



## Review of Steps Taken by Government for MSME's in Digital India

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### ABSTRACT

The MSME sector is also known as growth engine of Indian economy, this sector is playing a major role in country's GDP by its contribution in service sector as well as in manufacturing sector, in many research studies, it has been identified that MSME sector is not getting government support in the manner it has to be. In this era of digitalization, the need of hour is "digital platforms" to ease out the process and easy access of information, so that Micro Small and Medium scale enterprises benefitted by it. This research paper has focused on the new digital initiatives taken by government of India to scale up MSME's, and how these initiatives can benefit the Indian MSME sector.

**Keywords:** MSME, Micro, Small and Medium Enterprises, Digital Initiatives, Digitalized.

### 1. INTRODUCTION

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country. 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.

Ministry of Micro, Small & Medium Enterprises (M/o MSME) envisions a progressive MSME sector by promoting growth and development of the Sector, including Khadi, Village and Coir Industries, in

cooperation with concerned Ministries/Departments, State Governments and other Stakeholders, through providing support to existing enterprises, adopting cutting edge technologies and encouraging creation of new enterprises.

The Ministry of MSME runs various schemes aimed at financial assistance, technology assistance and upgradation, infrastructure development, skill development and training, enhancing competitiveness and market assistance of MSMEs.

#### 1.1 Recent Policy Initiatives.

##### 1.1.1 Ease of Registration Process of MSMEs- Udyog Aadhaar Memorandum –

Based on the Hon'ble Prime Minister's suggestion in his 'Mann Ki Baat' on 3.10.2014, to simplify forms to enable ease of registration of MSME's, Ministry of MSME has notified a simple one-page registration form 'Udyog Aadhaar Memorandum' (UAM) on 18<sup>th</sup> September 2015. The simplified one-page registration form UAM was made after consultations with the states and stakeholders, on the basis of recommendations made by the Kamath Committee on Financial Architecture and observations/approvals by Department Related Parliamentary Standing Committee, National Board for MSME and Advisory Committee for MSME etc.

This is a path breaking step to promote ease-of-doing-business for MSMEs in India as the UAM replaces the filing of Entrepreneurs' Memorandum (EM part-I & II) with the respective States/UTs. The entrepreneurs in the MSME sector just need to file online, a simple one-page UAM on <http://udyogaadhaar.gov.in> to instantly get a unique Udyog Aadhaar Number (UAN). The information

sought is on self-certification basis and no supporting documents are required at the time of online filing of UAM. Revised notifications were also issued on 10.01.2017 and 30.06.2017 for inclusion of new features including amendment provisions.

More than 38.95 lakh UAMs have been filed since September 2015 upto December 2017. The filing of the UAMs has also significantly increased the information available with the Ministry of MSME regarding the trends in the sector and enhanced its capability to monitor trends within sub-categories within the MSME sector, such as manufacturing, services, enterprises, employment trends, and investment details.

### 1.1.2 FRAMEWORK FOR REVIVAL AND REHABILITATION OF MSMES

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.

### 1.1.3 MSME DATA BANK

For facilitating the promotion and development and enhancing the competitiveness of MSMEs, the Ministry of MSME vide Gazette Notification No. 750(E) dated 29.07.2016 had notified the MSME Development (Furnishing of information Rules, 2016) under which all MSMEs are to furnish information relating to their enterprises online to the Central Government in the data bank maintained by it at [www.msmedatabank.in](http://www.msmedatabank.in). This data bank will enable the Ministry to streamline and monitor the schemes and pass on the benefits directly to MSMEs. It will

also provide the real-time information about the status of MSMEs under various parameters. Data Bank is helpful to MSME units, who can now update their enterprise information as and when required without visiting any government office and also update information about their products/ services, which can be accessed by government departments to do procurement under Public Procurement Policy of Government of India. More than 1.22 lakh units have been registered (upto December 2017) under MSME Data Bank since issuance of its notification.

### 1.1.4 MYMSME

To facilitate the enterprises to take benefit of various schemes by the Office of Development Commissioner (MSME), his office has launched a web-based application module, namely, MyMSME. This has also been converted into a mobile app. Entrepreneurs will be able to make their applications and track it on their mobile itself.

### 1.1.5 DIRECT BENEFIT TRANSFER IN THE M/O MSME

All welfare and subsidy schemes of Governments of India have been brought under Direct Benefit Transfer (DBT) with the aim of reforming Government delivery system by re-engineering the existing process in welfare and subsidy schemes, for simpler and faster flow of funds and to ensure accurate targeting of the beneficiaries, de-duplication and reduction of fraud. As the nodal point for the implementation of the DBT programmes, DBT cell have been constituted in the Ministry. In 2017-18 all the 22 schemes of the Ministry of MSME were onboarded on DBT Bharat Portal out of which 1 scheme (i.e. TREAD scheme) has subsequently been wound up.

The schemes have been categorized based on the benefit type to the beneficiary's i.e., Cash, Kind or Composite (i.e. Cash and Kind). Below is the table showing the DBT schemes of the Ministry with the benefit type, number of beneficiaries and total funds transferred / expenditure incurred?

Sl. No.	Name of the Scheme	Benefit Type	Total no. of beneficiaries (till Dec, 2017)	Total Expenditure (Rs. Lakhs) (till Dec, '17)
1	ATI Scheme (Training Component)	In Kind	1671	296
2	Marketing Assistance Scheme	Cash	334	81.36
3	Coir Udyami Yojana	Cash	319	811

4	MPDA Grant To Khadi Institutions	Cash	342981	6085
5	Coir Vikas Yojana	Cash	1199	32.11
6	SFURTI- SI	In Kind	50000	1203
7	PMEGP Prime Ministers Employment Generation Programme	Cash	26072	72073
8	Credit Guarantee Scheme	In Kind	2916910	8200
9	Interest Subsidy Eligibility Certificate For Khadi and Polyvastra –ISEC	Cash	1305	1314
10	National Awards	Cash	50	50
11	MDP-EDP-Skill Development	Cash & In Kind	15236	223.53
12	Zero Effect Zero Defect ZED	Cash & In Kind	58	1015.24
13	Technology And Quality Upgradation Support Through MSMEs – TEQUP	Cash	1	0
14	MATU Scheme Excluding Vendor Development Programme and International/National Workshop/ Seminar	Cash	129	50.55
15	Credit Linked Capital Subsidy Scheme CLCSS	Cash	4081	283444.16
16	IPR Building Awareness On Intellectual Property Rights For MSMEs	In Kind	417	0
17	Lean Manufacturing Competitiveness Scheme For MSMEs	In Kind	1091	321.82
18	Design Clinic Scheme For Design Expertise To Micro, Small And Medium Enterprises	Cash	112	50.53
19	Incubation Centre Support For Entrepreneurial And Managerial Development Of SMEs Through Incubators	In Kind	56	80.74
20	Performance And Credit Rating Scheme	Cash	11424	25836.7
21	International Co-operation (IC) Schemes	Cash	567	2993.7
22	Trade Related Entrepreneurship Assistance And Development Scheme For Women	Wound up during 2017-18		

*Source: Annual Report 2017-18 DC-MSME*

\*The DBT applicable component for the scheme is very minimal and thus the fund transfer is NIL

Information System (MIS) and its integration with DBT Bharat portal is also in completion stage for all 21 on-boarded schemes.

The key performance indicators of DBT are:

**Beneficiary Digitization (including Aadhaar seeding and validation):** 8 schemes have completed 100% beneficiary digitization. Rests of the schemes are in the process of achieving the 100% completion.

**Notification of schemes under section 7 / 57 of the Aadhaar act:** The issuance of notification of schemes under section 7/57 of the Aadhaar Act, 2016 is under process.

**Funds transfer electronically:** Funds are being transferred under all schemes using PFMS and other electronic modes. Hence, 100% electronic transaction is being achieved.

**GST ROLLOUT AND MINISTRY OF MSME**  
Ministry of MSME had made elaborate arrangements for smooth roll out of GST. The following were taken involving all the stakeholders:

**Scheme specific MIS Integration with the DBT Bharat portal:** The Scheme Specific Management

All field organisations under the Ministry, namely, Office of Development commissioner (Micro, Small



and Medium Enterprises), Khadi and Village Industries Commission (KVIC), National Small Industries Corporation (NSIC), Coir Board, National Institute for Micro, Small and Medium Enterprises (Ni-MSME), Mahatma Gandhi Institute for Rural Industrialization (MGIRI) opened GST Cells in their respective offices to provide requisite support to MSMEs with respect to GST issues. More than 20000 persons have been trained in the various nuances of GST through workshops by M/o MSME and all its field organizations.



The then Union Minister for Micro, Small and Medium Enterprises, Shri Kalraj Mishra at the National Workshop on GST Readiness of the Ministry of MSME, in New Delhi on July 13, 2017. The Ministers of State for Micro, Small & Medium Enterprises(I/C), Shri Giriraj Singh & the then MoS Shri Haribhai Parthibhai Chaudhary and other dignitaries are also seen.

**Source: Annual Report 2017-18 DC-MSME**

A special issue of Laghu Udyog Samachar was brought out fully dedicated to GST related issues. It is available online at <http://dcmsme.gov.in/LaghuUdyogSamachar.html>.

A GST specific window has already been opened within the Internet Grievance Redressal System (IGMS) of the Ministry of Micro, Small and Medium Enterprises, an entry for which is also available at the abovementioned GST-MSME Link <http://igms.msme.gov.in/Mymsme/grievance/COM>.

Ministry set up a 24x7 helpline in NSIC to attend to queries.

Ministry also conducted a wider consultation workshop with all associations in which, the sector expert pertaining to MSME of the GST Council

made a presentation and clarified the queries and concerns in FICCI Auditorium on 13.07.2017.

### 1.1.6 DIGITAL PAYMENTS

Government of India is making efforts for promoting a less cash economy and to provide the facility of seamless digital payment to all citizens of India in a convenient manner. Promotion of digital payments has been accorded highest priority by the Government of India to bring each and every segment of our country under the formal fold of digital payment services. The Vision is to provide facility of seamless digital payment to all citizens of India in a convenient, easy, affordable, quick and secured manner.

As a partner in the initiative, Ministry of MSME has taken numerous initiatives to digitally enable the entire MSME ecosystem. In line with the recommendations of Committee of Secretaries (CoS) on Digital Payments has been constituted in the Ministry under the Chairmanship of Secretary (MSME) for making the Ministry and its attached offices to oversee the successful implementation of Digital Mission.

All the offices of Ministry of Micro, Small and Medium Enterprises, including its attached offices have been digitally enabled.

For the MSME registered under UAM, efforts have been made to spread awareness on the ease and benefits of different modes of payments such as BHIM, UPI and Bharat QR code.

For the Ministry and its attached offices (KVIC, Coir Board, NSIC, MGIRI, NIMSME) 89% of the bulk Digital Payment transactions during the current Financial Year were digital which accounted for more than 99% of total value of the transactions.

### 1.1.7 GRIEVANCE MONITORING

The Ministry attends to all the grievances on Centralized Public Grievance Redress and Monitoring System (CPGRAMS) and the number of the pending grievance on CPGRAMS as on 31.12.2017 was 61. The Ministry has started an MSME internet grievance monitoring system (eSAMADHAN) to track and monitor other grievances and suggestions received in the Ministry.

### 1.1.8 MSME SAMADHAAN: TO ADDRESS DELAYED PAYMENT TO MSES

Section 15-24 of The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 deal with the issues relating to the Delayed Payments to Micro and Small Enterprises (MSEs) by the buyers to the MSE supplier. In the case of delay in payment beyond 45 days, MSEs suppliers may approach the Micro and Small Enterprises Facilitation Council (MSEFC) constituted under the Act in all States/UTs. Under Section 16 of the MSMED Act, delayed payment to supplier units, attracts compound interest with monthly rests at three times of the bank rate notified by the Reserve Bank.

To further the objectives of MSMED Act, 2006 Ministry of MSME launched a portal (<http://samadhaan.msme.gov.in/>) on 30<sup>th</sup> October, 2017. The portal gives information about individual CPSEs/ Central Ministries, State Govts. etc. and other buyers regarding the payments pending with them in respect of the MSEs. The Central Ministries/ State Govt. have been provided with user-ID and password to login and monitor the delayed payment cases in respect of organisations under their jurisdiction. The said portal also facilitates MSEs to file their delayed payments related complaints online. After 15 days of online filing of the case, it is automatically registered with the MSEFC concerned.

From the date of launch of MSME SAMADHAAN portal, i.e. 30<sup>th</sup> October 2017, MSEs have filed 2927 applications related to delayed payments. These cases involve an amount of Rs. 744.65 Crore. This portal has also helped in getting the delayed payments getting settled mutually between seller and buyer. 105 mutual settlements have been done amounting to Rs. 8.87 Crore. Applications are getting converted to cases by MSE-Facilitation Councils in States. 264 applications have been converted to cases by 31.1.2018. This has empowered the MSEs to file their delayed payments cases directly. This is being monitored by respective Ministries/ CPSEs and State governments.

### 1.1.9 MSME-SAMBANDH

The Ministry of Micro, Small and Medium Enterprises notified the Public Procurement Policy for Micro and Small Enterprises which mandates 20% of annual procurement from MSEs including 4% from enterprises owned by SC/ST entrepreneurs by the Central Ministries / Departments and Central Public

Sector Enterprises (CPSEs). For effective implementation and monitoring of the policy, the Ministry launched the Public Procurement Portal titled “**MSME-SAMBANDH**” on 08.12.2017.



Hon'ble MoS (I/C) Shri Giriraj Singh launching the procurement portal- MSME-SAMBANDH in New Delhi on December 8, 2017. The Secretary MSME, Dr. Arun Kumar Panda and Ms. Seema Bahuguna Secretary, Ministry of Public Enterprises, AS & DC, MSME, Shri Ram Mohan Mishra are also seen.

**Source: Annual Report 2017-18 DC-MSME**

The portal would help in monitoring the procurement by Central Government Ministries, Departments and Central Public Sector Enterprises (CPSEs) and would enable them to share the list of required products/services from MSEs. The portal features the following:

- Central Government Ministries, Departments and Central Public Sector Enterprises (CPSEs) have been provided authenticated access in the portal.
- Annual Targets for procurements of the CPSEs will be uploaded on the portal and will be available in public domain.
- Monthly Update of Procurement by CPSEs from MSEs, Monthly Update of Procurement by CPSEs from MSEs owned by SC/ST
- Reports for monitoring by Heads of Ministries, Departments and CPSEs
- Items purchased by CPSEs - Hyperlinks to CPSEs web page from Sambandh Portal will be available in public domain.
- 108 CPSEs have uploaded their annual procurement target as on 1<sup>st</sup> February, 2018. These CPSEs have reported an annual procurement target of Rs 85,619 Crore. 88 CPSEs have reported their actual procurement amounting to Rs. 62,695 Crore. The share of purchases from all MSMEs amounts to Rs. 14,334 Crore. The amount of purchases from



SC/ST owned MSMEs is reported to be Rs. 267 Crore. It is also reported by CPSEs that 50,427 MSMEs have contributed to these procurements. 1084 MSMEs are owned by SC/STs in these procurements.

### 1.1.10 TECHNOLOGY CENTRE SYSTEMS PROGRAMME (TCSP)

To expand and upgrade the network of Technology Centres (Tool Rooms and Technology Development Centres) in the country, Ministry of MSME is implementing Technology Centre Systems Programme (TCSP) at an estimated Projected Cost of Rs. 2200 Crores including World Bank Loan assistance of USD 200Mn to establish 15 new Technology Centres (TCs) and upgrade existing TCs across the country.

TCSP has been conceptualized to create an innovative eco-system with following components which will engage with each other to create value:

- Establishment of Physical Infrastructure: This includes establishment of 15 New Technology Centers and up-gradation/modernization of existing Technology Centers.
- Engaging the services of world class **Technology Cluster Manager (TCM)** to help enhance the technical capabilities of sector specific TCs and thereby helping them in linkages with the MSMEs and institutions.
- To Establish A Web Portal For Creating A Technology Platform To Meet Various Needs Of Msmes In Addition To Implementation Of Erp In Technology Centres.

### STATUS OF THE PROGRAMME:

- The implementation of the programme commenced from 15<sup>th</sup> January 2015.
- Construction work started for 10 new Technology Centres (TCs), Rohtak, Bhiwadi, Baddi, Bengaluru, Durg Puducherry, Vishakhapatnam, Sitarganj, Bhopal and Kanpur. Construction work also started for upgradation of 3 existing TCs, Bhubaneswar, Mumbai and Aurnagabad. The estimated cost of construction of these TCs is Rs 600 crore.
- For Modernization of CTTC Bhubaneswar, IGTR, Aurangabad and IDEMI Mumbai, 44 high end machines and equipment have been procured. These machines are state of the art machines providing world class services to the industry.
- For modernization of CTR Ludhiana, CIHT

Jalandhar, IGTR Indore, CITD Hyderabad, CTTC Kolkata and IDTR Jamshedpur, 122 world class machines are being procured.

- The Project Is Scheduled To End By 2020-21. It Is Expected That After Completion Of The Project, The Training Capacity Of The Network Of The Tcs Will Be Enhanced From Present 1.5 Lakh To 2.5 Lakh Per Annum. The New Tcs Will Also Provide Consultancy, Incubation, Tolling Support And Other Production Related Services. The Project Will Provide An Eco System For The Growth And Development Of Msmes All Across The Country. The Setting Up Fragrance And Flavour Centre In Imphal Will Enhance The Income Of Farmers By Creating An Eco System Of Values Added Products From Agriculture Produce.



Fuel Line Replacement Units In Tejas Aircraft By Msme Technology Centre, Ctcc, Bhubaneswar

### 1.2 Partnership with Industry

In addition to MoU signed with Samsung Electronics India for skilling youth in repairing & maintenance of electronic products, the DC (MSME) also signed MoU with SAP India for skilling of youth in ERP SAP Business One Module. These skill development programmes are conducted through MSME Technology Centres.

#### 1.2.1 INTERNATIONAL MOUS

Ministry of MSME has not signed any MoU during 2017-18 at Government to Government level with foreign countries for cooperation in MSME sector. But in this year we had taken a step ahead and Shri Giriraj Singh, Hon'ble Minister of State (Independent Charge), Ministry of MSME, Government of India and Dr. Mustapa Mohamed, Minister of International

Trade & Industry, Government of Malaysia, witnessed the MoU Signing Ceremony of National Small Industries Corporation of India and SME Corp. Malaysia on 25-01-2018 for Cooperation in MSME sector. The MoU was signed by Shri Ravindra Nath, Chairman & Managing Director, NSIC and Dr. Hafsa Hashim, CEO, SME Corp. Malaysia. Shri Arun Kumar Panda, Secretary (MSME), other senior officials of Ministry of MSME, Govt. of India and officials of Ministry of International Trade, Government of Malaysia were also present on the occasion.

State (Independent Charge) Shri Giriraj Singh distributed Swachhta Awards in a function held in Vigyan Bhawan at New Delhi on 15.12.2017. Industrial Clusters, Industry Associations and MSME Offices were felicitated for their contribution to Swachh Bharat Abhiyaan. Dr. Arun Kumar Panda, Secretary (MSME) and Shri Parmeswaran Iyer, Secretary, Ministry of Drinking Water and Sanitation (DWS) along with other dignitaries and senior officials from the Ministry were also present.



Minister of State for Micro, Small & Medium Enterprises (I/C), Shri Giriraj Singh and the Minister of International Trade & Industry (MITI), Malaysia, Dato' Sri Mustapa Bin Mohamed witnessing the signing of an MoU, at the SME Business Networking event, in New Delhi on January 25, 2018. The Secretary, MSME, Shri Arun Kumar Panda is also seen.



Minister of State for Micro, Small & Medium Enterprises (I/C), Shri Giriraj Singh presenting the Swachhta Awards 2017, at a function, in New Delhi on December 15, 2017. The Secretary, MSME, Shri Arun Kumar Panda and the Secretary, Ministry of Drinking Water and Sanitation, Shri Parmeswaran Iyer are also seen.

**Source: Annual Report 2017-18 DC-MSME**

**Source: Annual Report 2017-18 Dc-Msme**

### 1.2.2 MOU WITH NSIC FOR PROVISION OF SERVICES FOR MSMEs

The National Small Industries Corporation (NSIC) signed Memorandum of Understanding (MoU) for the year 2017-18 with the Ministry of Micro, Small and medium Enterprises, Government of India on 08.06.2017. The MoU envisages provision of enhanced services by NSIC under its various schemes for MSMEs in the country with the growth in the operational performance of the Corporation during the year 2017-18. NSIC has been graded as very good for FY 2016-17.

### 1.3 SWACHHTA PAKHWADA BY MINISTRY OF MSME

Ministry of MSME celebrated the Swachhta Pakhwada from 1<sup>st</sup> to 15<sup>th</sup> December, 2017. Union Minister of

For the first time, Swachhta Pakhwada was organized by the Ministry with grandeur through its field offices and organisations spreading across the country. Awareness campaigns and seminars on new and Innovative technologies on cleanliness were organised. School children were also associated in activities like tree plantation, painting competition, essay and slogan writing competition, etc. Speaking on the occasion, Shri Giriraj Singh said that Swachh Bharat Abhiyaan started by the Hon'ble Prime Minister in 2014 on the birth anniversary of Mahatma Gandhi is changing the world's perception about India. The Ministry of MSME and its subordinate offices are regularly organising cleanliness drives not only in their respective offices but also in the industrial clusters, industrial estates, to translate this great vision of Hon'ble Prime Minister to reality. Awareness is being created amongst MSMEs about the importance of setting up of effluent treatment

plants and adopting waste management techniques. This is one such initiative to create a healthy competition amongst industrial clusters industrial estates and offices for Swachhta.

#### Conclusion:

“Although slow, but steadily we are moving in a digital economy and this will give a boost to Indian MSME’s which are popularly known as growth engine of economy”. We hope that in 2018-19 the digital initiatives taken by Govt. of India will gear up the progress of country and soon we will become 5<sup>th</sup> largest economy. According to Times of India 11<sup>th</sup> July 2018, India is now a 6<sup>th</sup> largest economy in World. Globally, the Services sector contributes a whopping 75% of the global GDP and overall employment. India's GDP composition, according to

multiple sources, is as follows: Agriculture: 16%; Industry: 26%; Services: 58%. In other words, the Services sector contributes more to India's economy than the other two sectors combined (Economic Times January 27<sup>th</sup> 2018)

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