

**CUTS-ISID Roundtable on MSMEs**  
**December 13, 2023, New Delhi**  
**Recommendations**

Sl. No.	Challenges	Suggested measures
<b><u>Data Availability</u></b> <b>Ministry of MSMEs</b> <b>Ministry of Statistics &amp; Programme Implementation</b> <b>Niti Aayog</b>		
1.	Source of data on MSMEs <ul style="list-style-type: none"> <li>- The availability of systematic data on MSMEs, particularly in the informal sector is a challenge. There are not many sources of primary data. Data on jobs created and losses at MSMEs is important.</li> <li>- The last MSME census was conducted in 2006.</li> <li>- Parliamentary Committee report on strengthening MSMEs recommends end-to-end measures.</li> </ul>	1.1 Strengthening data and statistical systems needs to be accorded a priority. A new MSME Census should be conducted. 1.2. It might be possible to plug data gaps through integrating GST systems, data released at state level, and industry/ firm level surveys.

<b><u>Access to Credit at a Reduced Cost of Capital</u></b> <b>Ministry of MSMEs</b> <b>Ministry of Finance</b> <b>Niti Aayog</b> <b>Reserve Bank of India</b>		
2.	<ul style="list-style-type: none"> <li>- The cost of credit for MSMEs is higher than the cost for big industries</li> <li>- There is a lack of effective rating system for MSMEs which can facilitate access to credit</li> <li>- The credit and finance history of MSMEs such as the GST Data, UPI and online payments can be harnessed for creditworthiness. To facilitate digital finance, a DPI based approach to take MSME to the next level of growth is required</li> </ul>	2.1 Standing Committee on Finance has made important recommendations to support MSMEs. SIDBI should become equivalent of NABARD for channelling finance to MSMEs. There is a need to draw an action plan to implement suggestions of the Standing Committee.

	<ul style="list-style-type: none"> <li>- There is a need to relook at the eligibility of defaulting MSMEs. The current criteria ousts them from the ambit of eligibility.</li> <li>- NBFCs are the main channels for access to credit by MSMEs. However, during the COVID, NBFCs did not get a moratorium at the back end which led to MSMEs’ reduced access to credit subsequently.</li> <li>- A shortfall in the Priority Sector Lending to MSMEs has been observed</li> <li>- MSMEs face a sluggish post-pandemic recovery, hindered by soaring luxury demand while smaller firms struggling to regain pre-COVID stability in an uneven economic resurgence as showed by K-shaped recovery curve of India.</li> </ul>	<p>2.2 A DPI-based solution is needed to generate data to establish the creditworthiness of MSMEs. Challenges in Account Aggregator and OCEN ecosystems need to be addressed to leverage its potential.</p> <p>This can be followed by digital finance to provide access to credit.</p> <p>2.3 Monitoring is needed in terms of reverse repo rate related terms and conditions. Reverse repo rate framework needs to be revisited to ensure that banks don’t put their money back in RBI and thus have adequate funds to lend to MSMEs.</p>
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<p><b><u>Female Labour Force Participation and Women-led Entrepreneurship</u></b>  <b>Ministry of MSMEs</b>  <b>Ministry of Skill and Entrepreneurship Development</b>  <b>Ministry of Labour and Employment</b>  <b>Niti Aayog</b></p>		
<p>3.</p>	<ul style="list-style-type: none"> <li>- Self-help groups (SHGs) offer an incredible opportunity and need to be capitalised by training, access to credit, access to technology. This can have positive spillovers at district level.</li> <li>- In addition to traditional areas, new sunrise areas – such as usage of drones, fashion, etc – need to be identified and supported by access to training</li> <li>- There is a significant gap in formal financing to female-led start-ups and</li> </ul>	<p>3.1 New focused training programmes to facilitate entry of females in blue-collar jobs need to be launched</p> <p>3.2 Refocusing of the existing scheme (such as PM-SWANIDHI) to meet the gap in formal access to credit is needed.</p>

	<p>MSEs. This is evident in the percentage of unicorns owned by females.</p> <ul style="list-style-type: none"> <li>- Women entrepreneurs faced special hardships in accessing formal credits due to stereotypes that exist about their ability to manage funds</li> </ul>	<p>3.3. Demand side assessment of new/emerging sectors in which women could enter and engage.</p> <p>3.4. Earmarking a certain proportion of credit specifically for women entrepreneurs might help.</p>
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<p><b><u>Awareness Generation on Government Schemes</u></b>  <b>Ministry of MSMEs</b>  <b>Niti Aayog</b>  <b>State Governments</b></p>		
<p>4.</p>	<ul style="list-style-type: none"> <li>- It has been observed that cluster facilities get captured by a few companies due to poor governance</li> <li>- Small artisan clusters need support of collective indivisible inputs like infrastructure, technology, credit facilities, branding and skill certification.</li> <li>- Studies show that efficient cluster design in terms of integration of value chains and common services leads to better competitiveness of MSMEs</li> <li>- Government notifies various incentives and facilitation schemes for the benefit of MSMEs from time to time. Some recent examples include: government e-marketplace, Samadhan Portal, etc. However, awareness about these measures, specially those offered in the times of the pandemic, was poor in different parts of the country.</li> </ul>	<p>4.1 Corporatisation of MSME schemes is to be considered akin to Small Business Administration in the US, BMWK's business start-up portal in Germany and PKS Hub in Malaysia are some examples to provide handholding and facilitation support to MSMEs</p> <p>4.2 Multi-lingual unpacking of incentives and schemes for MSMEs, particularly female-led MSMEs, can increase the number of MSME beneficiaries. Targeted support to small artisan clusters at a collective level needs to be provided.</p> <p>4.3 The District Industries Centres and Self-Help Groups should be strengthened to disseminate information on the facilities/ support</p>

		provided by the Government and other donors.
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<p><b><u>Skilling and Re-skilling</u></b>  <b>Ministry of MSMEs</b>  <b>Ministry of Skill and Entrepreneurship Development</b>  <b>Ministry of Labour and Employment</b>  <b>Niti Aayog</b></p>		
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5.	<ul style="list-style-type: none"> <li>- The current skill formation framework is inadequate to match the demand and supply across sectors.</li> </ul>	<p>5.1 To bring efficiency at scale in skill formation as well as matchmaking, greater impetus, including greater financial incentives for apprenticeship scheme is required.</p> <p>5.2. Apprentices should be given an opportunity to get trained at MSMEs, wherein government could pay them stipend for a particular period. This could give them an opportunity to get absorbed in MSMEs themselves.</p>
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<p><b><u>Trade Policy</u></b>  <b>Ministry of Commerce and Industry</b>  <b>Ministry of MSMEs</b></p>		
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6.	<ul style="list-style-type: none"> <li>- It has been observed that MSMEs have been affected most adversely by the import surges following the trade liberalization and withdrawal of quantitative restrictions after the turn of the century. While the larger enterprises were able to lobby for the imposition of antidumping duties when hurt by the import surges, MSMEs did not have such ability.</li> </ul>	<p>6.1 The Government should keep track of any import surges especially of the consumer goods that potentially affect MSMEs and should take due action to protect them.</p> <p>6.2 Impact Assessment of any proposed Free Trade Agreements on MSMEs should be carried out before finalizing the agreement so that interests</p>
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		of domestic MSMEs could be addressed.
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<b><u>Design of Incentives</u></b> <b>Ministry of MSMEs</b> <b>Ministry of Finance</b> <b>Niti Aayog</b>		
7.	<ul style="list-style-type: none"> <li>- The current size-specific incentive framework and other regulations encourages firms to remain small. This leads to the growth of small firms instead of the graduation of firms from micro to medium to large enterprises.</li> </ul>	7.1 A comprehensive study of the incentive design and other regulations needs to be carried out and appropriate policy measures should be implemented.
<b><u>Public Procurement</u></b> <b>Ministry of MSMEs</b> <b>Ministry of Finance</b> <b>Ministry of Commerce and Industry</b>		
8.	<ul style="list-style-type: none"> <li>- New opportunities such as defence procurement, space tech etc are emerging where participation of MSMEs can be encouraged.</li> </ul>	8.1 A study to assess the adverse impact of exclusionary eligibility conditions is needed.  8.2 To promote MSME participation in the defence sector, medium and large industries should be mandated to provide 30% offsets to the small businesses.
<b><u>Productivity Benchmarking</u></b> <b>Ministry of MSMEs</b> <b>Niti Aayog</b>		
9.	<ul style="list-style-type: none"> <li>- Enhancing productivity needs greater attention. Sectoral data on the productivity of MSMEs and their benchmarking against the global standards is missing</li> </ul>	9.1 Sectoral studies to capture productivity data are needed. Such studies can inform incentive design in general and sector-specific initiatives.

<b><u>Adaptation of ESG</u></b> <b>Ministry of MSMEs</b> <b>Ministry of Environment, Forests and Climate Change</b> <b>Ministry of Labour and Employment</b> <b>Niti Aayog</b>		
10.	<ul style="list-style-type: none"> <li>- Capturing data across value chains is critical for mitigating climate change and also disaster resilience. Large industries have the resources to capture data and stay compliant with ESG standards. However, MSMEs neither have the required skills not systems to capture such data.</li> <li>- Easing compliance burden and addressing the challenges faced by MSMEs in adopting ESG practices, with a specific emphasis on the social aspects, would be crucial</li> </ul>	<p>10.1 An ESG-DPI (digital public infrastructure) can offer a low-cost solution where MSMEs get integrated and help capture the relevant data. A feasibility study is required to flesh out the design and details of such DPI.</p> <p>10.2 Firms are currently submitting information to different agencies (registrar of companies, department of labour etc) and reviewing their transaction data may be a starting point.</p>