

MSME ministry likely to streamline existing schemes for better results

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Central schemes may be significantly modified to maximise returns on fund allocation and speed up industrial output

The government is drawing up plans to streamline existing schemes for micro, small, and medium enterprises (MSMEs), with an aim to combat liquidity crisis, low professional exposure, and low skills that the sector continues to face.

Central schemes enabling cluster-based development, those promoting new business, and skill training programmes may be significantly modified to maximise returns on fund allocation and speed up industrial output.

Prime among these is the Cluster Development Program that provides common physical infrastructure facilities in a fixed geographic area to a set of small businesses with the same requirements. Currently, the ministry runs 75 Common Facility Centers (CFCs) across the country with work ongoing to establish 66 more. Central grant for CFCs goes up to 70 per cent of total cost of a maximum Rs 20 crore, a crucial amount in many backward areas.

FY20 Targets

- 10 of 100 planned Export Facilitation Centers, which help integrate MSMEs in global chain
- 10 new tool rooms/technology centres, costing ~115-145 cr each, for high-end skilling and consulting
- 20 of planned 500 Enterprise Development Centres to develop a cadre of indigenous entrepreneurs
- 10 solar charkha clusters, each providing jobs to 2,000 artisans
- 100,000 youngsters to be skilled through all existing and upcoming centres

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However, the arbitrary allocation of clusters to various states and regions, often due to political reasons, have resulted in chronically low productivity and stretched resources. “It’s surprising that it took so long but the government has started evaluating the entire cluster map and will have a comprehensive model to distribute clusters in various areas from now on,” a senior MSME ministry official said. As a result, some clusters may even be closed down, he added.

A detailed research focusing on the business prospects and socio-economic effects on nearby demographics have been mandated before approval is given to any new cluster.

The move is part of MSME Minister Nitin Gadlari’s push to raise the sector’s contribution in exports from the current 49 per cent to 60 per cent as well as its share in industrial growth to 49 per cent from 29 per cent now. Through the initiative, the government is trying to address a key concern for policymakers, the lack of businesses in the “small” category, the official added. According to the existing definition, which relies on self-declared investment on plant and machinery, “small” firms are those with investment between Rs 25 lakh and Rs 5 crore.

These efforts are expected to be supplanted by the upcoming National Resource Centre, which will assist in export strategy development, implementation, and mobilisation of technical assistance to organisations in the MSME ecosystem.

MSME incubators

The ministry aims to launch enterprise development centres (EDCs) in every district, senior officials said. Aimed at developing a cadre of indigenous MSME entrepreneurs, the EDCs will be similar to incubators for start-ups and have been in the planning stages for two years now, according to official documents reviewed by Business Standard.

“For the first time, an integrated unit will help new and existing businesses develop by providing services such as management training, and office space,” another official confirmed. Ultimately planned for every district, the ministry is targeting the launch of 20 EDCs out of a planned 500 by the end of the current financial year, another senior official said. As of now, MSME Development

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Centres in various states have begun the EDC initiative on a small scale, some of which may be expanded, they added.

The centres will be broad-based and shall be run by special purpose vehicles in partnership with the private sector, business management organisations, local industry associations and would also aim to plug the financial difficulties faced by MSMEs, which have continued to suffer from a liquidity crisis since the demonetisation exercise. In the distant future, incentives and loans by the government for the sector will also flow through the EDCs, after determining the capabilities of the firm through set parameters, the official added. The centres would offer credit facilitation and syndication, export promotion and supplier inclusion.

The EDCs will also have “enterprise clinics” for struggling firms, which the government hopes will reduce the number of small businesses falling into a debt trap financed by bank loans.