EXECUTIVE SUMMARY

- India has approximately 6.3 crore MSMEs, of which only 2.1 million (21.2 lakhs) units are registered with the MSME Ministry.
- The Indian MSMEs sector contributes about 29% towards the GDP through its national and international trade.
- The number of registered MSMEs grew to 2.5 million (25.1 lakhs) units in 2020 due to launch of Udyog Aadhaar Memorandum policy, a one-page online form to simplify registration of MSMEs on the government portal.
- Registered MSMEs are dominated by micro-enterprises at 2.2 million (22.06 lakhs) units as of 2020 (up from 1.9 million in 2019), while small enterprise units went up from 0.24 million (2.41 lakhs) units to 0.3 million (2.95 lakhs) units. Midsized businesses only increased from 9,403 units to 10,981 units during this period.
- MSMEs are being encouraged to market their products on the e-commerce site, especially through Government e-Marketplace (GeM), owned and run by the government, wherefrom Ministries and PSUs (public sector undertakings) source their procurement. The platform has recorded transactions worth Rs. 55,048 crore (US$ 7.5 billion) until September 2020.

Notes: F - Forecast; CY - Calendar Year, E - Estimate, F - forecast
Source: FICCI-EY Re-imagining India’s M&E sector, PWC - Championing change in the Indian appliance and consumer electronics industry, *National Policy on Electronics 2019
ADVANTAGE
INDIA
The number of MSMEs increased by a CAGR of 18.5% from 2019 to 2020

Various government initiatives were launched to encourage young, women and SC/ST entrepreneurs to take up businesses

The MSME Ministry heads five statutory bodies—KVIC, Coir Board, NSIC, NI-MSME and the MGIRI

These bodies are responsible for aiding MSMEs with respect to government schemes and policies

The government invests significantly to help MSMEs establish their business

Schemes related to credit, infrastructure building, skill development, technology, etc. are designed to encourage MSMEs

The government has released several policies for MSMEs such as an easy one-page online registration form, a centralised data bank and a mobile app with updated schemes available to MSMEs

CRITERIA FOR MSME
CRITERIA FOR MSME (MICRO SMALL MEDIUM ENTERPRISE)

<table>
<thead>
<tr>
<th>Type</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprise</td>
<td>Enterprises with turnover of Rs. 5 crore (US$ 0.6 million) or less are categorised as micro enterprises. A manufacturing enterprise is categorised as a micro enterprise when investment in plant and machinery does not exceed Rs. 25 lakh (US$ 0.03 million), while a service enterprise is categorised as micro enterprise when the investments in equipment does not exceed Rs. 10 lakh (US$ 0.01 million).</td>
</tr>
<tr>
<td>Small Enterprise</td>
<td>Enterprises with turnover of Rs. 50 crore (US$ 6.8 million) or less are categorised as small enterprises. A manufacturing enterprise is categorised as a small enterprise when investment in plant and machinery is more than Rs. 25 lakh (US$ 0.03 million), but less than Rs. 5 crore (US$ 0.6 million), while a service enterprise is categorised as small enterprise when investments in equipment is more than Rs. 10 lakh (US$ 0.01 million), but does not exceed Rs. 2 crore (US$ 0.3 million).</td>
</tr>
<tr>
<td>Medium Enterprise</td>
<td>Enterprises with less than Rs. 250 crore (US$ 34 million) turnover are categorised as medium enterprises. A manufacturing enterprise is categorised as a medium enterprise when investment in plant and machinery is more than Rs. 5 crore (US$ 0.6 million), but less than Rs. 10 crore (US$ 1.4 million), while a service enterprise is categorised as a medium enterprise when investments in equipment is more than Rs. 2 crore (US$ 0.3 million) but does not exceed Rs. 5 crore (US$ 0.6 million).</td>
</tr>
</tbody>
</table>

*Source: Development Commissioner Ministry of Micro Small and Medium Enterprises (DCMSME) Website, News sources*
OVERVIEW
OF MSME
SECTOR
India has approximately 6.3 crore MSMEs. The number of registered MSMEs grew 18.5% Y-o-Y to reach 25.13 lakh units in 2020 from 21.21 lakh units in 2019.

According to data shared by the MSME Minister in the Rajya Sabha, the registered MSME is dominated by micro enterprises at 22.06 lakh units in 2020 from 18.70 lakh units in 2019, while small enterprise units went up from 2.41 lakh units to 2.95 lakh units. Midsized businesses only increased from 9,403 units to 10,981 units during this period.

States of Maharashtra, Tamil Nadu, Bihar, Uttar Pradesh and Madhya Pradesh are the top five states which collectively accounts for 60% of the total registered MSMEs in India.

Domestic business requires a strong financial stimulus with concessional working capital loans to ensure adequate liquidity is maintained in business operations from the government and financial institutes.

New online system of MSME/Udyam Registration launched by the Union MSME Ministry, w.e.f. July 01, 2020, successfully registered >1.1 million MSMEs until November 2020.

Source: News Sources
STATUTORY BODIES UNDER MSME MINISTRY
Khadi and Village Industries Commission (KVIC) is a statutory organisation engaged in promoting and developing khadi and village industries for providing employment opportunities in rural areas, thereby strengthening the rural economy.

KVIC also helps in checking migration of the rural population to urban areas in search of employment opportunities. The main functions of the KVIC are to plan, promote, organise and assist in implementing programmes/projects/schemes for generation of employment opportunities through the development of khadi and village industries.

It also undertakes activities such as skill improvement, transfer of technology, research & development and marketing.

The Coir Board is a statutory body established for promoting overall development of the coir industry and improving living conditions of workers in this industry.

The activities of the Board for developing the coir industry include gathering statistics relating to exports and internal consumption of coir and coir products, undertaking scientific, technological and economic research and development activities; developing new products and designs; organising publicity for promotion of exports and internal sales; marketing of coir and coir products in India and abroad; preventing unfair competition between producers and exporters.

The board is also responsible for assisting the establishment of units for manufacturing products; promoting co-operative organisation among producers of husks, coir fibre, coir yarn and manufactures of coir products; ensuring remunerative returns to producers and manufacturers, etc.

Source: MSME website
Established in 1955, the National Small Industries Corporation Limited (NSIC) is responsible for promoting, aiding and fostering growth of micro and small enterprises in the country, generally on commercial basis.

NSIC provides various support services to micro and small enterprises catering to different requirements in the areas of raw material procurement, product marketing, credit rating; acquisition of technologies; adoption of modern management practices, etc.

Established in 1960, the National Institute for Micro, Small and Medium Enterprises (NI-MSME) is responsible for enterprise promotion and entrepreneurship development, enabling enterprise creation, performing diagnostic development studies for policy formulation, etc.

NI-MSME’s primary objectives include entrepreneurship development, technology upgrade & transfer, policy issues, NGO networking, environment concerns, cluster development, management consultancy, quality management services, financial services, and information services.

The objectives of the Mahatma Gandhi Institute for Rural Industrialisation (MGIRI) are to accelerate rural industrialisation for sustainable village economy, attract professionals and experts to Gram Swaraj, empower traditional artisans, encourage innovation through pilot study/field trials and R&D for alternative technology using local resources.

ORGANISATION SETUP OF MSME MINISTRY
ORGANISATION SETUP OF MSME MINISTRY

Ministry of State (Independent Charge)

Secretary (MSME)

AS&FA

EA (IFW)
Integrated Finance Wing

AS&DC (MSME)

JS (TC)
Tool Room Division

JS (ARI)
ARI Division (KVIC, Coir Board, MGIRI)

JS (SME)
SME Division (NSIC, NIMSME)

DDG (DATC)

DATC Wing (DBT, Digital Payment, IT Cell)

O/o DC (MSME) & MSME-DIs

Source: Development Commissioner Ministry of Micro Small and Medium Enterprises (DCMSME) Website
RECENT POLICY INITIATIVES
## RECENT POLICY INITIATIVES FOR MSME (1/3)

<table>
<thead>
<tr>
<th>Policy Initiatives</th>
<th>Description</th>
</tr>
</thead>
</table>
| **Udyog Aadhaar Memorandum**| ▪ Udyog Aadhaar Memorandum (UAM) is a one-page online registration system for MSMEs based on self-certification.  
  ▪ The information sought is on a self-certification basis and no supporting documents are required at the time of online filing of UAM. |
| **MSME DataBank**           | ▪ MSME DataBank enables the Ministry of MSME to streamline and monitor the schemes and pass on the benefits directly to MSMEs.  
  ▪ It is helpful for MSME units that can update their enterprise information as and when required without visiting any government office and updating information about their products/services.  
  ▪ Until May 2019, more than 6.1 lakh MSMEs registered in the databank. |
| **My MSME**                 | ▪ In order to facilitate the enterprises to enjoy benefits of various schemes, the MSME office launched a web-based application module in the form of a mobile app called My MSME  
  ▪ This allows enterprises to make their applications and check for schemes on their mobile phone using the app. |
| **MSME Sampark**            | ▪ Launched in 2018, the MSMR Sampark portal is a digital platform wherein jobseekers (students or trainees of MSME Technology Centres) and recruiters can register themselves for mutually beneficial interactions |

## RECENT POLICY INITIATIVES FOR MSME (2/3)

<table>
<thead>
<tr>
<th>Policy Initiatives</th>
<th>Description</th>
</tr>
</thead>
</table>
| **Direct Benefit Transfer in the M/o MSME** | ▪ The welfare and subsidy schemes of the Government of India (GOI) have been brought under a single platform, i.e., the Direct Benefit Transfer (DBT), to reform the delivery system, ensure faster flow of funds, target beneficiaries, avoid duplication and reduce frauds.  
▪ In 2019, 20 MSME schemes have been listed on the DBT Bharat Portal.  
▪ Under DBT, the schemes have been categorised on the basis of benefit type to the beneficiary, i.e., Cash or Composite (cash and kind) |
| **Digital Payments** | ▪ As part of the Digital India initiative, the Ministry of MSME has taken numerous initiatives to digitally enable the entire MSME ecosystem—all MSME offices have been digitally empowered, efforts have been taken to spread awareness on the benefits of digital mode of payments such as BHIM, UPI and Bharat QR code |
| **Grievance Monitoring** | ▪ The Ministry of MSME has started an MSME internet grievance monitoring system (e-Samadhan) to help track and monitor the grievances and suggestions received.  
▪ The Ministry also attends to all the grievances on Centralised Public Grievance Redress and Monitoring System (CPGRAMS) |
| **MSME Samadhaan** | ▪ MSME Samadhaan is a portal that gives information about pending payments with the Central Ministries, State Governments, etc., with respect to micro and small enterprises (MSEs). The government bodies are provided with a username and password to login and check the delayed payment with respect to MSEs  
▪ The portal also allows the MSEs to track their delayed payments related complaint online. After 15 days of online filing, the case automatically gets registered with the MFEFC |

### MSME-Sambandh
- For effective implementation of the Public Procurement Policy, Central Ministries/Departments/Public Sector Enterprises (CPSEs) must procure 25% annual procurement from MSEs—including 4% from MSEs owned by schedule cast/schedule tribes and 3% from MSEs owned by Women entrepreneurs.
- The Ministry of MSME launched MSME Sambandh.
- The portal helps monitor procurement by CPSEs and enables them to share the list of required products or services from MSEs.

### Technology Centre Systems Programme (TCSP)
- In order to expand and upgrade the network of Technology Centres in the country, the Ministry of MSME implemented the Technology Centre Systems Programme (TCSP), wherein 15 new technology centres have been established and existing technology centre have received an upgradation.

### National Scheduled Caste and Scheduled Tribe Hub
- The National Scheduled Caste and Scheduled Tribe Hub has been set up to provide professional support to SC/ST entrepreneur to fulfill the obligations of the Government Public Procurement Policy.
- The Hub is also in-charge of collection, collation and dissemination of information regarding SC/ST enterprises and entrepreneur, capacity building among existing and prospective SC/ST entrepreneur through skill training and EDPs, promoting participation of SC/ST entrepreneur in exhibitions and organising special exhibitions for this purpose, etc.

**Source:** MSME Annual Report (2018-2019)
MAJOR SCHEMES
The Ministry of MSME runs numerous schemes targeted at providing credit and financial assistances, skill development training, infrastructure development, technological and quality upgradation and other services for MSMEs across the country.

**Credit and Financial**

- **Prime Minister’s Employment Generation Programme**
  - The scheme, implemented by the KVIC, aims to generate employment opportunities in rural and urban areas by setting up new self-employment ventures/projects/micro enterprises. The programme also aims to provide continuous sustainable employment to prospective artisans and unemployed youth and increase the wage-earning capacity of artisans, and contribute to the growth of rural and urban employment.
  - The eligibility criteria to avail this scheme are: the individual should be 18 years and above and if a project size is above Rs. 10 lakh (US$ 0.01 million) for manufacturing and Rs. 5 lakh (US$ 0.006 million) for service, the applicant must have completed education up to 8th standard.
  - As of December 31, 2019, expenditure incurred under this scheme was Rs. 2,713.53 crore (US$ 384.95 million).

- **Credit Linked Capital Subsidy Scheme**
  - As large number of MSEs in India are running their business with outdated technology and machinery, the objective of the Credit Linked Capital Subsidy Scheme (CLCSS) is to facilitate technology upgrade among MSEs by providing capital subsidy of 15% (limited to a maximum Rs. 15 lakh (US$ 0.02 million)).
  - The guarantees under this fund is provided to extend collateral free lending to MSEs through banks and other institutions.
  - The scheme covers collateral free credit facility up to Rs. 200 lakh (US$ 0.3 million) per borrowing unit. The guarantee cover is up to 75% of the credit facility—Rs. 50 lakh (US$ 0.07 million) (85% for loans up to Rs. 5 lakh (US$ 0.007 million) provided to micro enterprises, 80% for MSEs owned with a uniform guarantee at 75% of the credit exposure above Rs. 50 lakh (0.07 million) and up to Rs. 200 lakh (US$ 0.3 million)). A composite all in Annual Guarantee Fee up to 1.80% p.a. of the credit facility sanctioned is charged, with the minimum Guarantee Fee being 1% p.a.

*Source: MSME Annual Report (2019-2020)*
MAJOR SCHEMES (2/5)

Skill Development and Training

A Scheme for Promotion of Innovation, Rural Industry & Entrepreneurship (ASPIRE)
- The objectives of this scheme are to create new jobs, promote entrepreneurship culture in the country, promote innovation in the MSME sector, etc.
- The scheme activities include livelihood business incubators and technology business incubators

Entrepreneurship and Skill Development Programmes (ESDP)
- Under the Entrepreneurship and Skill Development Programmes (ESDP), the Ministry of MSME has been organising several programmes focussing on the process of improving skills and knowledge of entrepreneur, and enhancing the capacity to develop, manage and organise a business venture
- The objective of the program is to motivate young individuals to consider self-employment or entrepreneurship as one of the career options
- The programme is carried out by the MSME-Development Institutes, Technology Centres and Enterprise Development Centres (EDCs)

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

- The objectives of this scheme are to organise traditional industries and artisans into clusters to make them competitive and provide support for their long-term sustainability, enhance marketability of products of such clusters, build innovative products, improve technologies, etc.
- The scheme covers three types of interventions, i.e., soft intervention wherein activities are held to build general awareness, counselling, skill development, etc.; hard intervention which includes creating common facility centers, raw material banks, etc.; and thematic intervention on brand building, new media marketing, e-commerce initiatives, research and development, etc.
- The ministry has constituted a Scheme Steering Committee as the apex coordination and monitoring body with independent responsibilities given to statutory bodies such as KVIC and Coir Board to implement the scheme.

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

- The MSME Ministry has adopted the cluster development approach as a key strategy for enhancing productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs) in the country.
- The programme includes activities such as support funding for setting up ‘Common Facility Centres (CFC) and Infrastructure Development Projects (IDP)’.
- In 2019-20, as part of the programme, 76 Common Facility Centres (CFCs) and 169 Infrastructure Development Projects (IDPs) have been commissioned for an expenditure of Rs. 202.78 crore (US$ 28.76 million).

*Source: MSME Annual Report (2019-2020)*
Technology Upgrade and Competitiveness

Financial Support to MSMEs in ZED Certification

- The scheme promotes Zero Defect and Zero Effect (ZED) manufacturing among MSMEs and ZED Assessment for their certification to encourage MSMEs to constantly upgrade their quality standards in products and processes, promote adaptation of quality tools/systems and energy-efficient manufacturing, and drive manufacturing by adopting the Zero Defect production processes and without impacting the environment.
- The scheme is targeted towards MSMEs involved in manufacturing.
- The Quality Council of India is responsible for implementing the scheme.

Support for Entrepreneurial and Managerial Development of SMEs through Incubators

- The objective of the scheme is to promote and support the creativity of MSME enterprises and encourage adoption of the latest technologies in manufacturing as well as knowledge-based innovative MSMEs.
- The scheme includes financial assistance of up to Rs. 15 lakh (US$ 0.02 million) for developing and nurturing the idea; up to Rs. 1 crore (US$ 0.1 million) for procurement and installation of plant and machines to strengthen technology-related R&D activities; or up to Rs. 1 crore (US$ 0.1 million) as a grant-in-aid for seed capital support to Host Institute (HIs)/Business Incubator (BIs) for converting deserving ideas into start-ups.

Building Awareness on Intellectual Property Rights (IPR) for MSMEs

- The Building Awareness on Intellectual Property Rights (IPR) has been launched to promote awareness of Intellectual Property Rights (IPINR) among MSMEs by assisting them in technology upgrade and enhancing competitiveness and effective utilisation of IPR tools
- The scheme is executed through various activities such as awareness programmes, seminar workshops, reimbursement for registration of IP, international co-operation & setting up IP facilitation centre across the country

NEW DEVELOPMENTS
NEW DEVELOPMENTS

Government Push

- On October 16, 2020, the Kerala government launched an online portal for speedy and transparent delivery of concessions including interest subsidy for the revival of Micro Small and Medium Enterprises—hit badly by the economic downturn triggered by the COVID-19 pandemic.

- In October 2020, the Ministry of MSME in a major initiative onboarded the latest IT tools of Artificial Intelligence (AI) and Machine Learning (ML) for providing assistance and solutions to the Micro, Small, and Medium Enterprises (MSMEs). The ministry has implemented AI & ML on its robust Single Window System ‘Champions’, which was launched by the Prime Minister Mr. Narendra Modi on June 1, 2020.

- To provide reliable measures and set benchmark to boost and strength the MSME sector in India, TransUnion CIBIL, in partnership with the Ministry of Statistics & Programme Implementation (MoSPI), launched the MSME Credit Health Index on November 2, 2020.

Other Institutional Support

- In October 2020, the Finance Minister Mrs. Nirmala Sitharaman launched ‘MSME Prerana,’ an online business mentoring programme for MSMEs by the state-run Indian Bank. This programme is meant for empowering MSME entrepreneurs through skill development and capacity-building workshops in the local language.

- In November 2020, Dun & Bradstreet Information Services India signed an agreement with the National Small Industries Corporation (NSIC) to promote, aid and foster the growth of micro, small and medium enterprises.

- In November 2020, Instamojo partnered with Platform for Artists (PFA), an online portal for upcoming artists to showcase their work. As a part of this partnership, Instamojo will offer access to its digital products and solutions for all merchants who are part of the ‘UNSEEN 4.0’, an online flea market organised by PFA.

- To support requirements of micro and small businesses and help them recover from the pandemic-induced crisis, Facebook, on November 4, 2020, rolled out a dedicated offline-to-online ‘SMB Guide’ (Small and Midsize Business Guide) and other resources to help make the journey frictionless for small and midsize businesses.

Source: Science, Technology and Innovation News Articles
USEFUL INFORMATION
GLOSSARY

- CFC: Common Facility Centres
- CPGRAMS: Centralised Public Grievance Redress and Monitoring System
- CPSEs: Central Ministries/Departments/Public Sector Enterprises
- DBT: Direct Benefit Transfer
- GOI: Government of India
- KVIC: Khadi and Village Industries Commission
- MGIRI: Mahatma Gandhi Institute for Rural Industrialisation
- MSEs: Micro and Small Enterprises
- MSE-CDP: Micro & Small Enterprises Cluster Development Programme
- MSME: Micro Small and Medium Enterprise
- NSIC: National Small Industries Corporation Limited
- NI-MSME: National Institute for Micro, Small and Medium Enterprises
- SC/ST: Schedule Caste/ Schedule Tribe
- TCSP: Technology Centre Systems Programme
- UAM: Udyog Aadhaar Memorandum
- Y-o-Y: Year on Year
- Wherever applicable, numbers have been rounded off to the nearest whole number
## Exchange Rates

### Exchange Rates (Fiscal Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Rs. Equivalent of one US$</th>
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<tbody>
<tr>
<td>2004-05</td>
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<td>2005-06</td>
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<td>2018-19</td>
<td>69.89</td>
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<tr>
<td>2019-20</td>
<td>70.49</td>
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</table>

### Exchange Rates (Calendar Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Rs. Equivalent of one US$</th>
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</thead>
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<tr>
<td>2018</td>
<td>68.36</td>
</tr>
<tr>
<td>2019</td>
<td>69.89</td>
</tr>
</tbody>
</table>

*Source: Reserve Bank of India, Average for the year*
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