

MSME Sector to Play Important Role in Make in India

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ABSTRACT

The research aims at providing a study of the emerging opportunity in the India MSME segment, MSME opportunity considerations. We welcome any ideas and views that will help in shaping the future for MSME in India.

Growth in Indian Economy and GDP

Increase MSME contribution from current 8 percent to 15 percent by the year 2020

“Come Make in India”

Promote an ecosystem for ‘Make in India’ for foreign companies to invest in manufacturing, service and agricultural and agri processing related segments for meeting the domestic as well as global demand.

Digital India

Promote MSMEs’ manufacturing and service capabilities in the ICT sector in line with the government vision.

Skill India

Rewarding MSME for initiatives towards skill development and employment generation, particularly for women and special classes, by way of direct incentives, weighted deductions and reliefs in indirect taxes combined with low cost funding and credit access for stakeholders

Micro, small and medium enterprises (MSMEs) will play an important role in Prime Minister Narendra Modi’s ‘Make in India’ initiative. And, necessary steps to empower them are being taken, By Kalraj Mishra, Union MSME Minister

“The micro, small and medium enterprise (MSME) segment will play a key role in domestic manufacturing and will lead the Make in India programme, turning it into a success,” the minister said.

In order to boost the MSME sector, the Centre has also asked all public sector units to procure at least 20 per cent of materials from such companies,

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INTRODUCTION

The Make in India initiative was launched globally in September 2014, as part of the Government of India's renewed focus on refreshing the country's manufacturing sector. The landmark initiative has made a tremendous impact on the investment climate of the country, and reflects in the significant growth of overall Foreign Direct Investment (FDI).

Since its launch, the Government of India has taken several reform initiatives to create an enabling environment that has provided a push to manufacturing, design, innovation and entrepreneurship. With a growth rate of 7.5%, India has emerged as the fastest growing economy globally and it remains an oasis in the midst of a subdued economic landscape. The Prime Minister has given further impetus to India's growth with several innovative initiatives such as "Digital India", "100 Smart Cities" and "Skill India".

The Make in India initiative, in particular, aims to make India an integral part of the global supply chain. Key focus sectors such as defense, railways, construction, insurance, pension funds and medical devices have all been rapidly opened up for Foreign Direct Investment. The Government of India has also taken up a series of measures to radically improve its 'Ease of Doing Business' ranking. With an objective to make the regulatory environment easy and simple for business to flourish, the Government has effectively used technology to converge and integrate different departments. 14 services are integrated within the 'eBiz portal', which will function as a single window portal for obtaining clearances from various government agencies.

Make in India has already created a strong impact with tangible results:

1. India is now 1st amongst the world's fastest growing economies (Source: International Monetary Fund)
2. India is 1st amongst the world's topmost green field FDI destinations, January-June 2015 (Source: Financial Times, FDI Markets)
3. India is 1st amongst the 100 Countries in the growth, innovation and leadership index. (Source: Frost & Sullivan)
4. India is 1st amongst the world's fastest growing economies in both 2016-2017. (Source: WESP Report 2016, United Nations)
5. India is the 1st choice for technological MNCs to set up R&D centers outside their home countries. (Source: Zinnov Management Consulting Report)
6. India is the 7th Most valued nation brand in the world. (Source: Brand Finance)
7. India is 1st amongst the world's most attractive investment destinations. (Ernst & Young – 2015 India Attractiveness Survey)
8. India is now 1st amongst 110 investment destinations polled globally. (Foreign Policy Magazine, Baseline Profitability Index, 2015)

9. India is amongst the top 10 investment destinations. (Source: World Investment Report 2015, UNCTAD)

10. India's rank jumped 12 places on the 'Ease of Doing Business' 2016 list. (Source: World Bank)

11. India moved 16 places on the Global Competitiveness Index 2015-16. (Source: World Economic Forum)

12. India has recorded 35% Growth in FDI Equity Inflows. (Source: Department of Industrial Policy & Research)

In order to keep this momentum going, the Government of India is organizing a landmark event called the "Make in India Week" in Mumbai from Feb 13 - Feb 18, 2016. This week-long event will be inaugurated by the Prime Minister of India.

The theme of the Make in India Week is innovation, design and sustainability. A number of events have been planned around this theme on the larger canvas of manufacturing. This includes:

POLICY INSTRUMENTS

- Employment-intensive industries like textiles and garments, leather and footwear, gems and jewellery and food processing industries.
- Capital goods industries like machine tools, heavy electrical equipment, heavy transport, earthmoving & mining equipment.
- Industries with strategic significance like aerospace, shipping, IT hardware & electronics, telecommunication equipment, defence equipment and solar energy.
- Industries where India enjoys a competitive advantage such as automobiles, pharmaceuticals & medical equipment.
- Small & medium enterprises.
- Public sector enterprises.

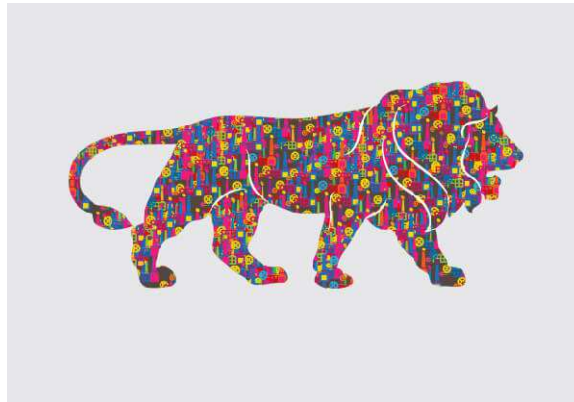
NATIONAL INVESTMENT & MANUFACTURING ZONES (NIMZ):

- The National Investment and Manufacturing Zones are being conceived as giant industrial greenfield townships to promote world-class manufacturing activities.
- The minimum size is 5000 hectares (50 square kilometres) wherein the processing area has to be at least 30%.
- The central government will be responsible for bearing the cost of master planning, improving/providing external physical infrastructure linkages including rail, road, ports, airports and telecom, providing institutional infrastructure for productivity, skill development and the promotion of domestic and global investments.
- The identification of land will be undertaken by state governments. State governments will be responsible for water requirement, power connectivity, physical infrastructure, utility linkages, environmental impact studies and bearing the cost of resettlement and rehabilitation packages for the owners of acquired land.
- The state government will also play a role in its acquisition if necessary.
- In government, purchase preferences will be given to units in the national investment and manufacturing zones

EMPLOYMENT OPPORTUNITIES

With the increase in MSME contribution to the GDP, there is a potential to increase its contribution to employment to over 50 per cent over the next decade. It is also vital for the informal MSMEs who are currently not registered need to be made part of the formal MSMEs eco system. Growth incentives in the form of privileges and direct benefits for the MSMEs will encourage registration and participation in the growth opportunity. Typically, MSME sector can provide comparatively larger employment opportunities at comparatively lower capital cost especially in the rural and remote areas, by becoming part of the industrial ecosystem and act as ancillary units for large enterprises to support the system in growth.

India needs to create 10 to 15 million job opportunities per year over the next decade to provide gainful employment to its population. Current MSME employment is at 28 per cent of the overall employment. MSMEs can contribute significantly to employment generation and development of the Indian economy. The MSME sector is one of the key drivers for India's transition from an agrarian to an industrialised economy. MSMEs account for a large share of industrial units.



PERFORMANCE OF INDIAN MSME SECTOR

The Indian MSME sector provides maximum opportunities for both self-employment and wage-employment outside the agricultural sector and contributes in building an inclusive and sustainable society in innumerable ways through creation of non-farm livelihood at low cost, balanced regional development, gender and social balance, environmentally sustainable development, etc.

Make in India' Push

Referring to about 3.6 crore MSMEs in the country as the “cradle of Make in India”, the policy paper aims to turn small enterprises into large ones, citing the examples of foreign companies, such as Honda, Microsoft, Infosys and HCL in India.

Supportive Role of Government of India

Recognizing the potential of this sector for the nation's development, the Government of India, through its various agencies, has taken many key steps to strengthen the MSME sector and promote innovation and capacity building in this sector. Regular dialogue is facilitated between various stakeholders through the constitution of specific task forces and inter-ministerial committees. The Micro and Small Enterprises-Cluster Development Programme is being implemented by the government for the holistic and integrated development of these enterprises in clusters through soft interventions, hard interventions and infrastructure upgradation for enhancing their productivity and competitiveness. During the year 2014-15, 43 new clusters have been taken up for various interventions. So far, around 966 clusters and 171 infrastructure development programmes have been initiated by the government. Provisions are also being made to strengthen the framework of virtual clusters with an aim to assist MSME accessibility of the Ministry from the remote location of their operation. The Credit Linked Capital Subsidy Scheme also assists in the technological upgradation on MSMEs. The National Manufacturing Competitiveness Programme is another flagship programme of the Ministry of MSME which endeavors to equip these enterprises with technology-based tools in the areas of quality upgradation, productivity, design development, energy efficiency and marketing. To ensure better flow of credit to SMEs, the Ministry has introduced a Policy Package for Stepping up Credit to Small and Medium Enterprises (SMEs) under which it operates schemes like the Credit Guarantee Fund Scheme and the Performance and Credit Rating Scheme.

MAKE IN INDIA POLICY AIM

The Make in India Policy aims to facilitate investment, foster innovation, enhance skill development and build an Eco-system for manufacturing infrastructure in the country. Ministry of Micro, Small and Medium Enterprises has been implementing a number of programmes and schemes in the areas of finance, technology, infrastructure, marketing and skill development to facilitate aims of the Make in India Policy. The Ministry is proposing to rise to the challenge through action plans directed at enhancement of the provision of collateral free credit through creation of state verticals for extending guarantees to the entrepreneurs of particular state with financial support from state governments, creation of similar verticals for women entrepreneurs and youth among SC/ ST and NE Regions. Augmentation of 18 existing Technology Centres (TCs) is to be supported by cluster network Mangers and a National Portal. Efforts are on to bridge the gap between Research Institutions and Industries through signing of MOUs with IISc and CSIR. Defence offset policy is being leveraged for creating ecosystem of defence manufacturing by MSMEs. A comprehensive skill mapping is also proposed as a first step towards alleviating the existing skill deficit. The funds are allocated to the Schemes as a whole, and it is difficult to delineate the amount earmarked for the 'Make in India' component. Moreover, all the Schemes of the Ministry are Central Sector Schemes and specific data on allocation to States/UTs are not maintained.

The Ministry of Micro, Small and Medium Enterprises has been receiving numerous comments and suggestions at various comments and suggestions related to 'Make in India' has taken the shape of any concrete proposal.

This information was given by the Minister of State, Micro, Small and Medium Enterprises, Shri Giriraj Singh in a written reply to a question in Lok Sabha

CONCLUSION

The Make in India Strategy adopted by the Indian Prime Minister Shri Narendra Modi aims to facilitate investment, foster innovation, enhance skill development and build a sustainable eco-system for the manufacturing infrastructure in the country. These measures have succeeded in raising the business confidence in India. The stage has been set through these industry and MSME interventions for a larger share of global business in India which presents opportunities for MSME integration in almost all industry sectors. The Indian MSME sector is poised for rapid growth and integration with major global value chains.