills(gas, electricity) and 'Re Activa València' - liquidity measures designed to compensate for closure or losses and targeted towards maintaining employment in Spain, (f) Recovery of two weeks sick pay per eligible employee, loan guarantee upto 80% and bounce bank loan(25% of turn over) for six years with one year moratorium in UK, (g) Guarantee up to 85 percent for 5-7 years in Switzerland , and (h)Wage subsidies, working capital loans and specific grants for sectors most impacted among MSMEs with a purpose to retain employees, improve cash flow and cover costs of business operations in Singapore .
- ii) As part of other policy initiatives (i) Singapore initiated (a) Grants to improve productivity – Enhanced Mechanisation Credit (Mech) Scheme (b) Equity financing for successful startups – Startup Enterprise Development Scheme (SEEDS) and (c) Non-financial

³ Some recent committees include one-man committee (headed by Kumar 1917), RBI Committee and Working group (UK Sinha committee -2018) headed by Shri SN Tripathi, DG, IIPA (2020)

assistance/consulting for international expansion – IP for Internationalization Program (ii) SMEs in South Korea cover 99.5 percent business, 77 per cent of people employed and 50 per cent of the value add in the economy has initiated (a) Purchase-Guaranteed New Product Development Programme for Atmanirbhar/import substitution) and (b) Hidden Champion Initiative” – Korea Import-Export Bank (Eximbank), (iii) Malaysia has the Technology Commercialisation Platform (TCP) to encourage innovation and Catalyst Programme to create home-grown champions with support in the area of financing, market access and human capital development.

- iii) Digitalisation support to MSMEs is promoted by several countries which includes (i) Federal Ministry for Digital and Economic Affairs launched the Digital Team Austria initiative, comprising companies in the digitalization industry and offering digital services to MSMEs free of charge for at least three months (ii) online portal in Italy for SMEs and the self-employed for free digital services (provided by large private-sector companies) in fields such as teleworking, video conferencing, and access to mobile data. (iii) a platform in France called “A Stronger Grand Est” (Plus Forts Grand Est) in order to connect around 50 innovative companies and communities, companies, associations, healthcare establishments, etc (iv) Japan and Australia have also set up funds to provide digitalization support to MSMEs and (v) readymade solution platform covering equipment, connectivity packages, videoconferencing, collaboration platforms, digital payments, e-commerce platforms, IT solutions and cybersecurity solutions are established in China, Italy, Austria, Malaysia, Colombia and Singapore.
- iv) Helping SMEs reskill or retain competencies is another field taken up by several countries. It includes (i) support for a new apprentice, up to AUD 1 500 (USD 1 125) reimbursement for equipment and services including online training when businesses hire new apprentices, or travel accommodation allowance associated with hiring an apprentice from rural or regional South Australia, (ii) Austria - a qualification offensive to strengthen companies in their digitalisation and innovation agendas (iii) - the programme on Digital Now – Investment Funding for SMEs, running until 2023, to provide financial grants and encourage SMEs to invest more in digital technologies and in the upskilling of their employees (iv) Singapore- subsidising absentee payroll for employees taking training (up to 90% of their hourly basic salary) (v) Turkey - E-Academy to free online training Entrepreneurship Support Programme, with preferential treatment for women, youth and handicapped entrepreneurs (vi) UK provides a hiring subsidy to incentivise businesses to hire young workers (from 16 to 24 years old). The scheme covers 100%

of the national minimum wage for 25 hours per week for 6 months, and additional funding is provided for their training. (vii) British Columbia, Canada, - Stronger BC, an economic recovery of MSMEs to reopen, adapt, hire, rehire and grow with Business Recovery Grant and a 15% Increased Employment Incentive tax credit.

- v) Shielding startups and scale ups are taken up with specific measures such as (i) France -an emergency plan to support start-ups for EUR 4 billion, to strengthen bridge finance between 2 fundraising rounds, support the availability of venture capital, provide an accelerated refund of corporate tax credits , (ii) Germany -deployed the Start-up Liquidity Programme 2020, with funding for public venture capital investors and a Future Fund (Zukunftsfonds) for a total of up to EUR 10 billion aimed at start-ups that get additional liquidity to support their way out of the crisis, (iii) Turkey -grants and refundable support for start-ups in the field of product design or software activities(iv) UK- created a support package for innovative firms (Future Fund) tool provide high-growth with GBP 125 000 and GBP 5 million and matching funding from private investors, (v) Austria - programme to identify and develop technology projects within start-ups, many of which receive seed or pre-seed funding support.

4. Recent Initiatives

The Government of India has taken several steps as a follow up on recommendations and impact of COVID 19. These cover revised definition, easy process of registration, fiscal incentives/concessions, additional support of of Rs. 1500 million in the existing kitty(Rs 3000 million) of credit guarantee funds (28 June 2021), access to non-bank credit and expansion of eligible sectors (retail and whole sale trade with 2. 5 crores enterprises) to MSME⁴. Government of India has also consolidated labour laws, Acts Codes etc. into four codes which include social/ economic protection, safety and security of workers including eligible MSMEs. Similarly, several states have taken specific measures to facilitate MSMEs for Ease of Doing Business, and access to raw material and finance. (Annexure IV). These include Gujarat, Andhra, Nadu, Maharashtra, and Punjab. Their measures are given in Annexure IV.

The working group formed by Ministry of MSME under chairmanship of DG IIPA in 2020 examined the whole issue in the current context and gave recommendations pertaining to classification, registration, constitution of National Board and state level monitoring,

⁴ Gol has reinstated retail and whole sale trade amounting to 2. 5 crores enterprises as MSME, (ToI, 3 July 2021)

Procedure for clearance in line with 'production first, clearance later' as applied by state of Gujarat, Exemption clause giving a three year no tax regime, liquidation procedure, online grievance redressal, Ease of doing business, and knowledge management etc. Many of the recommendations have paved way for government actions on similar lines.

The Government of India has a systematic institutional arrangement to promote MSMEs which covers a legislative and regulatory framework. There are several line agencies and institutions supporting the Government of India in this endeavor. (Annexure V). Government has also extended several schemes to extend finance, marketing support, etc. (Annexure VI) At the same time several countries have taken specific reforms to enlarge the coverage of MSMEs. (Annexure VII)

5. Need for Policy

This draft of policy document on MSME is in continuation of measures stated earlier to promote competitiveness, technology upgradation, infrastructure, cluster development, dedicated credit, procurement of products & financial assistance to MSME. The purpose is to bring together a comprehensive frame-work of strategies and actions for suitable adaptation and inclusion in the state level policies. The document needs wider dissemination, debate and feedback from stakeholders to firm up a national policy for follow up at intergovernmental level.

The feedback from various committees' places forward a range of issues for suitable resolution, although recent actions have tried to address many of them through notifications from time to time and follow up actions. Yet, there is a need to systematically look into these issues to form a dynamic policy by Gol to take actions and promote follow up at state level to address specific barriers in the growth of MSMEs. The main barriers are:

- (i) There is a lack of convergence and synergy among various stake holders to enhance MSME productivity to the best of their ability. Proper mobilization, awareness and objective oriented actions need to be identified.
- (ii) Legislative and regulatory framework for MSMEs in India is quite complex and varies from state to state. It is largely mixed with industry as a whole and only couple of states have exclusive framework of codes, regulations and other rules.
- (iii) Majority of the States have only one Facilitation Council with inadequate representation of stakeholders which is not adequate to cater to delayed payment cases arising in the entire State.

- (iv) The scope of Facilitation Council is also limited to redress cases of MSEs and does not cover Medium enterprises supplying to large corporates. Most recent attempt is the Right to Business Act of Punjab, whereas fairly elaborated regulations and facilitating rules are also prepared in Tamil Nadu, Andhra Pradesh, Karnataka, Telangana etc.
- (v) Regular supply of electricity, skilled labour, housing for workers etc. are also not available as per requirements.
- (vi) The Ministry of MSME runs numerous schemes targeted at providing credit and financial assistance. Some of the main schemes are, Prime Minister's Employment Generation Programme, Credit Linked Capital Subsidy Scheme (CLCSS) and Credit Guarantee Trust Fund for MSEs (CGTMSE) - Provision of collateral free credit for MSMEs. Yet, one of the major problems faced by MSMEs in India is access to finance.
- (vii) Access to soft loans, risk mitigation funds, easy access to raw material and marketing facilities, existing method of dispute resolution are not industry friendly.
- (viii) Technology plays a pivotal role for MSMEs to help them grow and stand up to the stiff competition from large enterprises and imports. While big industries have enough resources for continuous technology and quality upgradation, MSMEs, on other hand have resource constraints related to technical knowledge, R&D expertise and skills. It is difficult for MSMEs to upgrade themselves.
- (ix) It is also noted that low technology level reduces the potential of MSMEs, lower the demand for the product (lower sales) lower the profit margins. It is also suggested that higher investment in technology and research development, higher usage of digital and technology enabled platform is of paramount importance for Indian MSMEs, to maintain competitiveness in the global markets
- (x) Technology upgradation and capacity to efficiently operate the systems need augmentation/ across the sectors. In this regard, Government of India has established eighteen Tool Room Training Centres (TRTCs), 15 are in progress and 100 more are proposed by Ministry of MSMEs which serve technology promotion and needs to be replicated across the districts.
- (xi) MSMEs need people, but skilled, who can contribute productively in the growth of the enterprise. Estimates indicate that the MSMEs can be a big source of employment. However, 'Employability' of large unemployed youths has been questioned by many in the know of the things. This 'unemployability' hampers harnessing the demographic dividends as well.
- (xii) Our education system in general is not geared towards addressing the challenge of skilling youths who can be employed in manufacturing, services or commercial

sector. The institutes, engaged in providing vocational education like ITIs have also not been able to match the demand.

- (xiii) There are two big challenges before the MSMEs skilling the workforce (i) Sparing their own employees for skilling, especially in Micro and Small Enterprises, where workforce is small and (ii) Availability of customized programmes and awareness about such programmes.
- (xiv) There is no MSME code at present to provide SOPs (Standard Operating Procedures) to facilitate stakeholders to initiate follow up actions accordingly.
- (xv) Marketing assistance and apt infrastructure are the backbone for MSMEs. Ultimately, MSMEs, with all other inputs, financial access and technological support can survive only if they are able to sell their products and/or services. Government, through its various schemes, has attempted to provide marketing assistance to MSMEs in India, but a lot needs to be done properly.
- (xvi) In the end, Business environment for ease of doing business and exit code needs to be strengthened.

6. Vision

Stimulate efficiency and productivity of MSME sector to generate income, employment and become part of domestic and global value chains taking into account structural transformation, competitive edge, demographic dividend and regional balance.

7. Objectives

- (i) To facilitate build a vibrant eco-system for the rapid growth of the MSME sector,
- (ii) Identify and sensitize stakeholders to promote MSMEs to the best of their potential,
- (iii) Create physical infrastructure and linkages (backward & forward), amenable to MSMEs, Ensure access to credit, risk capital, raw material and marketing facilities for MSMEs,
- (iv) Develop a framework for accessible and affordable Technology upgradation and Capacity Building for MSMEs as well as harnessing the potential of technological advancement to deliver services to stakeholders especially MSMEs,
- (v) Promote a Conducive Business Environment covering 'ease of doing business' (EoDB) and suitable exit code.
- (vi) Develop appropriate dispute resolution mechanism.

8. Action Areas

In the light of the vision and objectives, specific action areas which need deliberations for a national policy to guide, motivate, and handhold states. Whereas intergovernmental actions define potential actions, the sectoral issues provide scope of work in respective areas to be taken up by various stakeholders. These are:

- i. Intergovernmental Roles & Responsibility,
- ii. Legislation and Regulatory Framework for MSMEs in India,
- iii. Access to Finance/Financial Assistance for MSMEs,
- iv. Technology Upgradation/ Adaptation,
- v. Skill Development
- vi. Knowledge Management,
- vii. Ease of Doing Business
- viii. Development of MSME Code
- ix. Exit code

8.1. Intergovernmental Role and Responsibility

The three-tier system of governance in India has to play a specific and mutually reinforcing role in the development of MSME sector. There is a consensus in India, as elsewhere, that the government has to play the role of a facilitator to promote productivity, jobs, and marketing of goods and services in a competitive environment. Accordingly, specific actions expected from respective levels of government are:

NATIONAL GOVERNMENT

- (i) Develop a National Policy Document and their suitable alignment at state level.
- (ii) Develop Standard Operating Procedures (SOP) for registration of MSMEs
- (iii) Review the framework for regulating and funding arrangements covering Central Bank, SIDBI, other public and private sector financial institutions in line with incentives and concessions to promote competitive enterprises.
- (iv) Promote R&D activities and support incubation centres to accelerate development and transfer of affordable and modern technology.
- (v) Develop framework for marketing platform, distribution network covering states, interstate and international business promotion for a systematic value chain.

- (vi) Develop inter-state platform for exhibitions, seminars, workshops, training, research etc., to identify common issues, strategies, share experience and showcase best practices. In this regard, organise stakeholder meets to develop convergence, synergy, mutual learning and cooperation for higher efficiency and productivity.
- (vii) Identify MSME action agenda on specific inter-state initiative such as DMFC, Sagarmala, Bharatmala, DMIC and several other corridors as existing at different places.
- (viii) Develop synergy with inter-ministry initiatives particular w. r. t. Ministry of Food Procurement, Agriculture, Commerce, Industry, Housing & Urban Affairs, Rural Development, Skill Development etc.
- (ix) Develop suitable measures to safeguard interest of the employees and the enterprise (with respect to employment), giving due cognizance to existing regulatory framework in line with the proposed labour codes.
- (x) Periodic review of composition of National Board of MSMEs with regard to representation, coverage, deliberations and follow-up. The board may also be renamed as National MSME Promotion Council.
- (xi) Centre should promote a three-tier system of MSME promotion council at Centre, State and District level.
- (xii) Support measures for EoDB at state level taking into account initiatives taken by DPITT.
- (xiii) Strengthen the system of P2P learning to promote collaboration, convergence and competition
- (xiv) Develop model Bylaws, Memorandum and norms for regulation of MSME in accordance with the MSME Amendment Act, 2020.
- (xv) Develop a platform to create an integrated database under uniform format on numbers, products, investment, technologies, R&D, marketing etc. in MSMEs and provide access to stakeholders on need basis.
- (xvi) Develop a network for inter-country experience sharing on technology transfer, quality control, marketing skills and job creation including due cognizance to informal sector.
- (xvii) Document best practices on cluster development, marketing, financing etc. and link them with awards for best practise and follow up.
- (xviii) Develop a network of Research institutions and Chairs in the area of MSMEs.

- (xix) Create online access for grievance redressal integrating it with state level agencies.
- (xx) Develop suitable tracking mechanism for speedy payments which are due to MSME.

STATE GOVERNMENT

- (i) Development of State Policy on MSME in line with the National Policy on MSME.
- (ii) Measures for encouraging enterprises to register and providing convenient and easy mechanism for regulatory compliances.
- (iii) Creation and activation of State MSME Facilitation Councils (MFCs) or Development or Promotion Council.
- (iv) Identify focus areas of MSME in the state covering cluster, products, corridors and R&D and technology hub.
- (v) Implement and track measures for EoDB.
- (vi) Organize state level stakeholder meets to showcase products, processes and marketing potential. The stakeholders should include MSMEs, Banks, NBFCs, Informal Sector representatives, civil society, DICs, local governments etc.
- (vii) MFCs should document best practices and initiate award for dissemination and adaptation.
- (viii) MFCs should regularly update the database for MSME related information.
- (ix) Help with value chains creating or linking the enterprises.
- (x) Integrate the state portals with national level portals.

DISTRICT/LOCAL LEVEL GOVERNMENT

- (i) Districts should be focal points at sub-state level of MSME framework.
- (ii) District Industry Centres (DICs) to organise District MSME Facilitation/Development Centre and create local level MSME Facilitation Centre wherever required.
- (iii) Local Level MSME Facilitation Centres (LLMFC) may engage with respective local government in rural and urban areas for speedy regulatory compliances.
- (iv) Local governments may ensure speedy registration of property and permission for construction.

- (v) Ensure speedy provision of basic infrastructure like electricity and water connections, waste management, warehousing, etc.
- (vi) District Level MSME Facilitation Councils (DLMFC) and LLMFC should have a wider representation of all stakeholders, including Banks and other financial institutions, MSMEs and other industrial establishments in the region.
- (vii) MFCs should prepare a facilitation plan which should include technology transfer, skilled labour, marketing facilities, convergence and synergy with government programme.
- (viii) MFCs should organise regular meets.
- (ix) MFCs should document best practices and initiate local award.
- (x) DICs should develop a local database for regular updation and onward submission for a state and national database.
- (xi) Special cell should be created in DIC/DLMFC to coordinate with DAY NULM (National Urban Livelihood Mission) and National Rural Livelihood Mission (NRLM) with local governments in urban and rural areas.
- (xii) Micro enterprises should be given special attention and due representation in DLMFC/ LLMFC.

8.2. Legislation/Regulatory Framework for MSMEs in India

- (i) The majority of issues with Ease of Doing Business are associated with regulatory norms. These norms have adverse effect on the general business environment and on the performance of MSMEs. Therefore, there is need for changes and simplification of these norms.
- (ii) The first major step in this direction has been taken by the Ministry of MSME by bringing appropriate changes in the classification criterion of MSMEs. The new definition and criterion have come into effect from 1st July, 2020. gears up to implement the New Norms of classification of MSMEs.
- (iii) Each state should have its own regulatory system exclusively for MSMEs.
- (iv) Review the composition of facilitation council to widen its outreach and access to all stakeholders.
- (v) Most of the states are having one FC at the state level which is not adequate to deal with the number of cases being filed and delay and pendency are common feature. Keeping in view the number of cases coming before the FCs, more FCs are required to be created. To deal with the situation there is need for establishing more FCs and if possible/feasible, an FC should be set up in each district. Increase

the number of MSEFCs particularly in larger States such as Madhya Pradesh, Uttar Pradesh, etc., and in areas of large concentration and volume, so as to meet the time specified for resolving cases.

- (vi) The ambit of Facilitation Council needs to be extended to Medium enterprises also. The MSMED Act, 2006 need to be modified to expand jurisdiction of council to the cases involving the second party from another state. The modification should also include the cases already taken up by NCLT which came into effect in the year 2016 much later than MSMED Act, 2006.
- (vii) Promote awareness on Samadhaan among MSE borrowers.
- (viii) Under the Insolvency and Bankruptcy Code, 2016 MSME dues should be given priority over all other unsecured payments after settling dues of employees when a company goes into liquidation or approaches NCLT. Adequate provision in this regard may be made under MSMED Act. At present in case of liquidation proceedings under IBC the MSMEs being operational creditors are at the lowest rung down in the priority list.
- (ix) Develop an appropriate legal system to address insolvency, which can play a critical role for smoother exit of MSMEs from their present business. It may include out-of-court assistance to MSMEs such as mediation, debt counseling, financial education, or the appointment of a trustee.
- (x) MSMED Act, 2006 at present does not contain any provision relating to use of Information Utility. At present submission of unpaid invoices are optional for MSME (operational creditors) under IBC, 2016. Hence, MSME are not utilizing the Information Utility at the fullest fearing black listing by business houses.
- (xi) Specify the process for dispute resolution to be adopted after moratorium period is over. MSMED Act, 2006 does not have any provision for setting up Online Grievance Redressal/Complaint Resolution Mechanism for quick resolution of dispute. An electronic/online system is needed where sellers can upload raise grievances / complaint on any related issue.
- (xii) Decide disputed cases within 90 days to improve liquidity of MSMEs and minimize the incidence of NPA.
- (xiii) There is need to make the Registration of micro, small and medium enterprises easier. it is the procedural aspects of registration and licensing that have the potential to serve as hindrances to MSME owners, owing to their tedious and protracted nature. These need to be simplified.
- (xiv) The MSMED Act does not provide any moratorium from seeking approvals/inspections which becomes a barrier in the ease of doing business for

MSMEs. There is a need to suitably relax the process. Accordingly, a set of modification is required to ensure - Production First & Permission Later.

- (xv) At present there is no provision of exemption from inspection and approval for MSMEs giving intent to initiate business. Some State Legislations like Gujarat Act is having such provision. Such provision needs to be built in the Central Act with assigning the power to appropriate authority under the Act.
- (xvi) Many states are having different Laws/ ordinances to regulate and promote MSMEs. There is no uniformity in these States' Laws. The Central Govt may prepare a model law and circulate among states. The adoption of the model law by the state will bring uniformity among all states.
- (xvii) At present there is no provision for ease of doing business under the Act. To provide for the same agencies at State and District levels need to be set up and have a code outlining the processes to encourage ease of doing business.
- (xviii) There is no legal framework for the re-organisation/winding up/exit of small units leading to a huge wastage of human resources, capital (banks and financial institutions) and physical resources (industrial land and buildings, plant, machinery). There is need for recognizing a comprehensive and settled exit policy.

NEED FOR MSME CODE

- (xix) To further ensure ease of doing business for the small and micro enterprises, there is need for adoption of MSME Code which will provide detailed procedure for implementing the Act which will bring clarity over the procedural aspects and bring uniformity in the implementation of the Act at the state level and to remove any ambiguity whatsoever.
- (xx) The MSMED Act, 2006 may be reimagined as a comprehensive and holistic MSME Code having a provision for sunset on plethora of complex laws scattered all over the legislative framework. The code will bring clarity regarding the regulatory norms pertaining to the entry, continuance or exit of MSMEs, documentation and declaration procedures under several regulatory statutes.
- (xxi) Accordingly MSME code will facilitate smooth and user friendly process of MSME creation and follow up giving due regard to safeguard the interests of stakeholders

8.3. Access to Finance/ Financial assistance for MSMEs⁵

⁵ <https://msme.gov.in/sites/default/files/Annualrprt.Pdf>

Tardy access to finance for a range of activities such as productivity, marketing and technology upgradation are caused by Information asymmetries, higher risks, sizeable transaction costs and a lack of adequate collateral⁶. Poor quality of projects seeking funding; the inability of MSMEs to make the best possible use of available resources of funding; and the negative attitude displayed by MSMEs towards equity financing. Most of the small firms rely on internal financing and informal sources. Some of the schemes directed towards the efforts are, Scheme for providing financial assistance to Khadi institutions under MPDA, Scheme of Fund for Regeneration of Traditional Industries (SFURTI) and Scheme for Micro & Small Enterprises Cluster Development Programme (MSE-CDP) along with the existing schemes, following might further help in providing marketing assistance to MSMEs. Yet, in order to improve access to finance, specific steps to be initiated are:

- (i) Introduce uniformity in and simplification of various loan application formats and assessment process in line with learnings from supply chain financing and escrowing of cash flows.
- (ii) Develop customised products to assess the financing requirements based on expected cash flows.
- (iii) Use surrogates like personal guarantee, bank statement, GST data, standardized score cards to evaluate credit worthiness of MSME borrowers.
- (iv) Encourage MSMEs to obtain Zero Defect Zero Effect (ZED) Certification from QCI, and the banks could pass on some benefit due to lower risks for such units by way of interest/ processing fee concessions.
- (v) To reduce TAT (Turnaround Time), move from Balance Sheet or turnover based Working Capital financing to cash flow based, or supply chain/ cluster-based financing.
- (vi) In addition to PSB Loans In59 Minutes portal, develop facility for new entrepreneurs, presently under development, needs to be expeditiously deployed. Enhance loan limit to ₹5 core.
- (vii) Ensure that all applications accorded in principal approval are disposed of within a period of 7-10 days. Review algorithms leading to initial in-principle sanction but final rejections by the banks' in a time bound manner.
- (viii) Build banks' ability to capture cash flows of MSME borrowers on a regular basis, for which tie-ups with Industry Majors/ Aggregators/ Online platforms will have to be done by the Banks.

⁶ <https://www.financialexpress.com/industry/sme/options-in-msme-financing/48109/>

- (ix) Finance Cluster Development Approach⁷ with special incentives.
- (x) Screening methodology of financing institutions to consider non-financial parameters and management competencies, while evaluating loan proposals from SME units⁸.
- (xi) Develop a market for mezzanine financing, including appropriate financial tools.
- (xii) Set up a fund for contributing to the margin money required to be brought by the promoters of SME units taking up technological upgradation.
- (xiii) Set up a Marketing Development Fund, which could provide financial assistance in setting up distribution and marketing infrastructure/ outlets.
- (xiv) National Equity Fund Scheme to support the greenfield and expansion projects.
- (xv) Develop a dedicated stock exchange for the SME sector so that SMEs can access capital markets easily, quickly and at lower costs. It will also help to provide platform for trading of stocks belonging to SME's and enable them raise funds at relatively cheaper rates.
- (xvi) Revise MSME Capital Investment every three to five years, and link it to inflation rate.
- (xvii) Encourage participation of MSMEs on GeM portal.

8.4. Technology Upgradation

- (i) Focus on implementing the new age technology, through better awareness, adopting of best practices, developing (indigenous technology) as well as technological collaboration with global partners.
- (ii) Promote India's integration into the global supply chain, bid for outsourcing businesses, and increase their own productivity. Create an environment for MSME joint ventures to enable Indian MSMEs to partner with their global businesses and evolve to global levels on innovation, adapting to new technologies and attention to quality.
- (iii) Develop a focused institution encouraging technology development and R&D activities in MSME sector in a coordinated manner. The suggested institution may identify thrust areas for research, new areas for technology application,

⁷ <http://www.eximbankindia.in/Assets/Dynamic/PDF/Publication-Resources/ResearchPapers/OP/20file.pdf>

⁸ <http://www.eximbankindia.in/Assets/Dynamic/PDF/Publication-Resources/ResearchPapers/OP/20file.pdf>

opportunities for commercialization of R&D, and hand-holding of MSMEs in their R&D intensification⁹.

- (iv) Create Centres of Excellence with specialized staff to periodically study issues faced by MSMEs and build capacity through SOPs, Guidelines, manuals and checklists.
- (v) Support incubation centres and link them with the enterprises to ensure product development matching the needs of the enterprises. These incubation centres may be set up and supported across sectors and across the country.
- (vi) Ensure technology linked skill development, so that enterprises don't face the problem of lack of skilled workforce when they adopt the technology. This may require linking the incubation centres with vocational training institutes.
- (vii) Tool Room Training Centres as exists in select districts should be replicated at district level across the country.

8.5. Skill Development

- (i) District be made the nodal centre for both- (i) receiving the demand for training from the enterprises about the kind of skill required by them, and (ii) receive the information from all the training entities about the programmes that they would be providing in the next six months.
- (ii) A convergence be aimed at the district level of various schemes of different ministries like NULM of Ministry of Housing and Urban Affairs, NRLM of Ministry of Rural Development, schemes of Ministry of Skill Development etc.
- (iii) A Cell may be created in the Distinct Industries Centre, which would collect information from various training entities about the programmes to be conducted by them and maintain it, and would also communicate with the concerned enterprises about the training programmes based on the demands/requests made by them. It may put all such information on its website as well. While all the training entities may be asked to inform these cells in each district about their calendar of training programmes. The Cell on its own should also be collecting the information from the websites of these training entities and other relevant sources. It may work as City Livelihood Centre as part of convergence with NULM.

⁹ <http://www.eximbankindia.in/Assets/Dynamic/PDF/Publication-Resources/ResearchPapers/OP/20file.pdf>

- (iv) This Cell would also undertake awareness activities, especially in view of the fact that a large number of micro enterprises are in the informal sector.
- (v) The duration of the programmes may be kept small or in parts, if they need to be longer in nature, because the Micro and Small enterprises may not be in a position to spare their employees as they mostly have small workforce.

8.6. Knowledge Management

A lot of data has been generated and further more would be generated. The data leading to 'knowledge development' needs to be managed in a manner that helps internal as well as external processes of an enterprise. Data analytics would need to be creative and innovative to enable all the stakeholders to access it for their purposes and processes. For example, Nandan Nilkeni says that "Artificial Intelligence can be used to figure out good and bad credit risk and rates at which loans are given can be tweaked based on such assessment"¹⁰.

This is one example, similar innovative strategies may be designed to connect suppliers with buyers both national as well as international, connect training institutions to enterprises for manpower development, connect technology developers to enterprises for technology adoption and upgradation, etc. The role of different stakeholders based on capacities needs to be delineated for knowledge development, management and dissemination: -

CENTRAL GOVERNMENT

- i) Two sets of comprehensive data bases with different verticals be created-
 - a. All the MSME linked offices be on one network, which includes state level and local level agencies as well. This may deal with the statutory and legal requirements like UAM registration, PAN application, various clearances / NOCs, memorandum, etc.
 - b. A cloud based comprehensive data base be created and be accessible to everybody i.e. be in public domain, which may deal with the credit, payments, marketing, procurement, insurance, technologies, training, etc. Presently India Enterprise Portal aims to cover some of this, but it is a work in progress, and should ensure user-friendliness and dynamic / interactive features.

¹⁰ AI-based systems to help more SMEs get access to credit: Nandan Nilekani

https://economictimes.indiatimes.com/small-biz/sme-sector/ai-based-systems-to-help-more-smes-get-access-to-credit-nandan-nilekani/articleshow/73932351.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- ii) Data analytics be used for generating information. Such tools be available on that website itself and usable for all with a login and password.
- iii) Statutory, legal and financial support may be provided to the entities identified for knowledge creation and dissemination.
- iv) Support for development of IEC material and documentation of innovative practices may be provided to the concerned entities.
- v) Support for incubation to promote knowledge based innovative ventures.

STATE GOVERNMENT

- i) Ensure effective linkages with the Central Aggregator to timely update state related MSME data / information on the two data bases.
- ii) Use artificial intelligence to generate useful information to support MSMEs proactively. i.e. apprise the enterprises about relevant developments, in the concerned sectors like credit, payments, technologies, skill development etc.
- iii) Encourage entrepreneurs and enterprises to share relevant information about their needs for capable manpower, potential clients, technology up-gradation etc, which can be hosted on the website.
- iv) Develop and disseminate IEC material in vernacular languages and use other IEC methods as well to share and communicate knowledge with stakeholders.

LOCAL LEVEL AGENCIES

- vi) Encourage and use online processes.
- vii) Proactively engage with entrepreneurs and enterprises, especially in the rural areas to encourage them updating the data and information on the Central portal and use that portal for conducting their businesses.
- viii) Coordinate with local level and para-statal agencies like financial institutions, insurers, training institutions using data analytics and artificial intelligence.

8.7. Ease of Doing Business (EoDB)

TRADING ACROSS BORDERS

- i) The issue of procedure simplification at the export terminals may be taken up with concerned authorities.

- ii) Clusters and other significant MSME centres need to be linked with the Transport infrastructure across the country with further linkage to export terminals.
- iii) Designated official at the major ports for looking into the export/import problems of MSMEs.

ENFORCING CONTRACTS

- i) Cheap legal help may be arranged at the district level for MSMEs for non-judicial works, like drafting of the contracts, advise for techno-legal formalities, etc.
- ii) Mechanism may be developed to have trigger/alarm mechanism to alert the stakeholders about the tensions.
- iii) A state level helpline or national level chat service may be planned for advising on contractual issues.
- iv) Micro-enterprises may be provided full legal help upto a certain point.

8.8. Exit Code

- (i) Align the small & Medium Enterprises with Fast Track Corporate Insolvency Resolution Process under the provision of Insolvency and Bankruptcy Code, 2016.
- (ii) For the Micro Enterprises, the arbitration route at the district level may be more speedy as well as convenient, with a provision to escalate the case under certain conditions.
- (iii) Need to ensure recovery rate, as per EoDB methodology, to be better than national average for micro and small enterprises.
- (iv) Monitoring of data input from partners for early warning indicators to be done by banks on an on-going basis¹¹.
- (v) Set up an independent Rehabilitation Fund for rehabilitation of sick, micro, small and medium enterprises.

¹¹ <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=924#CH7>

Annexure I: Highlights of the Recommendations of Shri Prabhat Kumar Committee (2017)

1. The Committee examined the two suggested bases of redefining the MSMEs, i.e. turnover and employment and found that they do not add anything worthwhile over the present system.
2. It is recommended that the Government may set up a group to look into the structures of different industries and suggest appropriate investment-bands for each subsector.
3. The proposed investment limits for manufacturing units are
4. For Micro - Up to Rs.50 lakh; For Small - Above Rs. 50 lakh Up to Rs.7 Crore; and For Medium above Rs. 7 Crore Up to Rs.25 Crore.
5. While the proposed investment limits for services units are
6. For micro- Up to Rs.25 lakh; for Small - Above Rs. 25 lakh & Up to Rs.4 Crore; and for Medium - Above Rs. 4 Crore & Up to Rs.15 Crore.
7. It is also recommended that the Central Government may be empowered to change the investment limits for Micro, Small and Medium enterprises from time to time instead of being forced to go to the Parliament. The Act of 2006 may accordingly be amended.
8. It is imperative to create an apex authority under the chairmanship of the Prime Minister. The Authority may be called the National MSME Authority.
9. It will also be desirable to have an institutional forum for constant consultation between Centre and the States. An Advisory Service may also be considered for communication with the states.
10. The Committee recommends the abolition of the Advisory Committee from the MSMED Act 2006.
11. The Committee feels that there is an urgent need for creating a comprehensive MSME database, which can be used to deliver a range of services to individual and groups of enterprises.
12. In order to give an incentive to the micro entrepreneurs to get registered, the government can offer them free insurance based family medical care scheme on

- the lines of RSBY. The premium for the insurance can be shared between the Central and state governments.
13. The Committee recommends that the issue of a comprehensive MSME database be considered in consultation with state governments and other subject matter ministries and then placed before the proposed National Authority at the earliest.
 14. It is proposed that the new entrepreneurs should be given a provisional registration. Further, a new field of women entrepreneurs, Scheduled Caste entrepreneurs and Scheduled Tribe entrepreneurs should be added in the alphanumeric registration number.
 15. An appropriate Grievance Redressal Mechanism and facility for online application for Central and State Government schemes may be suitably incorporated in the portal. Ideally, a single application for bank loans should also be incorporated in the proposed portal to reach the banks.
 16. It is proposed that a Task Force be constituted for preparing the scheme of a comprehensive Database to consider the Committee's suggestions and submit a proposal for MSME INDIA within a short time.
 17. Good programmes and schemes should be adopted with such modifications as appropriate e.g. Credit Guarantee Scheme, Credit Linked Capital Subsidy scheme, SFURTI, PMEGP etc.
 18. The MSMED Act, 2006 (Act of 2006) and the Interest on Delayed Payment to Small Scale and Ancillary Industrial Undertaking Act. 1993 (Act of 1993) are Special Acts and should supersede all earlier Special Acts.
 19. It is urged that the discussions on a single legislation for MSEs with less than 40 workers should gather pace and culminate into a positive outcome for the benefit of the MSME Sector.
 20. The Committee recommends that efforts should be made to provide social security cover for micro entrepreneurs.
 21. Micro and small enterprises play a major role in employment generation in the country and the Bankruptcy Code may cause avoidable hardship for them. It is therefore suggested that a study may be undertaken to assess the likely impact of the code on the MSME Sector.
 22. The Telangana model for ensuring statutory clearances for start-ups could be worth replicating
 23. In Gujarat also DICs have facilitation counters at five centres in the big cities. This number is going to be increased to 10. This is also worth considering.

24. There is need to start a series of annual research publication entitled SME India Monitor/Index on the lines of the above referred world documents including GEM-India Report 2014. The suggested Monitor/Index may cover the stage SMEs development in India, ease of doing business, access to finance, and competitiveness.
25. There have been requests from the industries to pave the way for conversion of all leasehold plots to freehold and easy conversion of agricultural land for industrial use.
26. The Committee sees merit in these requests and advocates the State Governments to allow conversion of lease hold industrial plot to free hold bases after evaluating the success of a unit after five years. Similarly, the Committee feels that if a particular entrepreneur is willing to satisfy all norms; especially those related to pollution and environment, easy conversion of agricultural land for micro and small industrial uses may be allowed.
27. It is proposed that a Land Bank be created by State Governments with support from the Central Government to promote them for Industrial development.
28. There is a critical need for restoration and renovation of existing Industrial Estates.
29. To promote Micro units in the Rural Areas, it is recommended that small Rural Business Zones (RBZ) be created after conducting baseline survey of the resources and skills available in the rural areas.
30. It is also proposed that the State Governments may be encouraged to identify mid-sized land parcels in urban and semi-urban areas for development as Business Parks to be leased to SMEs.
31. The Central Government may request the State Governments to lease land to the State Industrial Development Corporation and or Private Promoters who will, through Public Private Partnership develop an Integrated Business Park (IBP)(mostly Sector Specific) through an Spy company.
32. The Integrated Business Park should be on a "Plug and Play Model" so that the SMEs come to and rent out j take on lease the facility with their business knowledge supported by their investment in Plant and Machinery.
33. Industrial and Artisan Clusters grow naturally and many times in an unplanned manner and as such their growth gets stunted. It is recommended that such clusters be identified and appropriate infrastructure be planned for them. Such Infrastructure can be called.Cluster Parks.

34. The Central and the State Governments should be sensitive to the need for funding Infrastructure projects. Adequate budgetary provisions need to be made to fund Industrial Infrastructure specific to the MSMEs.
35. DICs should be developed as Udyami Udyog Bandhus with block and panchayat level presence with the supporting infrastructure. A specialized cadre of trained officials employed by the Udyami Udyog Bandhus need to work with local partners to counsel, mentor and to train small business.
36. The Udyamj Udyog Bandhus can also provide handholding of micro entrepreneurs in getting them financing through MUDRA. They can also play major role in timely online grievance redressal carried out through a digitalized platform.
37. The Committee feels that the MSME-DIs should be developed as Udyami Udyog Mitras and Information, awareness and Guidance on all Schemes should be their core activities. Furthermore, Reimbursement based schemes should be administered directly by DIs as much as possible. They can be converted into clearing houses of available technologies and helpers in technology adaptation.
38. A dedicated TV Channel named as Udyam Bharat can be started in the lines of Lok Sabha TV and Rajya Sabha TV. This could be an effective instrument for disseminating information and will enable best practices and progressive entrepreneurial culture to be showcased.
39. There is an urgent need for accreditation of truly representative Associations by the Government and to encourage creation of forum of Associations industry wise/zone wise. Accredited Associations can find a place in the Boards of Public sector Banks /Fts.
40. On Credit and Finance, the Committee recommended improvements in the MUDRA scheme.
41. The limits for giving loans under various categories of MUDRA should be enhanced
42. Categorization of Banks' Credit to MSMEs through NBFCs under the Priority Sector and loans given by banks to NBFCs for the purpose of on-lending to Micro, Small and Medium Enterprises should be treated as indirect finance to MSMEs eligible for classification under the Priority Sector lending of banks.
43. Classification of loans to medium enterprises should exclude from the priority sector and Priority sector lending certificate should be discontinued.
44. The Committee Recommended change in classification of NPA norms in Banks' lending to MSMEs: The Committee recommends that the 90 days limit fixed by RBI for classifying over dues of MSMEs as Non-Performing Assets should be increased to 180 days so that MSMEs are not constrained to divert their working capital

towards servicing of their loan-instalments and clearing of their over dues at the cost of their normal business operations. This improvement in the RBI guidelines will save a large number of MSMEs from turning sick or getting closed resulting in loss of economic activity and loss of employment, and further preventing avoidable classification of bad debts and unwarranted litigation by banks thereby saving the banks from losses.

45. The Committee recommends that The Reserve Bank of India should permit the establishment of MSME centric Non-Banking Finance Companies (NBFCs) and specially created 'MSMEs' Receivables Financing Funds' for limited purpose of promoting financing against Receivables and discounting of their supply bills. These NBFCs or Special Purpose Funds can be promoted in joint sector by the Government through Banks or other Institutions jointly with the Private Sector. These NBFCs & Funds can be allowed to attract investment from domestic and international sources and could be operated by banks or the private sector to finance MSMEs' book debts or to discount MSME supply bills. These NBFCs would serve only MSME customers primarily to finance their receivables & book debts or to discount their supply bills.
46. The Committee recommends that in order to obviate the financial constraints faced by MSMEs on account of delayed payment of their bills E-financing web portal where all such supply bills and receivables could be offered for discounting or financing to banks and other financing institutions like NBFCs and factoring companies should be established. This financing mechanism should enable availability of an E-platform on which MSMEs can upload their supply bills for discounting by interested parties who should offer their competitive discounting rates for the MSMEs to opt for any of them keeping in view their competitive rates. This E- platform should enable levying of interest for delayed period on the buyers.
47. The Committee recommends that the Government should meet a part of expenditure of SMEs incurred by them in the initial listing of their equity on the SME exchanges. This part reimbursement of listing expenditure could either be limited upto 50% of the total listing expenditure or Rs.10 Lakhs whichever is lower.
48. The Committee recommends that the Government should provide tax exemption for the investments in IPOs of SME companies under section 80C of the Income Tax Act 1961 within the overall prevailing ceiling limit of Rs. 1,50,000/-.
49. The Committee recommends to establish a separate 'SME Equity Investment Fund' by the Ministry of MSME to be managed by a professionally run entity of fund managers.
50. Acceptance of MSME Performance and Credit Rating by Banks for lending: The Committee recommends that the Performance and Credit Rating Scheme of the

Ministry of MSME for which the Ministry is incurring huge amount of expenditure should be accepted by the Reserve Bank of India as eligible rating for availing Bank loans and no separate Bank Loan Rating should be required from MSMEs.

51. E-Tracking of MSME loan proposals and creation of Database of credit to MSME sector: The Committee recommends that a comprehensive ePortal should be established by the Ministry of MSME which should be available to all MSME applicant borrowers throughout the country so that they can register their loan applications on such portal against acknowledgement number and the bank should provide complete information about disposal of such applications. Any loan applicant should be able to track the current status of his/her application by logging on to such electronic platform / portal.

(KNN Bureau)

Annexure II: RBI Committee Findings and Suggestions

Findings

Even after a journey of more than one decade, the MSMEs sector is still posed with numerous challenges such as inadequate flow of funds in the sector; costly financing¹², lack of full swing procurement by Government sector from MSMEs; delay in payments ; limited role of SIDBI; complex registration process; external movement of start-ups amid favourable external environment thereon in terms of tax concessions, enabling infrastructure, lack of effective enterprise development centres; inadequate collaboration between MSMEs and R&D institutions including innovation offering companies and educational institutions; poor access to services in areas such as improvement of technology, product development and marketing techniques; etc.

Though banks are cautious about the high risk perception against the collateral free loans, but it would facilitate the credit diversification of banks.¹³ Public sector banks have higher credit exposure with MSMEs (around two-fifth) whereas private sector banks account for about one third of total MSME credit with comparatively lesser NPAs.¹⁴ The credit quality of MSMEs availing loans from private sector banks and NBFCs is significantly better and as of June 2018, their NPA levels on account of MSME loans were 3.9% and 5%, respectively. In this regard the strengthening of information flow environment in the present recommendations would surely enhance the quality credit for public sector banks, and thereby bridge the gap of credit shortfall.

Recommendations

In nutshell, the panel recommendations as below specially focus on credit aspect of the MSME sector, would have implications towards quality credit without delay and appropriate scale, thereby enabling the MSMEs in capacity building for sustained growth. These are:

¹² For the MSME sector, interest costs have not fallen meaningfully as banks have not transmitted the entire reduction in the repo rate to customers.

¹³ Indian banks have much exposure towards large industries.

¹⁴ The credit quality of MSMEs availing loans from private sector banks and NBFCs is significantly better and as of June 2018, their NPA levels on account of MSME loans were 3.9% and 5%, respectively.

1. Amelioration of liquidity crunch for the MSMEs by way of providing distressed asset funds with a corpus of ₹5000 crore,
2. Cash flow-based lending, revising collateral free loan limit from ₹10 lakh to ₹20 lakh, Credit guarantee scheme for MSMEs,
3. Promoting joint venture of private firms in investing MSME sector through Government fund of funds,
4. Faster approval of loans through PSBLoansIn59Minutes portal,
5. Ensuring timely payments to MSMEs, etc.
6. The raising of collateral loan for the micro and small enterprises which have received comparatively lower credit pie as of medium and large enterprises.
7. In order to improve the liquidity position, the TReDS mechanism is recommended to be put in place.
8. The digital infrastructure for sharing credit information and assessing the historical performance of borrowers are needed for promotion of green-field projects in the MSME sector through joint venture mode.
9. Financial engineering in terms of inviting the private players along with new products would render the competitive lending practices to the MSMEs, thereby helping in flowing appropriate credit with reasonable cost.
10. Create MSME clusters to collaborate with companies offering innovation infrastructure, R&D institutions and universities that specialize in a specific industry or knowledge area.
11. Tax incentivizing to private sector for cluster development and a new intermediary i.e., Loan Service Provider (LSP) – an agent of the borrowers yield positive results in terms of enhancing the innovation of the sector and access of greater finance.
12. Other supports should also cover in terms of strengthening of MSME Export Promotion Council and a national (and state level) Council as a special purpose vehicle for crowd funding of MSMEs, out-of-court assistance to MSMEs, insurance coverage to MSME employees such as coverage under Ayushman Bharat to cope with natural calamities, etc.

Annexure III: International Best Practices in SMEs Sector

At present, countries across the world is taking various steps in formulating growth strategies for SMEs sector and ensuring them to move along with pace of GDP. This section discuss about the selected best practice taken by different countries for

1. Access to easy finance during CORONA Pandemic
2. Competitive SME policy themes and examples
3. Best practices in digitalization support for SMEs
4. Skill development of SMEs to improve/retain competencies
5. Protecting start-up and scale-ups

I. Measures taken by selected countries from the UNECE region to support MSMEs during COVID-19 crisis

| Country | Measures Taken | Benefits |
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| 1. Austria | Austria has taken various measures funded by the COVID-19 Crisis Management Funds [65] . "Digital Team Austria" initiative consisted of companies in the digitization industry that has offered digital services to MSMEs free of charge for the first 3 months | New guarantees are being provided for MSMEs worth €10 million up to 80% of the loan amount or €2.5 million for 5 years. These guarantees have a one time processing fee starting at 0.25 % of the amount to be financed and a guarantee fee, starting at 0.3% p.a. (variable to risk) of outstanding liability. |
| 2. Belgium: Belgium is offering state guarantees on certain loans and the existing guarantees have been extended to includes companies that were affected by the COVID 19 pandemic | Extension of MSME guarantees in the Flanders region | The existing MSME guarantees have been extended to include companies that were impacted by the ongoing COVID-19 crisis. These guarantees include bridge loan guarantee for existing non-bank debts up to 12 months, low-interest subordinated loans for startups and scale-ups, lowered one-off premium, guarantees for bank debts |

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| | | under existing credit facilities and investment credits. |
| | Federal Guarantee Scheme (applies automatically and is in force currently) | The federal state will provide a guarantee of €50 billion on certain loans issued by financial institutions in Belgium. Losses suffered will be apportioned between the federal state and the financial sector: - First loss of 3% will be supported by the financial sector - Losses between 3% and 5% will be shared equally between the financial sector and the federal state. - For losses exceeding 5%, the federal state will bear 80% of the loss. All new loans with a maximum term of 1 year (unless extended) must be entered between 1 April 2020 and 30 September 2020 (unless extended). These guarantees do not include refinancings, draw-downs under agreements entered before 1 April 2020, financings that cannot contractually be used for Belgian activities of the borrower and agreements that specifically exclude the benefit of the guarantee |
| | Belgium has opened up existing financial instruments for MSMEs – such as MSME growth subsidy | Supports firms to find alternative markets, particularly where supply chains are impacted. |
| 3. Denmark: Denmark is providing guarantees on loans for MSMEs and salary | A loan guarantee is being provided to cover losses directly relating to COVID 19 on 70% of new corporate loans that are being issued. | The loan amounts to DKK 1 billion in losses in Denmark and is intended for MSMEs that are operating at a loss of 50% or more. |

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| compensations for employees of start-ups | Salary compensation for employees of start-ups | A compensation of up to 75 % of the employee's salary (not more than DKK 23,000 per month per employee) can be availed in start-ups. |
| | The Danish Export Credit Fund (EKF), a state agency in Denmark, will increase its liquidity for MSMEs. | An increase guarantees will assist some 250 MSMEs in continuous export business. |
| 4. France; France is providing various guarantee schemes, financing options and other services for MSMEs affected by the pandemic. The industry associations have supported MSMEs during the crisis through a toolkit on teleworking and advice to companies. | Guarantee Fund "Reinforcement of the Treasury" intended for Very Small Enterprises (VSEs), MSMEs and mid-cap companies | Guarantee up to 90% liquidity enhancement loans from 2-7 years. Long- and medium-term loans, movable and immovable leases, financial leases etc. can be guaranteed. Term for 2-7 years (can be extended up to 15 years max. for loans with a security interest in real estate asset or in the case of sale and leaseback of real estate). Up to €5 million for MSMEs and €30 million for European Institute of Innovation and Technology (EITs) can be guaranteed. Elimination period has been reduced to 6 months. |
| | Guarantee Fund "Confirmed Line of Credit" Intended for MSMEs and mid-caps and is renewable only once. | Up to 90 % guarantee on confirmed credit lines for a period of 12-18 months. Renewal of confirmed ST lines of credit (overdrafts, overdraft facilities, discounts, daily etc.) can be guaranteed. Can be used for financing the business operating cycle. Guarantee equal to the duration of the CT line (up to €5 million for MSMEs and up to €3 million for mid-cap companies). |
| | Mid Term Financing: provision of asset loans intended for VSEs, MSMEs and mid-cap companies with at least 12 months of balance sheets | Can be used for one-off cash requirements and an exceptional increase in working capital requirement, linked to economic situation. |

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| | | €50,000 to 5 million for MSMEs and up to 30million for midcap companies can be provided. Time: between 3-5 years, of which 6- 12 months of deferred depreciation. Provision of unsecured loans on assets of the company or its manager. |
| | Mid Term Financing: ready to bounce loans intended for VSEs, MSMEs and midcaps. Being provided in partnership with the regions and is cofinanced | Allows financing a cash requirement related to cyclical difficulty, a temporary fragile situation or a working capital requirement that does not allow normal operating condition. Financing ceiling: €10,000 to 300,000. Term: 7 years, including 2 years of deferred capital amortization. |
| | Increase in the maximum outstanding amount of secured receivables | For factoring companies currently benefitting from agreements for the benefit of MSMEs, it has been proposed to increase the maximum outstanding amount of secured receivables from €200,000 to 500,000 and allow the release of security deposit. |
| | Export Guarantees and pre financing through Bpi Assurance Export | For MSMEs Bpifrance Export Insurance will now cover for the duration of COVID 19 pandemic, its policyholders (credit institution) up to 90% of issued and declared guarantee commitments (export guarantee insurance) or pre-financing setup (pre-financing guarantee) compared to 80% previously. Companies applying for export pre financing guarantee will now have 6 months (compared to 4 months previously) for the |

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| | | bank to set up the underlying pre financing credit as from the notification by Bpifrance Assurance Expert of the granting of its guarantee. For issuing institutions, this will reduce the risk of when issuing guarantees or setting up pre-financing credits, as well as provide addition time to setup pre-financing credits facilitating the granting of such financing to the companies |
| | Credit Mediation | Credit Mediation is being provided to company of any size and in any sector experiencing financing difficulties with its banking partners or that is suffering the consequences of a reduction in guarantees from a credit insurer. |
| | Deference of payment of rents | The members FFA of have undertaken deference of the payment of rents for MSMEs and VSEs belonging to one of the affected sectors whose activity is interrupted pursuant to the decree of 15 March 2020. These include auditoriums, conference, meeting, show or multipurpose rooms; sales shops or shopping centers; Restaurants and pubs; dance halls and game rooms; libraries, documentation center; Exhibition halls; covered spot establishments; museums. |
| | Solidarity Fund €2bn for small businesses (3 months) | MSMEs having turnover less than €1million, having lost 70% of their turnover between March 2019 and March 2020 will be paid an additional aid by the region and these companies will |

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| | | <p>be eligible for an flat rate aid of €2,000 if they employ at least 1 employee are unable to pay their debts within 30 days and have been refused cash loan by their bank. From 1 April, all companies concerned will be able to make a simple declaration on tax website - impots.gouv.fr - to receive aids up to €1,500 and since 15 April, the companies experiencing the most difficulties will be able to obtain, on a case by case basis from the region an additional aid of €2,000.</p> |
| <p>5. Germany: Germany is providing easier loans for its MSMEs, with increased grace periods and no guarantee or collateral required</p> | <p>KfW Quick Loans for MSMEs</p> | <p>Provided that the company has made a profit in the sum of the years 2017-2019 or in 2019, if it has only been on the market for a shorter period a "fast loan" must be granted with the following key points: - The loan is available to medium-sized enterprises with more than 10 employees that have been active on the market at least since 1 January 2019. - The loan volume per company is up to 25% of the total turnover in 2019, a maximum of €800,000 for companies with more than 50 employees, a maximum of €500,000 for companies with up to 50 employees. - The company must not have been in difficulty on 31 December 2019 and must be in an orderly financial situation at that date. - On request, up to 2 grace years at the beginning is provided to reduce the shortterm burden. - The bank receives a 100% indemnity</p> |

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| | | <p>from KfW, secured by a guarantee from the Federal Government. - The loan is approved without further credit risk assessment by the bank or KfW. Collateral is not provided and loan is approved quickly. The term of the loan has been extended from 5 up to 6 years, and even up to 10 years for loans of up to €800,000 and the assumption of a positive forecast for the continuation of operations is based on the assumption that the companies had sound financial circumstances as on 31 December 2019.</p> |
| | <p>Germany has set up an Economy Stabilisation Fund (Wirtschaftsstabilisierungsfonds)</p> | <p>It aims to ring-fence businesses seen as of critical importance for the German economy as a whole.</p> |
| <p>6. Italy: Italy has introduced public guarantees and support for its innovative start-ups and MSMEs. It is also allowing suspension of loan repayment for MSMEs. The Italian export credit agency, Servizi</p> | <p>Suspensions of loans repayment for MSME</p> | <p>Italian MSMEs affected by the consequences of COVID-19 can have their loan repayments suspended until 30 September 2020 on outstanding bank loans as at 17 March 2020. Italian bank cannot revoke credit facilities until 30 September 2020.</p> |

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| <p>Assicurativi del Commercio Estero (SACE) has announced a €4 billion package to help MSMEs address cash flow needs and diversify export markets. In addition, the Italian Agency for the promotion of business internationalization, Italian Trade Promotion Agency (ICE1) has absorbed the costs already incurred by companies for participation in fairs and events</p> | <p>Support for innovative start-ups</p> | <p>Additional resources of €100 million for the year 2020 were allocated to refinance loans already granted to innovative start-ups. A fund of €10 million was established to grant innovative start-ups non-repayable contributions to be used to purchase services provided by incubators, accelerators, innovation hubs and business angels. A fund aimed at sustaining venture capital was provided with additional €200 million for the year 2020 to support investments in innovative start-up and innovative MSME share capital.</p> |
| | <p>Support to MSME</p> | <p>At the territory level an agreement was made between 14 municipalities of the South East Milan area to build a portal for MSMEs that aims at giving support in consultation to micro and small businesses in the areas affected by the recent COVID-19 pandemic</p> |
| | <p>The Ministry of Innovation and Digitalisations launched an initiative “Digital Solidarity”</p> | <p>This includes a portal for MSMEs to access free of costs digital services from large private sector companies regarding smart/teleworking, video conferencing, access to mobile data, cloud computing etc</p> |

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| <p>7. Spain Spain is providing aids to facilitate utility payments and financial and closure support for its MSMEs. Spain has offered €2 billion as part of its additional loan guarantee programme in guarantees to exporting companies. Measures to help digitize MSMEs have also been taken up to facilitate teleworking and prevent external (outside the European Union) takeovers of Spanish firms in strategic sectors</p> | Aid to facilitate payment of utility bills | Aid to facilitate payment of electricity, gas and other energy services bills of its clients including MSMEs by splitting invoices up to 12 months.[52] It will postpone the electricity and gas bills of MSMEs that will be issued during the second semester of the year |
| | Financial aid for MSMEs in Castile-La Mancha | Since the beginning of April, the Regional Government has coordinated a financial aid mechanism of €15 Million, aimed at MSMEs and the self-employed of Castile-La Mancha, to back credit operations of up to €300,000. It has also designed a plan of more than €220 million for economic recovery post COVID-19 crisis. The plan will feature measures such as the creation of a €25 million non-refundable financial aid line aimed at MSMEs and the selfemployed resuming their activity immediately after the lockdown was lifted while maintaining their employees. |
| | 'Re Activa València' liquidity measures | 'Re Activa València' is a series of liquidity measures designed for MSMEs to compensate for closure or losses and targeted towards maintaining employment. Under this payment of municipal taxes has also been delayed. An assistance and coordination service has been launched to ease the access to the administration's benefits, as well as a financial |

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| | | control system about the effects of the crisis |
| <p>8. United Kingdom: United Kingdom has introduced various loan schemes and employee sick pay packages</p> | Statutory Sick Pay (SSP) relief package | It includes refund to cover up to 2 weeks' SSP per eligible employee off work due to COVID19. The companies can reclaim expenditure for any employee who has claimed SSP because of COVID-19. This scheme covers full-time employees, part-time employees, employees on agency contracts and employees on flexible or zero-hour contracts. Employers can claim back from both the Coronavirus Job Retention Scheme and the Coronavirus Statutory Sick Pay Rebate Scheme for the same employee but not for the same period of time for an employee. |
| | Coronavirus Business Interruption Loan Scheme | Under this scheme launched on 23 March 2020, MSMEs with an annual turnover of less than £45 million can borrow up to £5 million with a government guarantee covering 80% of the loan. The loan will only be available from accredited lenders, and the first year will be interest-free. |
| | Bounce Back Loan | Allows MSMEs affected by the pandemic to receive loans of up to 25% of their annual turnover (capped at £50,000) from accredited lenders. These loans have a term of up to 6 years and benefit from a payment holiday during the first year. The Government of the United Kingdom will guarantee the amounts |

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| | | <p>provided under these loans, and borrowers will not have to pay any fees or interest during the first 12 months.</p> |
| | <p>Increased support for MSME by the Bank of England</p> | <p>Bank of England has promised increased support for banks lending to the real economy and will unveil new incentives for banks that increase their lending to MSMEs. In particular, it is offering a 4-year collateralized loans to cover at least 10% of real economy lending at interest rates at or very close to Bank Rate and additional funding to banks that increase lending to MSMEs</p> |
| <p>9. Switzerland: Switzerland has introduced loans and guarantees for certain MSMEs [88]. Swiss Government has offered compensation for reduced exports promotion activities of CHF 4.5 million</p> | <p>COVID-19 loans for MSMEs that: are established / incorporated prior to 1 March 2020; have an annual turnover lower than CHF 500 million; have no ongoing debt collection liquidation proceedings; have significant negative impact on the turnover due to the COVID-19 pandemic; do not benefit from federal financial support measures introduced in the areas of culture or sport.</p> | <p>The Swiss Government has introduced government-guaranteed loans from Swiss banks as an interim measure for Swiss MSMEs to help alleviate liquidity problems due to COVID-19. An expected CHF 40bn in financing will be provided to MSMEs. MSMEs can apply for loans up to 10 % of their annual turnover, up to a maximum of CHF 2 million. For demands of up to CHF 500,000 will be guaranteed by the Swiss Government and will carry no interest rate. Demands in excess of CHF 500,000 will be guaranteed 85 % by the Swiss Government and the primary bank provider will bear the risk for the remaining 15%. The annual interest rate is currently 0.5 % and standard credit checks have to be imposed on the borrowing entity and this</p> |

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| | | can make the approval process slower. The guarantees by the Swiss Government last for 5 business years with a possibility for extension up to 2 years and restrictions like no payments of dividends and no transfer of funds to parent-companies abroad and must be repaid within 5 business years at the latest. |
| 10. Singapore | Singapore has topped direct government spending for MSMEs at 8.9 percent of GDP during the pandemic, including wage subsidies, working capital loans and specific grants for sectors most impacted. These responses have helped MSMEs retain employees, improve cash flow and cover costs of business operations. | |
| 11. Canada | Canada spent 6.6 percent of GDP on MSMEs. Direct fiscal measures by leading countries have included lump-sum direct transfers to affected firms, subsidy of employee wages, raised unemployment packages, compensation for sick leave and rent subsidies. In Canada, a hotline service helps farming entrepreneurs and small business owners access financial planning advice and information on options for public financial support | |
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Source: https://unece.org/fileadmin/DAM/energy/se/pdfs/geee/Guidelines_MSME_EE-RE_Final.pdf

II. Competitive SME policy themes and examples

A. Singapore: Singapore Ranked No. 1 in the World Bank’s “Doing Business” survey consistently in the world. Singapore government is famed for its business-friendly policies and pro-business attitude. Various government agencies and statutory boards have programs and schemes targeted at different industries with different objectives. Following are some examples from Singapore that could serve as reference for designing policies and programs to support competitive SMEs. Following measures have been taken by Singapore for SMEs

1. Grants to improve productivity – Enhanced Mechanisation Credit (MechC) Scheme:

This grant is open to all Singapore-registered construction contractors, aimed at helping them to improve productivity and adopt new technology. Administered by Building & Construction Authority (BCA) of Singapore, and recently enhanced with higher cap and larger funding amount in 2013, this grant reimburses contractors up

to 70 per cent of the costs incurred in purchasing or leasing equipment that results in productivity improvements.

This scheme looks at rewarding “throughput” rather than “inputs”, and it rewards only those who have already demonstrated significant productivity improvement (i.e. at least 20 per cent manpower saving). As such, it encourages the firms to become more productive and hence more competitive in the process, and incentivizes those who have achieved positive results. The scheme has certainly benefited many small contractors, resulting in as much as 400 per cent improvement in productivity for some.

2. Equity financing for successful startups – Startup Enterprise Development Scheme (SEEDS): To assist young (less than 5 years) and prospective (demonstrating high growth potential with clear scalability for the international market) entrepreneurs to grow, the scheme provides co-investment options with another third party investors. Specifically, SPRING SEEDS Capital (SSC), a wholly-owned subsidiary of SPRING Singapore, will match the sum invested by third-party investor(s) dollar-for-dollar up to a maximum of \$1 million, thereby taking an equity stake in the investee. Government is not directly involved in the private sector capital market actions. Qualified VCs have full autonomy to choose, are incentivized to invest more because of higher returns due to co-financing, yet have to bear the risk if the startup fails. It helps the prospective SMEs to tackle both the challenges of access to finance and access to expertise. This scheme has helped many local startups to grow and expand in the international market.

3. Non-financial assistance/consulting for international expansion – IP for Internationalisation Program: Singapore provides training and consultancy services on protecting and maximizing intellectual property rights for Singapore companies who wish to venture abroad, through strategy, research, training and online resources. This program, among many others that championed by various Singapore government agencies, are aimed to develop a pool of knowledge and experiences in a certain domain area (e.g. IP) that all firms can tap on, or serve as a common platform to create a more vibrant environment for aspiring businesses to grow. By providing more publicly available resources required by growing SMEs, no firms are excluded from the benefits that government offers, yet only the more competitive ones will utilise these resources to their advantage to create more value in the economy.

B. South Korea: The South Korea economy has grown rapidly into the 10th largest economy power in recent years, and SMEs have made significant contribution. They account for 99.5 per cent of the total businesses, 77 per cent of people employed and 50 per cent of the value add in the economy. There have been over 100 SME policies since 1960s, with themes shifting as the economy developed. In recent years, the focus has been on strengthening SME competitiveness, internationalisation and establishing win-win cooperation between large businesses and SMEs. South Korea has taken following measures for SMEs

1. “Purchase-Guaranteed New Product Development Programme” – SMBA
Through this program, the Small and Medium Business Administration (SMBA)

supports SMEs' new product development with up to 500 million KRW funding after receiving voluntary demand from the public organisations or large firms. The government (i.e. SMBA) marries the demand and supply from large and small firms respectively, institutionalizing the collaboration in the complementary eco-system. Government funding is spent on product innovation with a tested market demand, to support SMEs that have demonstrated scalability. According to the SMBA's 2009 Report, this programme has been very effective for SMEs in lowering development cost and in substituting previously imported products with nationally produced ones. Participation has steadily increased with over 170 purchasing organisations taking part in 2008.

2. **“Hidden Champion Initiative” – Korea Import-Export Bank (Eximbank:** As the official export credit agency of Korea, the Korea Eximbank developed this program to provide policy assistance to facilitate high-potential SMEs' development towards becoming a leading global export company. As the state-run bank, Eximbank will provide both financial and non-financial support to selected SMEs throughout the stages of business activities including product development, production, and overseas sales. Though the selection process might be challenged on the ground of fairness and effectiveness, the concept behind this initiative is to give special attention to more competitive firms in the market, and provide targeted resource aid to facilitate their growth.

- C. **Malaysia:** Malaysia has fairly vibrant private sector, and the Malaysian SMEs have been at the forefront of economy development even before the country's independence. At present Malaysia ranked number 1 in ease of doing business among 49 upper middle income countries.

With the vision of “creating globally competitive SMEs across all sectors that enhance wealth

creation and contribution to social well-being of the nation“ and to become a high income nation by 2020, the Malaysia SME Master Plan 2012 – 2020 clearly articulated 4 goals and 32 initiatives to change the SME landscape in the country. The philosophy adopted in this master plan is very much in line with the concept of competitive SME.

The four stated goals are:

- a) increase business formation
- b) expand number of high growth and innovative firms (similar to competitive SME approach)
- c) raise productivity (this goal is also embedded in the competitive SME approach)
- d) intensify formalization

The following two initiatives serve to illustrate how they achieve the goals of expanding number of high growth and innovative firms and of raising productivity. Though these initiatives are yet to crystalize as specific policies, they are helpful in reflecting the thought process of policy designing.

- i. Malaysia is developing the Technology Commercialisation Platform (TCP) to encourage innovation. Under this program, the current incubation facilities are integrated under one national platform; programme managers are incentivised upon successful commercialisation; and SMEs and potential financiers are better linked.

As we can observe, the design of the TCP project focuses on identifying the most competitive and innovative firms.

- ii. The second example is the Catalyst Programme, which aims to create home-grown champions through a targeted approach with support in the area of financing, market access and human capital development. The program has transparent selection criteria and exit mechanisms and design supports the development of the most competitive firms.

III. **Best practices in digitalization support for MSMEs**

In recent years governments around the world have taken digital support initiatives for MSMEs which tend to fall into three categories

1. **Provisioning of information and expertise** – Services that support the enhancement of digital knowledge to select and operate technologies. For example, **Austria's** Federal Ministry for Digital and Economic Affairs launched the Digital Team Austria initiative, comprising companies in the digitalization industry and offering digital services to MSMEs free of charge for at least three months.

Italy launched an initiative called Digital Solidarity, which includes the creation of an online portal where SMEs and the self-employed can register to access free digital services provided by large private-sector companies in fields such as teleworking, video conferencing, and access to mobile data.

In **France**, the Région Grand Est has set up a platform called “A Stronger Grand Est” (Plus Forts Grand Est) in order to connect around 50 innovative companies and communities, companies, associations, healthcare establishments, etc. within the region to identify innovative products and services that could help overcome the crisis and rebound.

2. **Grants and funding for digitalization** – Direct financial support for procuring technologies/services to accelerate digitalization. In **Germany**, for instance, the government has set up dedicated funds for digitalization and ICT advancement of MSMEs. Similarly, **Japan** offers subsidies to support teleworking, adoption of IT solutions and developing e-commerce sales channels

Australia announced in September 2020 a package of AUD 800 million to remove outdated regulatory barriers, boost the capability of small businesses and back the uptake of technology across the economy. The measures include spending AUD 29 million on the rollout of 5G high-speed Internet and AUD 28.5 million to promote open banking, where customers can shop around for financial services with their own data. It also includes AUD 6.9 million to test the use of blockchain to cut compliance costs.

In November 2020, **France** earmarked EUR 100 million to support small business in building up online operations. In addition, the government platform FranceNum, launched in 2018 to connect SMEs willing to digitalise with a network of specialised consultants, became a platform for live information on support initiatives from national and local governments, and the private sector. To increase its reach, a daily radio show discusses upcoming digital trends.

3. **Ready-made solutions/platforms** – Provision of, or enabling access to, digital solutions that can be immediately adopted by MSMEs without the relevant skills

in-house. This may be the most impactful category of digitalization initiatives, as these address multiple challenges simultaneously. Ready-made solutions can be in the form of equipment, connectivity packages, videoconferencing, collaboration platforms, digital payments, e-commerce platforms, IT solutions and cybersecurity solutions, among others. Such solutions reduce the need for technical expertise as well as capital required for in-house development or purchase of digital solutions. They may also provide strategic direction on how to engage in a larger, forward-looking digital strategy.

In **China**, for example, the government has been providing support for MSMEs to migrate to cloud computing by purchasing collaborative cloud technology solutions that enable home office, online training and e-commerce.

Similarly, the **Italian government** has established a portal where enterprises, particularly MSMEs, can register to access free digital services from large private-sector companies.

In **Singapore**, these solutions have been targeted towards helping sectors individually. For example, one program short-lists a series of technology solutions that MSMEs can implement to enhance specific tasks related to their sectors. The program includes a tailored list of solutions and finances up to 80 percent of the expenses related to purchase and implementation. Individual authorities are also supplying ready-made solutions for MSMEs:

In **Colombia**, the focus is on creating virtual marketplaces, including forums where companies offer discounts and free services to help other businesses, as well as digital marketplaces for B2B and B2C. Ready-made solutions from the Colombian government include free online tools, digital payment tools and webpage development for businesses to enable MSMEs to maintain client communication channels.

Austria and Malaysia, have focused on providing digital platforms as well. In Austria, several regional online platforms promote products online. In **Malaysia**, the government is developing a digital marketplace to allow smaller suppliers to work with government for procurement.

IV. Helping SMEs reskill or retain competencies

Some countries have expanded the existing measures for the training and skills development of SMEs or have launched new ones.

Australia adjusted its national My Skills programme that subsidises upskilling, reskilling and vocational training. The support includes up to AUD 5 000 (USD 3 750) for hiring a new apprentice, up to AUD 1 500 (USD 1 125) reimbursement for equipment and services including online training when businesses hire new apprentices, or travel accommodation allowance associated with hiring an apprentice from rural or regional South Australia. Furthermore, in October 2020, the government provided an additional AUD 1.2 billion (USD 900 million) to create 100 000 new apprenticeships and traineeships, with a 50% wage subsidy for businesses that employ graduates.

Austria started a qualification offensive to strengthen companies in their digitalisation and innovation agendas. The aim is to systematically develop and expand the competencies of companies and of their employees in the areas of research,

technology, development, innovation and digitalisation. In addition, the programme supports knowledge transfer and the co-operation between science and industry.

Germany has designed the programme Digital Now – Investment Funding for SMEs, running until 2023, to provide financial grants and encourage SMEs to invest more in digital technologies and in the upskilling of their employees. Applying SMEs must present a digitalisation plan to invest in either software/hardware or employee training.

Singapore is subsidising absentee payroll for employees taking training (up to 90% of their hourly basic salary) through the Skills Future Singapore initiative. This initiative especially targets the food service and retail sectors.

Turkey gives strategic importance to spread the entrepreneurial culture and ecosystem and provides entrepreneurship training. To address rising demand, since 2019, KOSGEB has established a platform called E-Academy that gives access to free online training. Beneficiaries can also access the Entrepreneurship Support Programme, with preferential treatment for women, youth and handicapped entrepreneurs. Additional activities are carried out to ensure the visibility of the programme through KOSGEB directorates and raise the awareness of women and youth.

The UK introduced the Kickstart Scheme in September 2020, a hiring subsidy to incentivise businesses to hire young workers (from 16 to 24 years old). The scheme covers 100% of the national minimum wage for 25 hours per week for 6 months, and additional funding is provided for their training.

British Columbia, Canada, has developed StrongerBC, an economic recovery plan that introduces new supports for businesses to reopen, adapt, hire, rehire and grow. Support includes inter alia a new Small and Medium Sized Business Recovery Grant and a 15% Increased Employment Incentive tax credit.

V. Shielding start-up and scale-ups

France launched an emergency plan to support start-ups for EUR 4 billion, to strengthen bridge finance between 2 fundraising rounds, support the availability of venture capital, provide an accelerated refund of corporate tax credits and accelerated payment of the Programme des Investissements d’Avenir (PIA) innovation grants already allocated, and allocate innovation support from Bpifrance, including direct equity investments.

Germany has deployed the Start-up Liquidity Programme 2020, with additional funding for public venture capital investors (both individual funds and funds of funds) and a Future Fund (Zukunftsfonds) for a total of up to EUR 10 billion aimed at start-ups that get additional liquidity to support their way out of the crisis.

Turkey proposes grants and refundable support for start-ups to promote RDI in the field of product design or software activities. A product development module has been added to the 2021 call for projects. The SME Technology Support Programme

also aims to support investments in the production and commercialisation of high- and medium-high-technological products.

The UK has created a support package for innovative firms (Future Fund) that will provide high-growth UK-based companies with between GBP 125 000 and GBP 5 million and matching funding from private investors. In addition, targeted support is channelled to the most R&D-intensive SMEs in the form of grants and loans.

In Austria, the AplusB programme plays an important role as a co-operation and inspiration partner in the national university landscape. The programme identifies and develops technology projects within start-ups, many of which receive seed or pre-seed funding support. At the local level, Upper Austria, for example, has developed a start-up support package which provides a deferral of active start-up loans and special consulting services via the Tech2b Inkubator, which is one of the six regional incubators of the AplusB programme that supports technology start-ups with high growth potential.

Annexure IV: Initiatives of States in MSME Sector

States are one of the most important stakeholders as far as MSMEs are concerned. A robust MSME sector provides employment to the unemployed in the states and also helps the state's economy. They have always been a focus area, but MSMEs have started receiving increased attention in view of the realization of their potential in the overall development of the state. Some of the important initiatives that have been taken by the states are---

1. GUJARAT

Gujarat has been one of the top performers as far as growth of MSME sector is concerned. Three initiatives stand out-

- (i) Scheme to help MSMEs reduce energy consumption. It plans to help MSMEs in the state to reduce their energy consumption as well as carbon footprint using latest technologies in conservation. Gujarat Energy Development Agency (GEDA) has devised a long term plan for the same. One of the ways being promoted by it is to use the 'Waste heat', which is usually emitted in the form of air, in these units. There is potential of saving almost 2500 MW electricity through harnessing of 'Waste heat'. GEDA is planning to share the cost of equipment with MSMEs.
- (ii) In October 2019, the Gujarat state cabinet decided to bring Gujarat MSME Facilitation Ordinance to improve 'Ease of Doing Business' for MSME sector. This is to help a person who intends to set up an industrial unit. On average, units need permissions from 12 different departments and it delays the production up to 3 years. They would now be not required to obtain various approvals in the first 3 years of their operations. After that they would be required to get the necessary approvals in 6 months. The Ordinance proposed 'Investors Facilitation Agency' at the State level and 'District Industries Centre' at the district level.
- (iii) Gujarat Govt. inked a MoU with the National Stock Exchange to help MSMEs in fund raising and understand hedging foreign-exchange fluctuations for MSMEs engaged in imports and exports. The state is also planning to create a fund on the NSE platform to encourage investors to invest in the state.

The NSE would help MSMEs in listing on NSE's SME exchange platform EMERGE. The Govt. would bear a part of the expenses related to the listing. EMERGE has 205 companies listed currently, of which 64 firms are from Gujarat.

Further, the Gujarat Govt. and the NSE will also promote online digital bills receivable discounting platform.

2. KERALA

Kerala government has modified 'Kerala Single Window Interface for Fast and Transparent clearance' (KSWIFT) to facilitate immediate clearance for investment proposals up to Rs 10 crore. It has upgraded KSWIFT portal for the purpose. 15 Departments/ Agencies are available on the platform reducing the physical touch-points and bureaucratic delays.

3. ANDHRA PRADESH

Andhra Pradesh has MSME Parks Policy-2018-23, under which it is to set up MSME Parks in all the Assembly constituencies spanning into 25 to 100 acres to realize their potential. The government intends to make large enterprises as 'anchor investors' for MSME Parks. With a motive to make large enterprises to enter into business relationships with the MSMEs, the government will allocate a maximum of 10% of the area in each park to them.

4. TAMIL NADU

The government has put in place the concept of 'ease of doing business' and a 'single window portal' for the MSME sector to facilitate the functioning of the industries. A dedicated desk has been set up in every district of the state to help the MSMEs in settling dues related to the sector from the industries. The state provides different type of subsidies to support the MSMEs.

a. Subsidy schemes for micro manufacturing enterprises

- 25%Capital Subsidy on the value of eligible plant and machinery.
- 20% low tension power tariff subsidy for the first 36 months from the date of commencement of commercial production or from the date of power connection, whichever is later.
- Stamp duty exemption on mortgaged and pledged documents.

b. Subsidy schemes for Industrially Backward Blocks and Agro Based Enterprises

Micro, Small and Medium Manufacturing Enterprises established in 251 industrially backward blocks, all industrial estates promoted by the Government and Government Agencies like SIPCOT, SIDCO, etc., (excluding Industrial Estates located within a radius of 50 Kms from Chennai city centre) and agro based

enterprises set up in all the 385 Blocks in the State are eligible for the following package of incentives:

- 25% capital subsidy on the value of eligible plant and machinery subject to a maximum of Rs.30 lakh.
- 5% additional employment intensive subsidy on the value of eligible plant and machinery for providing employment to 25 workers for 3 years within the first 5 years from the date of commencement of commercial production, subject to a maximum of Rs.5 lakh.
- 5% additional capital subsidy on the value of eligible plant and Machinery for enterprises set up by women, SC/ST, differently abled and transgender entrepreneurs subject to a maximum of Rs.2 lakh.
- 25% additional capital subsidy on the value of eligible plant and machinery installed to promote cleaner and environment friendly technologies subject to a maximum of Rs.3 lakh, if certified by the Tamil Nadu Pollution Control Board.
- 20% low tension power tariff subsidy for the first 36 months from the date of commencement of commercial production or from the date of power connection whichever is later.

c. Special Capital Subsidy for Thrust Sector Enterprises

A Special Capital Subsidy of 25% on the eligible plant and machinery subject to a maximum of Rs.30 lakh is extended to 13 thrust sector enterprises setup anywhere in the State viz., Electrical and Electronic Industry, Leather and Leather goods, Auto parts and components, Drugs and Pharmaceuticals, Solar Energy Equipment, Gold and Diamond Jewellery for exports, Pollution Control equipments, Sports Goods and Accessories, Cost effective building materials, Readymade Garments, Food Processing, Plastic and Rubber Industries.

d. Generator Subsidy

The Micro, Small and Medium manufacturing enterprises anywhere in the State, which purchase Generator sets up to 320 KVA capacity are eligible for a Generator Subsidy at 25% of the cost of the generator set, subject to a maximum of Rs.5 lakh.

e. Back-ended Interest Subsidy

Back-ended interest subsidy at the rate of 3%, subject to a maximum of Rs.10.00 lakh for a period of 5 years is being provided to Micro, Small and Medium Manufacturing Enterprises for term loans up to Rs.1 crore obtained for Technology up-gradation / modernization and Credit Guarantee Fund Trust Scheme (CGFTS).

5. MAHARASHTRA

The state has given the following incentives:

3. Fiscal incentives for Micro, Small and Medium Enterprises (MSME) and small industries

MSME shall include units as per the definition of Government of India-Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 and small industries with fixed capital investment (FCI) of up to INR50 cr.

| Particulars | Zone A | Zone B | Zone C | Zone D | Zone D+ | Specified areas ² | No industry area ³ |
|-------------------------------------|--|---|--|--------|---------|--|-------------------------------|
| Eligibility period (years) | - | 7 | 7 | 10 | 10 | 10 | 10 |
| Ceiling as % of FCI | - | 30% | 40% | 50% | 60% | 80% | 100% |
| Stamp duty exemption | 100 per cent exemption within investment period for acquiring land including assignment of lease rights, sale certificate and for term loan purposes. In case of zone A and B, exemption are offered only to IT [^] and BT ^{^^} manufacturing units in IT and BT park | | | | | | |
| Electricity duty exemption | Exemption only to 100 per cent export oriented MSMEs and IT/BT units for seven years | | Exemption for tenure equal to eligibility period | | - | Exemption for tenure equal to eligibility period | |
| Power subsidy | - | Subsidy for eligible units shall be for 3 years from the date of commencement of commercial production. - Units located in Vidharbha, Marathwada, North Maharashtra and districts of Raigad, Ratnagiri and Sindhudurg will be to the extent of INR1 per unit consumed - Other areas, to the tune of INR0.50 per unit consumed | | | | | |
| Interest subsidy | - | Subsidy @ 5 per cent per annum up to maximum of value of electricity consumed and bills paid for that year | | | | | |
| State Goods and Services Tax (SGST) | Investment promotion subsidy of SGST paid by unit on the first sale of eligible products billed and delivered to the same entity within Maharashtra | | | | | | |

[^]IT – Information Technology

^{^^}BT – Biotech

6. PUNJAB

Punjab has adopted a Right based approach for MSME sector and brought a legislation to fasten the process of setting up units. The Right to Business Act, according to the government, will have overriding powers over various Acts of different departments that make approvals necessary before the setting up of small and medium units. The Act provides that the MSME unit can be set up after 'In-Principle' approval from the District Bureau of Enterprise, headed by the Deputy Commissioner, working under the guidance of the State Nodal Agency, headed by the Director, Industries.

- Approval for units in approved Industrial Parks will be given in three working days.
- For new enterprises outside approved Industrial Parks, the decision on the "Certificate of In-Principle Approval" shall be taken by the District Level Nodal Agency within 15 working days, as per the recommendations of the Scrutiny Committee.
- Unit owners will have three and a half years after setting up the unit to obtain seven approvals from three departments: the sanction of building plans; issuance of completion/occupation certificate for buildings; registration of new trade licences under The Punjab Municipal Act, 1911 and The Punjab Municipal Corporation Act, 1976; change of land use under The Punjab Regional and Town Planning and Development Act, 1995; application for No-Objection Certificate under The Punjab Fire Prevention and Fire Safety Act, 2004; approval for factory building plan under The Punjab Factory Rules, 1952; and registration of shops/establishments under The Punjab Shops and Commercial Establishments Act, 1958.
- The industries involving hazardous processes will have to obtain a Fire NOC and get approval for the factory building plan before setting up the unit.
- All units will have to get environmental clearance from the Pollution Control Board beforehand.
- With this, a District Bureau of Enterprise (DBE) would be established in each district, headed by the Deputy Commissioner as chief executive officer, while General Manager of the District Industries Centre (DIC) would act as the Additional Chief Executive Officer, with other members to be notified by the Government from time-to-time.
- The DBE shall be designated as District Level Nodal Agency, which would work under the overall superintendence, direction and control of the State Government and the State Nodal Agency.
- The District Level Nodal Agency will assist and facilitate MSME enterprises in the State, maintain record of 'Declaration of Intent' received and issue 'certificate of In Principle Approval' under the Act.

Annexure V: Legislation/Regulatory Framework for MSMEs in India

There is an exclusive legislation for micro, small and medium enterprises known as the Micro, Small and Medium Enterprises Development Act, 2006.

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address different issues affecting MSMEs, inter alia, the coverage and investment ceiling of the sector. The MSMED Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. The MSMED Act has the following key provisions:

- Establishment of a National Board for Micro, Small and Medium Enterprises headed by the Minister for MSME. The role of the Board is to examine the factors affecting the promotion and development of MSMEs, review the policies and programmes of the Central Government and make recommendations in regard to facilitating the promotion and development and enhancing their competitiveness.
- It provides the first-ever legal framework for recognition of the concept of “enterprise” which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, Micro, Small and Medium.
- It empowers the Central Government to undertake programmes and issue guidelines and instructions to develop and enhance the competitiveness of MSMEs

The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements efforts of the State Governments through various initiatives. The role of the Ministry of MSME and its organizations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario¹⁵.

On 9 May 2007, the erstwhile Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small and Medium Enterprises (M/o MSME).

¹⁵ <https://msme.gov.in/sites/default/files/Annualrpt.pdf>

Framework for Revival and Rehabilitation of MSMEs¹⁶

In order to provide a simpler and faster mechanism to address the stress in the accounts of MSMEs and to facilitate the promotion and development of MSMEs, the Ministry of Micro, Small and Medium Enterprises, Government of India, vide its Gazette Notification dated May 29, 2015 notified a 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises'. Reserve Bank of India, after continuous follow up, has also issued guidelines to the Banks on 17.3.2016. Under these guidelines Banks have created a structure for finalising corrective action plan for revival & rehabilitation of MSMEs.

Organizational Setup¹⁷

The M/o MSME has two Divisions called Small & Medium Enterprises (SME) Division and Agro & Rural Industry (ARI) Division. The SME Division is allocated the work, inter- alia, of administration, vigilance and administrative supervision of the National Small Industries Corporation (NSIC) Ltd., a public sector enterprise and the three autonomous national level entrepreneurship development/training originations. The Division is also responsible for implementation of the schemes relating to Performance and Credit Rating and Assistance to Training Institution, among others. SME Division is also responsible for preparation and monitoring of Results- Framework Document (RFD) as introduced in 2009 by the Cabinet Secretariat under Performance Monitoring and Evaluation System (PMES). The ARI Division looks after the administration of two statutory bodies viz. the Khadi and Village Industries Commission (KVIC), Coir Board and a newly created organization called Mahatma Gandhi Institute for Rural Industrialization (MGIRI). It also supervises the implementation of the Prime Minister's Employment Generation Programme (PMEGP).

The Implementation of policies and various programmes schemes for providing infrastructure and support services to MSME's is undertaken through its attached office, namely the Office of the Development Commissioner (010 DC (MSME)), National Small Industries Corporation (NSIC), Khadi and Village Industries Commission (KVIC); the Coir Board, and three training institutes viz., National Institute for Entrepreneurship and Small Business Development (NIESBUD), NOIDA, National Institute for Micro, Small and Medium Enterprises (NI-MSME), Hyderabad, Indian Institute of Entrepreneurship (IIE), Guwahati and Mahatma Gandhi Institute for Rural Industrialization (MGIRI), Wardha a society registered under Societies Registration Act, 1860.

¹⁶ <https://msme.gov.in/sites/default/files/Annualrprt.pdf>

¹⁷ <https://msme.gov.in/about-us/about-us-ministry>

The National Board for Micro, Small and Medium Enterprises (NBMSME) was established by the Government under the Micro, Small and Medium Enterprises Development Act, 2006 and Rules made there under. It examines the factors affecting promotion and development of MSME, reviews existing policies and programmes and makes recommendations to the Government in formulating the policies and programmes for the growth of MSME.

Office of the Development Commissioner [MSME]¹⁸

The Micro, Small and Medium Enterprises- Development Organisation (MSME-DO) is headed by the Additional Secretary & Development Commissioner (MSME). The Office of the Development Commissioner (Micro, Small & Medium Enterprises) assists the Ministry in formulating, co-ordinating, implementing and monitoring different policies and programmes for the promotion and development of MSMEs in the country.

¹⁸ <https://msme.gov.in/about-us/about-us-ministry>

Annexure VI: Access to Finance /Technology, Marketing and Infrastructure to MSMEs

The Ministry of MSME runs numerous schemes targeted at a) providing credit and financial assistances, b) marketing assistance and infrastructure development, and c) technological and quality upgradation. A snapshot of all the schemes is provided below:

Credit and Financial assistance to MSMEs:

1) Prime Minister's Employment Generation Programme:

The scheme aims to generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures / projects / micro enterprises. Another objective is to provide continuous and sustainable employment to all age segments of traditional and prospective artisans and rural / urban unemployed youth in the country, so as to help arrest migration of rural youth to urban areas. A third objective is to increase the wage earning capacity of artisans and contribute to increase in the growth rate of rural and urban employment.

2) Credit Linked Capital Subsidy Scheme (CLCSS)

The objective of the Scheme namely "Credit Linked Capital Subsidy Scheme (CLCSS)" for Technology Upgradation of Micro and Small Enterprises is to facilitate technology upgradation in Micro and Small Enterprises (MSEs) by providing capital subsidy of 15% (limited to maximum of Rs.15.00 lakhs) on institutional finance availed by them for induction of well-established and improved technology.

Presently, 51 Sectors/sub-sectors with approved Machinery/ Technologies are covered under the scheme. The scheme is applicable to new and existing Micro & Small Enterprises (MSEs) engaged in manufacturing.

3) Credit Guarantee Trust Fund For MSEs (CGTMSE) - Provision of collateral free credit for MSMEs

Guarantees are provided for extending collateral free lending to Micro and Small Enterprises through banks and financial institutions (including NBFCs). 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. 200 lakh per borrowing unit.

Subsidy/Fiscal Assistance for Access to Technology

Technology plays a pivotal role for MSMEs to help them grow and stand up to the stiff competition from large enterprises and imports. While big industries have enough resources for continuous technology and quality upgradation, MSMEs, on other hand have resource constraints related to technical knowledge, expertise, skills, and finance. It is difficult for MSMEs to upgrade themselves. Sonia Mukherjee (2018), highlighted that low technology level reduces the potential of MSMEs, lower the demand for the product (lower sales) and lower profit margins. She suggested that higher investment in technology and research development, higher usage of digital and technology enabled platform is of paramount importance for Indian MSMEs, to maintain competitiveness in the global markets. Therefore, policy support for technology up-gradation and modernization is invariably extended to MSME sector by the ministry through various schemes and programmes. These include:

1. Credit Linked Capital Subsidy Scheme (CLCSS) for technology upgradation of micro and small enterprises by providing 15 per cent upfront capital subsidy.
2. Financial Support to MSMEs in Zero Defect Zero Effect (ZED) Certification Scheme to create awareness amongst MSME's about ZED manufacturing and motivate them for assessment of their enterprise for ZED and supports them.
3. International Cooperation (IC) Scheme -Technology infusion and/ or upgradation of Indian micro, small and medium enterprises (MSME's), their modernisation and promotion of their exports are the principal objectives of assistance under the scheme.
4. ISO 9000/ISO 14001 Certification reimbursement Scheme [NMCP Scheme]
5. National Manufacturing Competitiveness Programme (NMCP) – It aims to develop global competitiveness among Indian MSME's by improving their processes, designs, technology and market access. There are ten components of NMCP which are likely to spur innovation and growth in the MSME sector. These include marketing support/assistance to MSME's (Bar code), Entrepreneurial and managerial development of SME's through incubators, Enabling manufacturing sector to be competitive through Qms & Qtt, Building awareness on intellectual property rights (IPR), lean manufacturing competitiveness for MSMEs, design clinic for design Expertise to MSME's manufacturing sector (design), marketing assistance & technology upgradation, technology and Quality upgradation support to MSMEs.
6. Promotion of Information and Communication Tools (ICT) in MSME Sector [NMCP Scheme] the main objective of the scheme is to encourage and assist the potential MSME clusters to adopt ICT tools and applications in their production and business processes, with a view to improve their productivity and competitiveness in national and international markets.

7. A scheme for promoting innovation and rural Entrepreneurship (aspirE) was launched by the ministry in 2015. The scheme was formulated to set up a network of technology centres and incubation centers to accelerate entrepreneurship and start-ups for innovation and entrepreneurship in agro -industry. The planned outcomes of aspirE are setting up technology Business incubators (tBi), livelihood Business incubators (IBi) and creation of a fund of funds for such initiatives with SIDBI.

MSME Ministry with World Bank's loan assistance is implementing Technology Centre Systems Programme (TCSP) to establish 15 new Tool Rooms and Technology Development Centres (TCs) and upgrading the existing 18 TCs across the country. Its aim is to provide high end skilling and technical support to MSMEs. In a bid to bring MSMEs on digital platform and for providing them digital identity, organizations like Common Service Centres (CSC), Entrepreneurship Development Institute of India (EDII) on boarded. Awareness programmes and workshops are being organized all over the country for MSME stakeholders and for bringing all MSME service providers on a single platform. Recently, President of India launched "MSME Sampark" portal – a digital platform where the recruiters would have access to the increasing talent pool of trained manpower, facilitating their placement. Another prominent Digital Platform is Government e-Marketplace. (GeM), a one stop portal for facilitating online procurement of common use Goods & Services required by various Government Departments / Organizations / PSUs, thereby increasing efficiency and transparency. It will help in boosting the growth of MSMEs, small manufacturers and other sellers.

Fiscal support for Marketing /Infrastructure

1) Scheme for providing financial assistance to Khadi institutions under MPDA

Government has introduced w.e.f. 01.04.2010, a flexible, growth stimulating and artisan oriented Market Development Assistance (MDA) Scheme, in place of the erstwhile system of Rebate. Under MDA, financial assistance is provided to institutions @ 20% of the value of production of khadi and polyvastra, to be shared among artisans, producing institutions and selling institutions in the ratio 40:40:20. MDA provides institutions flexibility to use the assistance for improving the outlets, products and production processes, besides giving incentive to customers, etc.

2) Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

The objectives of the scheme are to organize traditional industries and artisans into clusters to make them competitive and provide support for their long term sustainability, sustained

employment, to enhance marketability of products of such clusters, to equip traditional artisans of the associated clusters with the improved skills, to make provision for common facilities and improved tools and equipment for artisans, to strengthen the cluster governance systems with the active participation of the stakeholders, and to build up innovative products, improved technologies, advanced processes, market intelligence and new models of public-private partnerships.

3) Scheme for Micro & Small Enterprises Cluster Development Programme (MSE-CDP)

The Ministry has adopted the cluster development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs) and their collectives in the country.

Annexure VII: Intercountry Reforms on MSME Definitions

Number of employees

| <u>Country</u> | <u>MSME Definitions</u> <u>(number of employees)</u> | | | |
|----------------|--|--|---|---|
| | Micro | Small | Medium | Large |
| Australia | 0-4 | 5-19 | 20-199 | >199 |
| Bangladesh | <10 Services; <25 Manufacturing | 10-24 Services; 25-99 Manufacturing | 50-100 Services; 100-250 Manufacturing | >100 Services; >250 Manufacturing |
| Brazil | 0-9 | 10-49 | 50-249 | >249 |
| Canada | 1-4 | 5-99 | 100-499 | >499 |
| China | <5 Wholesale; <10 Retail, Accommodation, Restaurant, Information, Software, Tenancy, Other; <20 Heavy Industry, Transportation, Warehouse, Postal; <100 Property management | 5-20 Wholesale; 10-50 Retail; 20- 100 Warehouse; 10-100 Accommodation, Restaurant, Software, Tenancy, Information, Other; 20-300 Heavy Industry, Transportation, Postal; 100-300 Property management | 20-200 Wholesale; 50- 300 Retail; 100- 200 Warehouse; 100-300 Accommodation, Restaurant, Software, Tenancy, Other; 100-2000 Information; 300- 1000 Heavy Industry, Transportation, Postal, Property management | >200 Wholesale; >200 Warehouse; >300 Accommodation, Restaurant, Software, Tenancy, Retail, Other; >1000 Heavy Industry, Transportation, Postal, Property management; >2000 Information |
| France | 0-9 | 10-49 | 50-249 | >249 |
| Germany | 0-9 | 10-49 | 50-249 | >249 |
| India | | | | |
| Indonesia | 1-4 | 5-19 | 20-99 | >99 |
| Israel | 0-4 | 5-19 | 20-100 | >100 |
| Italy | 0-9 | 10-49 | 50-249 | >249 |
| Japan | 1-9 | 10-49 | 50-300 | >300 |
| Korea, Rep. | < 10 in Manufacturing, Mining, Construction, Transportation; < 5 in other | <50 in Manufacturing, Mining, Construction, Transportation; < 10 in other | < 300 Manufacturing., Mining, Construction, Transportation; <200 Agriculture; | ≥ 300 Manufacturing, Mining, Construction, Transportation; ≥ 200 Agriculture; ≥ |

| Country | <u>MSME Definitions</u> <u>(number of employees)</u> | | | |
|----------------|---|---|---|--|
| | Micro | Small | Medium | Large |
| | | | <100 Others; <50 Real State | 100 Others; ≥50 Real EState |
| Netherlands | 0-9 | 10-49 | 50-249 | >249 |
| New Zealand | 0-5 | 6-9 | 9-20 | >20 |
| Sri Lanka | 1-4 Industry, Construction, Services; 1-3 Trade | 5-24 Industry, Construction; 5-15 Services; 4-14 Trade | 25-199 Industry, Construction; 15-34 Trade; 16-74 Services | >199 Industry, Construction; >34 Trade; >74 Services |
| Sweden | <11 | 11-48 | 49-199 | >199 |
| Taiwan, China | <5 | | <200 Manufacturing, Construction, Mining; <100 Other | ≥200 Manufacturing, Construction, Mining; ≥100 Other |
| United Kingdom | 0-9 | 10-49 | 50-249 | >249 |
| United States | 0-19 | 20-99 | 100-499 | >499 |
| Brazil | <20 Industry, Mining, Construction; <10 Trade, Agriculture, Services | 20-99 Industry, Mining, Construction; 10-49 Trade, Agriculture, Services | 100-499 Industry, Mining, Construction; 50-99 Trade, Agriculture, Services | >500 Industry, Mining, Construction; >100 Trade, Agriculture, Services |
| China | <5 Wholesale; <10 Retail, Accommodation, Restaurant, Information, Software, Tenancy, Other; <20 Heavy Industry, Transportation, Warehouse, Postal; <100 Property management | 5-20 Wholesale; 10-50 Retail; 20-100 Warehouse; 10-100 Accommodation, Restaurant, Software, Tenancy, Information, Other; 20-300 Heavy Industry, Transportation, Postal; 100-300 Property management | 20-200 Wholesale; 50-300 Retail; 100-200 Warehouse; 100-300 Accommodation, Restaurant, Software, Tenancy, Other; 100-2000 Information; 300-1000 Heavy Industry, Transportation, Postal, Property management | >200 Wholesale; >200 Warehouse; >300 Accommodation, Restaurant, Software, Tenancy, Retail, Other; >1000 Heavy Industry, Transportation, Postal, Property management; >2000 Information |
| France | 0-9 | 10-49 | 50-249 | >249 |
| Israel | 1-4 | 5-19 | 20-99 | >99 |

| <u>Country</u> | <u>MSME Definitions</u> <u>(number of employees)</u> | | | |
|----------------|---|--------------|---------------|--------------|
| | Micro | Small | Medium | Large |
| Italy | 0-9 | 10-49 | 50-249 | >249 |
| Japan | ≤20 Manufacturing, construction, transportation, other industries; ≤5 wholesale, services, retail | | | |
| Sweden | 0-9 | 10-49 | 50-249 | >249 |
| United Kingdom | 1-9 | 10-49 | 50-249 | >249 |
| United States | 1-19 | 20-99 | 100-499 | >499 |
| Sweden | 1-9 | 10-49 | 50-249 | >249 |
| United States | 1-19 | 20-99 | 100-499 | >499 |
| Brazil | <10 | 10-49 | 50-249 | >249 |
| United States | 1-9 | 10-99 | 100-499 | >499 |
| Brazil | | | | |

Assets, local currency, unless otherwise noted

| <u>Country</u> | <u>MSME Definitions</u> <u>(assets,</u> <u>local currency, unless otherwise noted)</u> | | | | <u>Curren</u> <u>cy</u> |
|----------------|---|---|--|--|----------------------------|
| | Micro | Small | Medium | Large | |
| Australia | | | | | AUD |
| Banglade sh | <500,000- Services; <5,000,000 Manufacturin g | 500,000- 10,000,000 Services; 5,000,000- 100,000,000 Manufacturing | 10,000,000- 150,000,000 Services; 100,000,000- 300,000,000 Manufacturing | >150,000,00 0 Services; >300,000,00 0 Manufacturi ng | BDT |
| Brazil | | | | | BRL |
| Canada | | | | | |
| China | <3,000,000 Construction ; <20,000,000 Real Estate; <1,000,000 Leasing and Commercial Services | 3,000,000- 50,000,000 Construction; 20,000,000- 50,000,000 Real Estate; 1,000,000- 80,000,000 Leasing and Commercial Services | 50,000,000- 800,000,000 Construction; 50,000,000- 100,000,000 Real Estate; 80,000,000- 120,000,000 Leasing and Commercial Services | >800,000,00 0 Construction ; >100,000,00 0 Real Estate; >120,000,00 0 Leasing and Commercial Services | CHN |
| France | | | | | EUR |
| Germany | | | | | |
| India | <1,000,000 Services; <2,500,000 Manufacturin g | 1,000,000- 20,000,000 Services; 2,500,000- 50,000,000 Manufacturing | 20,000,000- 50,000,000 Services; 50,000,000- 100,000,000 Manufacturing | >50,000,000 Services; >100,000,00 0 Manufacturi ng | INR |
| Indonesi a | < 50,000,000 | 50,000,000 – 500,000,000 million | 500,000,001 – 10,000,000,000 | > 10,000,000, 000 | IDR |
| Israel | | | | | ILS |
| Italy | | | | | EUR |
| Japan | | | | | JPY |
| Korea, Rep. | < 8,000,000,0 00 Manufacturin g; < 3,000,000,0 00 Mining, Construction | | | ≥8,000,000, 000 Manufacturi ng; ≥ 3,000,000,0 00 Mining, Construction | KRW |

| <u>Country</u> | <u>MSME Definitions</u> (assets, local currency, unless otherwise noted) | | | | |
|----------------|---|---|--|---|-----------------|
| | <u>Micro</u> | <u>Small</u> | <u>Medium</u> | <u>Large</u> | <u>Currency</u> |
| | Transportation | | | Transportation | |
| Netherlands | | | | | EUR |
| New Zealand | | | | | |
| Sri Lanka | | | | | |
| Sweden | | | | | |
| Taiwan, China | | | <80,000,000 Manufacturing, Construction, and Mining | >79,999,999 Manufacturing, Construction, and Mining | TWD |
| United Kingdom | | | | | |
| United States | | | | | USD |
| Brazil | | | | | BRL |
| China | <3,000,000 Construction; ; <20,000,000 Real Estate; <1,000,000 Leasing and Commercial Services | 3,000,000- 50,000,000 Construction; 20,000,000- 50,000,000 Real Estate; 1,000,000- 80,000,000 Leasing and Commercial Services | 50,000,000- 800,000,000 Construction; 50,000,000- 100,000,000 Real Estate; 80,000,000- 120,000,000 Leasing and Commercial Services | >800,000,000 Construction ; >100,000,000 Real Estate; >120,000,000 Leasing and Commercial Services | CHN |
| France | | | | | EUR |
| Israel | | | | | ILS |
| Italy | | | | | EUR |
| Japan | ≤300 Manufacturing, construction, transportation, other industries; ≤ 100 wholesale, services; ≤ 50 retail | ≤300,000,000 Manufacturing; ≤100,000,000 Wholesale; ≤50,000,000 Service and Retail | ≤300,000,000 Manufacturing; ≤100,000,000 Wholesale; ≤ 50,000,000 Service and Retail | >300,000,000 Manufacturing; >100,000,000 Wholesale; >50,000,000 Service and Retail | JPY |
| Sweden | | | | | |

| <u>Country</u> | <u>MSME Definitions</u> (<u>assets,</u> <u>local currency, unless otherwise noted</u>) | | | | |
|----------------|--|--------------|---------------|--------------|----------------------------|
| | Micro | Small | Medium | Large | <u>Curren</u> <u>cy</u> |
| United Kingdom | | | | | |
| United States | | | | | USD |
| Sweden | | | | | |
| United States | | | | | |
| Brazil | | | | | BRL |
| United States | | | | | |
| Brazil | | | | | BRL |

Turnover, local currency, unless otherwise noted

| Country | MSME Definitions (turnover, local currency, unless otherwise noted) | | | | |
|----------------|---|--|---|---|-----------------|
| | Micro | Small | Medium | Large | Currency |
| Australia | | | | | AUD |
| Bangladesh | | | | | BDT |
| Brazil | | | | | BRL |
| Canada | | | | | |
| China | <500,000 Software; <1,000,000 Retail, Warehouse, Postal, Accommodation, Restaurant, Information, Real Estate, Tenancy; <2,000,000 Transportation; <3,000,000 Heavy Industry, Construction; <5,000,000 Property management; <10,000,000 Wholesale | 500,000- 10,000,000 Software; 1,000,000- 5,000,000 Retail; 1,000,000- 10,000,000 Warehouse, Information, Real Estate; 1,000,000- 20,000,000 Postal, Accommodation, Restaurant; 1,000,000- 80,000,000 Tenancy; 2,000,000- 30,000,000 Transportation; 3,000,000- 20,000,000 Heavy Industry; 3,000,000- 60,000,000 Construction; 5,000,000- 10,000,000 Property management; 10,000,000- 50,000,000 Wholesale | 10,000,0000- 100,000,000 Software; 5,000,000- 200,000,000 Retail; 10,000,000- 300,000,000 Warehouse; 10,000,000- 1,000,000,000 Information; 10,000,000- 2,000,000,000 Real Estate; 20,000,000- 300,000,000 Postal; 20,000,000- 100,000,000 Accommodation, Restaurant; 80,000,000- 1,200,000,000 Tenancy; 30,000,000- 300,000,000 Transportation; 20,000,000- 400,000,000 Heavy Industry; 60,000,000- 800,000,000 Construction; 10,000,000- 50,000,000 Property management; 50,000,000- 50,000,000 | >50,000,000 Property management; >100,000,000 Software, Accommodation, Restaurant; >200,000,000 Retail; >300,000,000 Warehouse, Postal, Transportation; >400,000,000 Heavy Industry, Wholesale; >800,000,000 Construction; >1,000,000,000 Information; >1,200,000,000 Tenancy; >2,000,000,000 Real Estate | CHN |

| <u>Country</u> | <u>MSME Definitions</u> <u>(turnover, local currency, unless otherwise noted)</u> | | | | |
|----------------|--|-----------------------------|--|--|------------------------|
| | Micro | Small | Medium | Large | <u>Currency</u> |
| | | | 400,000,000 Wholesale | | |
| France | | | | | EUR |
| Germany | | | | | |
| India | | | | | INR |
| Indonesia | < 300,000,000 | 300,000,000 – 2,500,000,000 | 2,500,000,001 – 50,000,000,000 | > 50,000,000,000 | IDR |
| Israel | | | | | ILS |
| Italy | | | | | EUR |
| Japan | | | | | JPY |
| Korea, Rep. | | | <30,000,000,000 Publication, Information and Communication, and others; <20,000,000,000 Agriculture and others; <10,000,000,000 Sewerage, waste management, and others; <5,000,000,000 Real State | ≥30,000,000,000 Publication, Information, Communication, and others; ≥ 20,000,000,000 Agriculture and others; ≥10,000,000,000 Sewerage, waste management, and others; ≥5,000,000,000 Real State | KRW |
| Netherlands | | | | | EUR |
| New Zealand | | | | | |
| Sri Lanka | | | | | |
| Sweden | | | | | |
| Taiwan, China | | | <100,000,000 | >99,999,999 | TWD |
| United Kingdom | ≤2,000,000 | ≤10,000,000 | ≤50,000,000 | >50,000,000 | EUR |
| United States | | | | | USD |
| Brazil | | | | | BRL |
| China | <500,000 Software; | 500,000-10,000,000 | 10,000,000-100,000,000 | >50,000,000 Property | CHN |

| <u>Country</u> | <u>MSME Definitions</u> <u>(turnover, local currency, unless otherwise noted)</u> | | | | <u>Currency</u> |
|----------------|--|--|--|---|------------------------|
| | Micro | Small | Medium | Large | |
| | <1,000,000 Retail, Warehouse, Postal, Accommodation, Restaurant, Information, Real Estate, Tenancy; <2,000,000 Transportation; <3,000,000 Heavy Industry, Construction; <5,000,000 Property management; <10,000,000 Wholesale | Software; 1,000,000-5,000,000 Retail; 1,000,000-10,000,000 Warehouse, Information, Real Estate; 1,000,000-20,000,000 Postal, Accommodation, Restaurant; 1,000,000-80,000,000 Tenancy; 2,000,000-30,000,000 Transportation; 3,000,000-20,000,000 Heavy Industry; 3,000,000-60,000,000 Construction; 5,000,000-10,000,000 Property management; 10,000,000-50,000,000 Wholesale | Software; 5,000,000-200,000,000 Retail; 10,000,000-300,000,000 Warehouse; 10,000,000-1,000,000,000 Information; 10,000,000-2,000,000,000 Real Estate; 20,000,000-300,000,000 Postal; 20,000,000-100,000,000 Accommodation, Restaurant; 80,000,000-1,200,000,000 Tenancy; 30,000,000-300,000,000 Transportation; 20,000,000-400,000,000 Heavy Industry; 60,000,000-800,000,000 Construction; 10,000,000-50,000,000 Property management; 50,000,000-400,000,000 Wholesale | management; >100,000,000 Software, Accommodation, Restaurant; >200,000,000 Retail; >300,000,000 Warehouse, Postal, Transportation; >400,000,000 Heavy Industry, Wholesale; >800,000,000 Construction; >1,000,000,000 Information; >1,200,000,000 Tenancy; >2,000,000,000 Real Estate | |
| France | | | | | EUR |
| Israel | | | | | ILS |
| Italy | | | | | EUR |
| Japan | | | | | JPY |
| Sweden | | | | | |
| United Kingdom | | | | | GBP |

| <u>Country</u> | <u>MSME Definitions</u> <u>(turnover, local currency, unless otherwise noted)</u> | | | | |
|----------------|--|--------------------------|---------------------------|--------------|----------------------|
| | Micro | Small | Medium | Large | <u>Curren cy</u> |
| United States | | | | | USD |
| Sweden | | | | | |
| United States | | | | | |
| Brazil | <2,400,000 | 2,400,000- 16,000,000 | 16,000,000- 90,000,000 | >90,000,000 | BRL |
| United States | | | | | |
| Brazil | | | | | BRL |