



**Nurturing the Start-ups – for building economy**



**Tarun Gogoi**

**Chief Minister, Assam  
Guwahati**

Dispur  
23/06/2015



**MESSAGE**

I am happy to know that the Associated Chambers of Commerce and Industry of India (ASSOCHAM) is organizing “MSME Sammelan: Nurturing Entrepreneurs for Sustainability” on July 9, 2015 in Guwahati.

Vast natural resources such as oil, natural gas and minerals, hydro energy, diverse agro-climatic zones, forest resources and medicinal plants make the North East the best choice for investors and it offers tremendous opportunities for small entrepreneurs to flourish.

The timely redressal of the issues and concerns of micro, small and medium enterprises pertaining to finance, technology, marketing, export orientation, etc. will empower the MSME sector to contribute in a big way towards the sustainable development of the region. I hope the participants will be benefitted immensely from this event.

I wish the event a grand success.

  
**(TARUN GOGOI)**

*Rajendra Prasad Singh*

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Dispur 15<sup>th</sup> June, 2015



**MESSAGE**

I am very much delighted to learn that Associated Chambers of Commerce & Industry of India (ASSOCHAM) is organizing Micro , small & Medium Enterprises (MSME) Summit- “Nurturing Entrepreneurs for Sustainability” on 9<sup>th</sup> July, 2015 at Guwahati.

Over the years, Assam has emerged as one of the most favored investment destinations in North East India with its state of art infrastructure. The State has immense potential to accelerate socio-economic development. The current Industrial Policy of the State provides necessary thrust for rapid industrialization and employment generation. The Govt. of Assam organises a number of training Programmes to train potential first generation entrepreneurs for upgradation of their techno/managerial knowledge and skill with ultimate objective to start MSEs in the various fields such as (a) Industrial Motivation Campaigns ( IMCs) (b) Entrepreneurship Development Programmes (EDPS) © Entrepreneurship Skill Development Programmes (ESDPs) (d) Management Development Programmess (MDPs) (e) Business Development Programmes (BSDPs) etc. etc.

The State is developing as the manufacturing and service hub in the region is growing. The futuristic initiatives have generated a conducive ecosystem for setting up Greenfield Projects in both high-tech and traditional sectors.

I am confident that investors will be able to explore possibility of setting up new ventures in diverse fields and forge new partnerships.

I wish the summit all success and compliment its organizers.

( Rajendra Prasad Singh )

## MESSAGE

**D.S. Rawat**  
**Secretary General**  
**ASSOCHAM**



I am happy to learn that The Associated Chambers of Commerce and Industry of India (ASSOCHAM) is organizing MSME Sammelan : Nurturing Entrepreneurs for Sustainability” on 09<sup>th</sup> July, 2015 in Guwahati.

MSMEs have been acknowledged as the drivers of economic growth of India. The biggest success is yet to come for Indian economy when the country’s MSMEs will be contributing to the economy as per their actual potential.

To give a brief overview of the current scenario of MSME sector in the country and the State, ASSOCHAM has come out with a study in collaboration with Resurgent India Pvt. Ltd. which carries a holistic view of the current scenario of MSME sector. I am grateful to Resurgent India Pvt. Ltd. to accept our request for being Knowledge Partner for the event.

I congratulate my colleagues Mr. U.K. Joshi, Director and Mohd. Zumair for this remarkable initiative. I would also extend my profound thanks to all other stakeholders and partners for their support to make this conclave a grand success.

I wish the summit a great success.

A handwritten signature in black ink, appearing to read 'D.S. Rawat', written over a horizontal blue line.

**(D.S. Rawat)**

## MESSAGE

**Jyoti Prakash Gadia**  
**Managing Director**  
**Resurgent India Limited**



The last year saw India enter a sweet spot as growth rebounded, inflation declined and the external accounts came under control. From then on there has been a lot of positivity built around the India growth story and India seems to be poised to enjoy another spurt in growth.

Going ahead, small business sectors are considered to be the key for economic growth as it promotes equitable development. Over the years, this segment has been fuelling economic growth and has been a catalyst to industrialization of rural and assuring more equitable distribution of national income and wealth. This segment is labour intensive and it contributes for generation of employment.

Despite being a catalyst to the economic development and being beneficial to the economy of the country in more than one ways, MSMEs still face numerous hindrances that are obstructing the growth of the segment. The primary problem faced by the sector is access to funds due to its high risk profile. Further, there is a huge demand-supply gap and financial institutions need to exploit this opportunity and offer credit to the segment. Here in this research paper, we discuss about small business sector financing-funding the unfunded.

Jyoti Prakash Gadia  
Managing Director  
Resurgent India Limited

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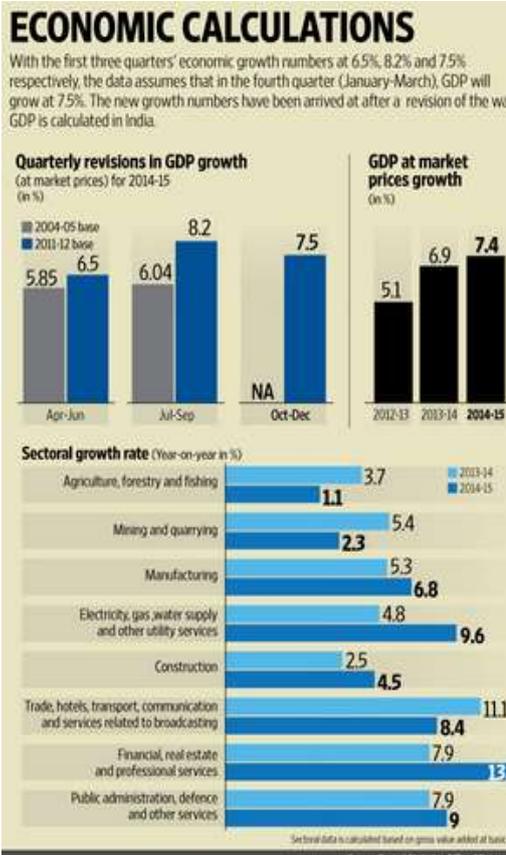
## INDIA MACRO ECONOMIC OVERVIEW

The Indian economy has weathered many challenges successfully in recent times and is currently placed on a cyclical upturn, on the back of strong policies and a whiff of new optimism. In the recent past, the economy faced testing times with issues like lower growth, high levels of inflation and widening current account deficit. Growth is back, with its desirable concomitants of mild inflation and manageable current account balance with stable rupee and rising foreign exchange reserves, signalling improvements in macro-economic stability. The growth rate of the economy, measured by the growth in GDP at constant (2011-12) market prices, improved from 5.1% in 2012-13 to 6.9% in 2013-14 and is projected to clock 7.4% in 2014-15 according to central statistics office (CSO).

India's economy will grow at a rate of more than 8% in 2015-16, while consumer inflation will drop to between 5 and 5.5%. The growth in services sector accelerated from 8.0% in 2012-13 to 9.1% in 2013-14. As per the advance estimates of CSO, the growth in services has increased further to 10.6% in 2014-15. The growth in industrial and services sectors improved significantly, growth in the agricultural sector, affected by a sub-optimal monsoon, declined in 2014-15. The sectors that are estimated to record higher growth in 2014-15 include- manufacturing, construction, electricity, gas, water supply and other utility services, financial, real estate and professional services, public administration, defence and other services. It is also the first time that the economy is projected to be bigger than \$2 trillion. India's GDP is estimated to be \$2.1 trillion in 2014-15.

### Government Initiatives

India has become a promising investment destination for foreign companies looking to do business here. Mr Narendra Modi, Prime Minister of India, has launched the 'Make in India' initiative with the aim to give the Indian economy global recognition. This initiative is expected to increase the purchasing power of the common man, which



would further boost demand, and hence spur development, in addition to benefiting investors. The steps taken by the government in recent times have shown positive results as India's gross domestic product (GDP) at factor cost at constant (2004-05) prices for Q1 of 2014-15 is estimated at Rs 14.38 trillion (US\$ 231.83 billion), as against Rs 13.61 trillion (US\$ 219.42 billion) in Q1 of 2013-14, registering a growth rate of 5.7%.

The reason behind better performance of the economy is advantage of low crude oil prices that has impacted favourably the current account balance & will also moderate the price increase in general as petroleum products are used in the production of almost every commodity & service. With the global economy also likely to recover somewhat in 2015, these measures should help in improving the Indian economy's outlook for 2014-15.

WPI inflation moderated to 3.4% in 2014-15 from 6% in 2013-14 due to lower food and fuel inflation. WPI food inflation which remained high at 9.4 per cent during 2013-14 moderated to 4.8% in 2014-15 following sharp correction in vegetables prices since December 2013 (except March 2014), moderation in prices of cereals and 'egg, meat & fish'. However, core inflation increased to 3.2% in 2014-15 as compared to 2.9% during 2013-14. CPI Inflation as per the Consumer Price Index- New Series (with base year 2010) averaged 6.8% in 2014-15 as against 9.5% in 2013-14.

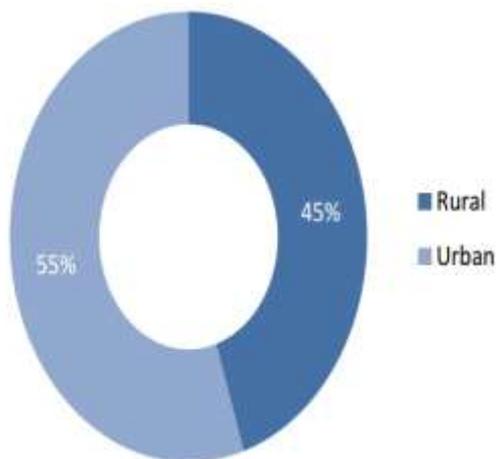
Growth is expected to edge up further to 8.2% in FY2016, helped by a supportive monetary policy in 2015, as inflation continues to trend lower and by a pickup in capital expenditure. India is set to become the world's fastest-growing major economy by 2016 ahead of China, the International Monetary Fund (IMF) said in its recent latest forecast advancement in its output.

*Low inflation has enabled the Reserve Bank of India to cut interest rates by 50 basis points easing pressure on the private sector. Lower rates as well as the government's infrastructure and disinvestment programs are providing a boost to domestic-oriented industries.*



## Small Business Sector-Overview

### Classification of MSMEs by location (%)



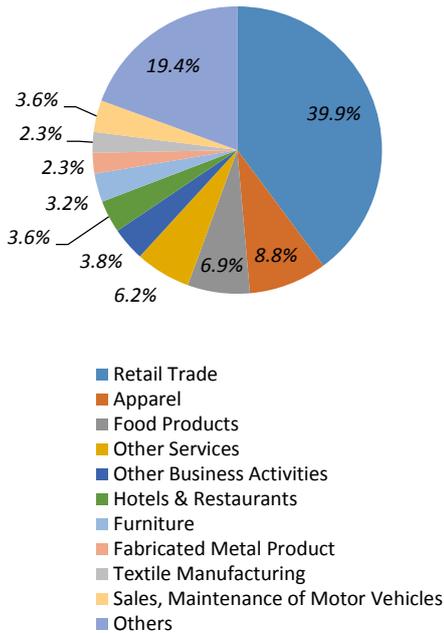
Small Business sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades.

This sector not only plays a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income. The Small Business sector has been a significant contributor to the countries with generating the highest employment growth as well as accounting for a major share of industrial production and exports.

Small business sector across the globe are fuelling economic growth and are the key instruments for promoting equitable development. Small Business sector account for about 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. On the domestic front, small business sector plays an essential role in the overall industrial economy of the country. In recent years, the sector has been consistent in registering a higher growth rate compared with the overall industrial sector.

The Indian Small business sector space is immensely heterogeneous with regards to the size of the enterprises, variety of products and services, and levels of technology. The sector not only plays a crucial role in providing employment opportunities at comparatively lower capital cost than large industries but also helps in industrialization of rural and backward areas, reducing regional imbalances and assuring more equitable distribution of national

**Key Industries in which small business sector**



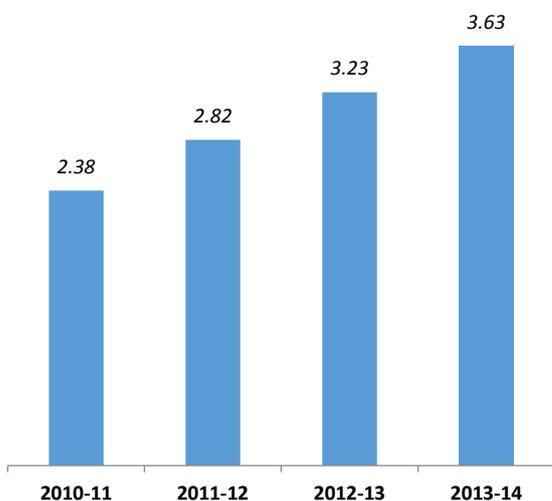
SOURCE: Ministry of Micro, Small & Medium Enterprises

income and wealth. Small business sector complements large industries as ancillary units.

In spite of their limitations, the Small Business Sectors have made a significant contribution towards technological development and exports. They are established in almost all-major sectors in the Indian industry such as: Food Processing, Textiles and Garments, Agricultural Inputs, Leather and leather goods, Chemicals & Pharmaceuticals, Bio-engineering, Engineering, Electricals, Sports goods, Electronics, Plastics products, Electro-medical equipment, Computer Software, etc. Apart from providing the support to the large industries, Small business sectors have played an important role in the development of States in terms of the employment generation. More than 55% of these enterprises are located in six major States of the country, namely, Uttar Pradesh, Maharashtra, Tamil Nadu, West Bengal, Andhra Pradesh and Karnataka.

The Small Business sector has slowly come into the limelight, with increased focus from the government and other government institutions, corporate bodies and banks. Policy based changes and investments into the sector.

**No. Of EMI-II Filled (In Lakh)**



**Entrepreneurs Memorandum:** Subsequent to the implementation of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 with effect from October 2006, filing of Entrepreneurs Memorandum (EM-II) came into vogue. Further, in order to encourage the unorganized units to register, the Ministry of MSME has simplified the registration process (replacing the earlier two-stage registration process with a one-step filing of memorandum)

MSMEs have shown constant growth rate around 11% every year till 2010-11. The highest growth in recent time was recorded during 2011-12 (18.45%) whereas during year 2012-13 and 2013-14 growth rate was around 14% and 12%, respectively.

### ASSAM (Number of EM-II filed by the MSMEs)

No. of EM II filed in Assam							
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Units</b>	1,811	1,711	1,678	1,506	1,218	1,451	1,860
<b>% Change</b>		-5.52%	-1.93%	-10.25%	-19.12%	19.13%	28.19%
Share of Assam in EM II filed among all states							
<b>% of Total</b>	1.05%	0.89%	0.79%	0.63%	0.43%	0.45%	0.51%

EM II filed in Assam								
Region	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
<b>Micro</b>	1,714	1,546	1,511	1,341	1,073	1,289	1,677	10,151
<b>Small</b>	94	154	155	162	132	153	171	1,021
<b>Medium</b>	3	11	12	3	13	9	12	63
<b>Total</b>	1,811	1,711	1,678	1,506	1,218	1,451	1,860	11,235

#### Problems Faced by Assam:

**Poor infrastructure:** In spite of immense potential of MSMEs in North East, the region has largely remained underdeveloped. A key constraint to the growth has been poor infrastructure and limited connectivity (roads, telecommunications and power supply), both within the region as well as with the rest of the country. The region, connected to the rest of India by a narrow stretch of land called the 'chicken's neck', needs infrastructure to support and ensure significant investments and developmental aids.

**Lack of awareness:** Lack of enough awareness among people about government schemes, motivation and easy availability of funds are the main deterrents in the growth of MSMEs.

**Lack of entrepreneurial zeal:** Policy makers attribute the lack of entrepreneurial spirit among people behind less

number of business units in the region. “Innovative initiatives are less in the region as compared to the other parts of India. We have a long way to go especially when it comes to spreading awareness among youth about entrepreneurship, utilising their own resources and building up products that can be offered to outside regions.

**Lack of marketing skills:** Marketing continues to be a challenge for MSMEs, since they are unable to sell their products and services. MSMEs are often confused about their target markets. Their sales get adversely affected by the unorganised players selling their products cheap on one hand and importing low-cost raw materials on the other. “Marketing is a problem for MSMEs in NER

**Problem of unemployment and real estate:** Lack of skilled manpower, high unemployment and land prices are other major hurdles in the region. Assam, being the largest state in NER, alone has 2.2 million unemployed youth. Downstream ancillary industries could generate around 1,50,000 jobs, but the Government of Assam doesn’t have huge land bank to set up large industries and cannot acquire land by displacing small farmers. The total forest area of Assam is 27,645 sq km but due to stringent policies, it’s not being utilized

**Accessing Finance:** Despite of various financial schemes, access to timely and adequate credit and relationship with bankers are two major problems of MSMEs in NER. Due to weak capital base, MSMEs have to largely rely on borrowed funds. Working capital needs of a firm are generally met from own funds, sundry creditors, bank borrowings and other short-term borrowings which are available at a much higher rate than the Bank credit.

### Solutions

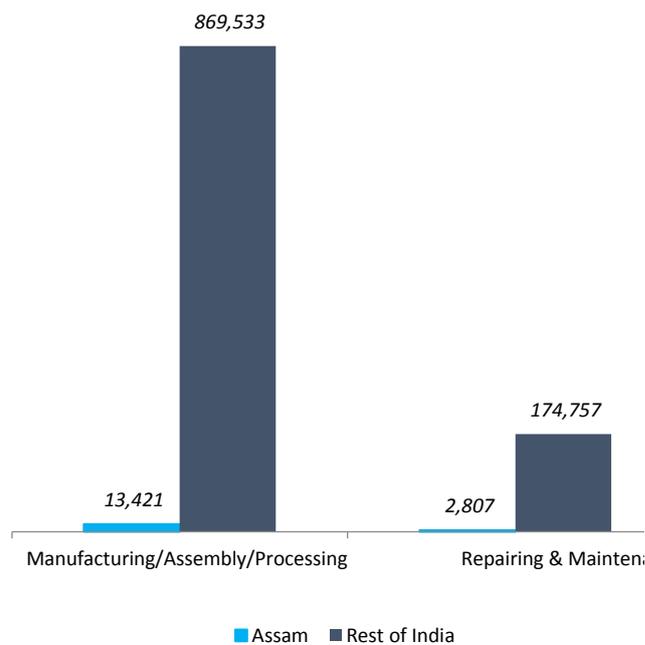
- The government needs to build a proper mechanism for the dissemination of information among women enterprises. “Women should not be discriminated. Bankers and institutions should be gender sensitive so that women are encouraged to set up MSMEs in the region

- Access to finance, technology upgrade, high-end skill generation and creation of marketing linkages need to be developed

New opportunities along with the increased purchasing power and consumerism will now drive the growth story.

**Working Enterprises:** Rural areas with 200.19 lakh of working enterprises accounted for 55.34% of the total working enterprises in MSME sector whereas urban area located 161.57 lakh working enterprises accounted for 44.66% of the working enterprises of MSME Sector.

Distribution of working enterprises by type of enterprises



Distribution of working enterprises by type of enterprises				
	Micro	Small	Medium	Total
Assam	19,238.00	599.00	27.00	19,864.00
Rest of India	1,175,029	71,885	2,457	1,249,371

**Recent Initiatives by the government:** As the Government recognised the importance of promoting the small economy, a Task Force under the Chairmanship of the Principal Secretary to the Prime Minister was constituted in 2009. The primary objective of the task force is to offer suggestions for the development and promotion of small business sector in the country and recommend an agenda for immediate action to provide relief and incentives to the small business sectors, accompanied by institutional changes and detailing of programme to be achieved in a time bound manner. Further, it also recommends the setting up of appropriate legal and regulatory structures to create a conducive environment for entrepreneurship and growth of small business sectors in the country.

*After realizing the importance of Small business sector, Government has taken various initiatives to boost the growth of the segment. Further, the key attributes of the sector such as, high contribution to domestic production, significant export earnings, low investment requirements, operational flexibility and many others have lead to tap opportunities in various industries.*

Measures from within the sector to lobby for favourable policies and increasing credit flow are convincing. Further, the sector has also realized the necessity of technological and modernization initiatives. However, with economic liberalization and changes in the trade policy, small business sectors are now facing increased competition from foreign companies. Under intensive global competition, small business sectors are transforming to a new business environment with emergence of global supply chains. Small business sector form an integral part of almost every value chain and there is a symbiotic relationship between the large corporations and their relatively smaller sized suppliers. However, in a liberalized world, the relationships between the suppliers and buyers are undergoing dynamic changes with the dissolution of existing relationships and formation of new trade linkages that transcend the barriers of nationality and boundaries.

Even the domestic market is no more a protected zone in a controlled economy. The competitive pressures of a free market economy are catching up in India and the domestic market has been flooded with many low cost, reasonable quality, bulk produced products giving tough competition to small business sector.

The Government of India has developed key strategies to promote and support competitiveness in the small business sector, thus leading to have a positive impact on the sector. The key attributes of the segment such as high contribution to domestic production, significant export earnings, low investment requirements, operational flexibility, location wise mobility, capacities to develop appropriate indigenous technology, import substitution, contribution towards defence production, technology-oriented industries, and competitiveness in domestic and export markets etc. help them tap opportunities in various sectors.

Some of the key announcements for small business sector in the Union Budget, 2015 are:

- Announcement of INR 1000CR. Fund to support start-ups & government will encourage new start-ups & young entrepreneurs.
- MUDRA Bank, with a corpus of INR `20,000CR and credit guarantee corpus of INR `3,000CR to be created.
- In lending, priority will be given to SC/ST enterprises.
- MUDRA Bank will be responsible for refinancing all Micro-finance Institutions which are in the business of lending to such small entities of business through a Pradhan Mantri Mudra Yojana
- A Trade Receivables discounting System which will be an electronic platform for facilitating financing of trade receivables of MSMEs to be established.
- Postal network with 1,54,000 points of presence spread across villages to be used for increasing access of the people to the formal financial system.
- Comprehensive Bankruptcy Code of global standards to be brought in fiscal 2015-16 towards ease of doing business.

*HRM aim to improve employee competence and commitment, and include practices such as the usage of recruitment and selection offices, psychological tests and interview panels in selection procedures, compensation practices such as performance payment, incentive programmes and annual bonuses, elements of firm-provided training, and employee appraisal practices*

### **Human resource management in Small Business Sector**

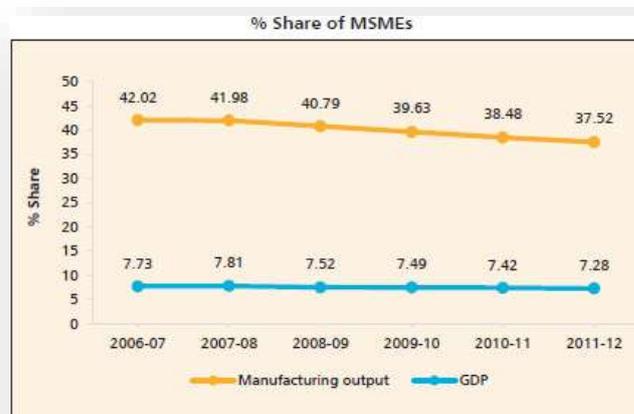
The importance of HRM in small business sectors has received much attention in recent years. Accumulation of human capital constitutes the main engine of macro-economic growth. The increased importance of human capital is apparent at both the demand & supply side of labour market.

As per a survey conducted by the Confederation of Indian Industries (CII), around 80% from the small enterprises and about 20% of the medium enterprises respondents indicated having no formal HR department. MSMEs do engage in HRD, but not necessarily formal training and such individualized,

personalized and consultant-like relationships may help owner-managers identify appropriate training and knowledge needs and develop appropriate skills.

Small business sectors today are significantly different compared to the period twenty years ago. The importance of factors such as technology, finances, production process and similar is diminished, whereas more important sources of additional and newly created value of MSMEs are their employees with their intellectual capital/assets, skills, creativity and information.

## SMALL BUSINESS SECTOR CONTRIBUTION TO ECONOMY



Source: Ministry of Micro, Small & Medium Enterprises, GoI

*MSMEs contribution to economy can be considered vital as it contributes to around 45-50 per cent of the country's export. Going ahead in terms of employment generation, it stands next only to agriculture. And in production, it accounts for around 40 per cent of gross manufacturing output.*

The small business sector plays a pivotal role in the overall industrial economy of India. Small business sector constitute more than 80% of the total number of industrial enterprises and support industrial development. Small business sector contribute nearly 45% to manufacturing and about 40% to the Indian export sector. Their contribution to the Indian GDP is 8% and the sector has registered growth rate of 10.8%. Indian small business sectors have moved up from the manufacture of traditional goods including leather, gems and jewellery, agricultural goods to much more value addition in the manufacturing sector to its entry in the value added services as well. Small business sectors can be rightly called as the backbone of the GDP of India. The small business sector in India is growing at an exceptionally fast rate due to which it is proving to be beneficial to the Indian Economy. Contribution of small business sector to the country's gross domestic product (GDP) is expected to increase to 22% by 2020, from the present 17%.

According to latest report by SME chamber of commerce & Ministry of Micro, Small and Medium Enterprises, India currently has more than 48 million Small business sectors. India aims to increase the share of contribution to its GDP and generate 150 million jobs. The push includes increasing contribution by small firms across sectors – both in private and public; for both local and export markets.

### Key highlights of the Small Business Sector:

- Small Business sector account for about 45% of India's manufacturing output
- Small Business sector accounts for about 40% of India's total exports
- The sector aims to generate 150 million jobs

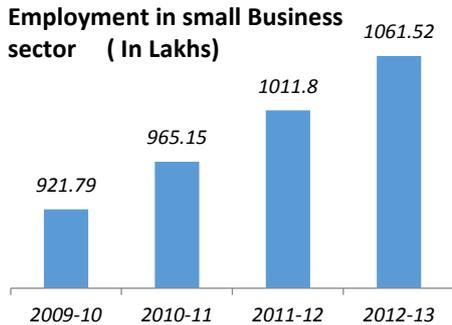
- Small business sector manufacture more than 6,000 products ranging from traditional to high tech items
- In the Union budget for 2014-15, the government announced INR 10,000-crore fund to act as a catalyst for the small business sector.

At present, some of the small business sectors are involved in acquiring companies abroad as part of the globalization process. Most of these units are ancillaries and are export oriented. The small business sector has altered itself to cater to the needs of large local manufacturers and suppliers to global manufacturers like Auto Industry. Currently, the segment is getting involved in investment towards R&D in order to equip itself to be competitive globally. Going ahead, outsourcing from multinational companies has played a vital role in fuelling the growth of Indian small business sector as world leaders in specified products. The competencies in labour-intensive manufacturing units, lower transport costs and loose labour policies of the small scale sector have led to major outsourcing in manufacturing and services.

**MSME's Contribution to Exports:** MSMEs have a crucial contribution in India's present export performance. The sector accounts for around 45%-50% of the country's export, of which direct exports from the sector account for nearly 35% of total exports. Besides direct exports, it is estimated that small-scale industrial units contribute around 15% to exports indirectly that takes place through merchant exporters, trading houses and export houses. They may also be in the form of export orders from large units or the production of parts and components has shown excellent growth rates in this decade. The product groups which dominate the exports comprises of sports goods, readymade garments, woollen garments and knitwear, plastic products, processed food and leather products. Further, MSMEs are re-orienting its export strategy towards the new trade regime being ushered in by the WTO.

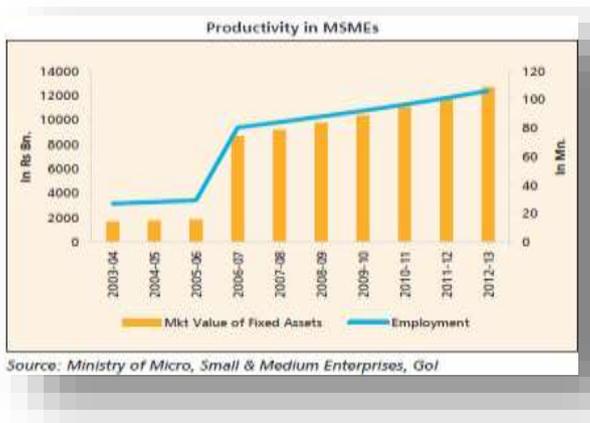
**Performance of this sector can be determined in terms of the following criteria:**

**Employment Generation:** Small Business sector in India creates largest employment opportunities, next only to Agriculture. It has been estimated that a lakh rupee invested in fixed assets in the sector results in generating employment for four persons. Some of the interesting observations related to employment in small business sectors are related to generation of employment according to the industry. For instance, food products industry ranked first, followed by non-metallic mineral products and metal products. Additionally, Chemicals & chemical products, Machinery parts except Electrical parts, Wood products, Basic Metal Industries, services and Rubber & plastic products also contributed to generate employment.



Source: Ministry of MSME

Assam distribution of employment by type of enterprises			
	Micro	Small	Medium
Assam	115,279.00	77,452.00	17,776.00
Rest of India	5,563,628.00	2,094,867.00	387,529.00



Source: Ministry of Micro, Small & Medium Enterprises, GoI

**Production:** Small Business sector play a crucial role in the growth of the country by accounting for 40% of the gross manufacturing output. As per estimates, a lakh rupee of investment in fixed assets in the sector produces 4.62 lakh worth of goods or services with an approximate value addition of ten percentage points. The space has registered impressive growth over the past few years and the growth rate recorded during the various plan periods have been very impressive. Further, the transition period of the process of economic reforms was also affected for some period by adverse factors such as foreign exchange constraints, credit squeeze, demand recession, high interest rates, shortage of raw material etc. Further, when

the performance of this sector is compared with the growth in the manufacturing and the industry sector as a whole, it instils confidence in the resilience of Small business sector.

**Export Contribution:** Small Business sector plays a major role in India's export performance by accounting for 45%-50% of total exports. The surprising fact is that non-traditional products account for more than 95% of the small business sector exports. The exports from the segment have registered enormous growth during the last decade. Further, the growth in the segment has been mostly fuelled by the performance of garment, leather and gems and jewellery units.

**Opportunities:** Small Business sector has performed outstandingly well and enabled the country to attain a wide measure of industrial growth and diversification. By its nature of being less capital intensive and more labour intensive, the sector has made significant contributions to employment generation and also to rural industrialization. This sector is ideally suited to build on the strengths of traditional skills and knowledge, by infusion of technologies, capital and innovative marketing practices.

The opportunities of growth in the small business sector are extensive due to the following attributes, which makes it a more attractive investment option:

- Less Capital Intensive
- Extensive Promotion & Support by Government
- Project Profiles
- Funding - Finance & Subsidies
- Machinery Procurement
- Raw Material Procurement
- Manpower Training
- Technical & Managerial skills
- Tooling & Testing support
- Reservation for Exclusive Purchase by Government
- Export Promotion
- Growth in demand in the domestic market size due to overall economic growth

- Increasing Export Potential for Indian products
- Growth in requirements for ancillary units due to the increase in number of green-field units coming up in the large scale sector.

**Economic Indicators:** Small business sector constitutes a very important segment of the Indian economy. Small Business sector acts as a catalyst in upholding and encouraging the creation of the innovative spirit and entrepreneurship in the economy, thereby helping in laying the foundation for rapid industrial development. Moreover, the sector also boosts employment generation and balanced regional development. Globalization and liberalization of the Indian economy have also brought a host of opportunities for the industrial sector, particularly the Small Business Sector segment. MSMEs have responded to competition satisfactorily, further there is scope for increasing their export potential, domestic market share and developing them as serious players in the global value chain.

To conclude, though the Small business sector forms the backbone of the nation's economy, there is a strong need to push them on a higher growth trajectory to accomplish sustainable economic goals. Enhancing the global competitiveness of Indian MSMEs can strengthen the sector and, in turn, give a fillip to the overall economy of the country. Augmenting the global competitiveness of Indian MSMEs is crucial to their development, both in terms of revenue and growth. Incessant support from the government and policymakers to the MSMEs can change the complexion of our country and encourage the risk-averse Indian entrepreneurs to create global brands and inventive business models.



## **SMALL BUSINESS SECTOR FINANCING – FUNDING THE UNFUNDED**

*Finance is life blood of any enterprise. But Indian small business sectors, have always suffered the deficiency of this life blood, despite India having one of the most extensive banking network in the world.*

*The Government has been trying to tackle the problems faced by small business sectors and also have established several committees and study groups along with the Reserve Bank of India and Small Industries Development Bank of India (SIDBI) to study the problems faced by small business sectors.*

Finance is the lifeline of any enterprise. India has one of most extensive banking networks in the world. India's Small businesses employ more than 106 million workers, according to government statistics, in a country that brings a million new workers into the workforce every month. Going ahead, it is also observed that Indian small business sectors have limited access to finance. Majority of the small business sector operates on the funds of its promoters, thus limiting its growth. According to government estimates, only 4% of 57.7 million small business units in India have access to institutional finance, leaving many to rely on informal lenders. Industry experts estimate that demand for loans from the sector outstrips supply by more than \$80 billion This further complicates the situation, as with these sources an enterprise cannot challenge the increasing competition. On account of globalization; small business sectors are beginning to opt for other specialized financial services and options.

The Government has taken various initiatives from time to time to address the problems faced by the small business sector. It has set up numerous, organizations, boards, corporations and training centres have been set up to provide technological, entrepreneurial, managerial and financial assistance to these units. Likewise, several committees and study groups set up by the Government, the Reserve Bank of India and Small Industries Development Bank of India (SIDBI) have studied the problems faced by small business sectors and suggested various measures to address these issues. These have significantly contributed and set up a favourable environment for setting up and nurturing small industrial units. However, high incidence of sickness and subdued credit off-take in this sector indicates that the results have not been as desired.

To fund the unfunded self-employed as well as small business, Prime Minister Narendra Modi on April 9, 2015 launched the MUDRA YOJANA that will offer loan up to INR 10 Lakh at low rate of interests.

The MUDRA Yojana, which has a corpus of INR 20,000 Crore, can lend between INR 50,000-INR 10 Lakh to small entrepreneurs. It has been set up for development & refinancing activities related to micro units. It will provide refinance to banks & other institutional lenders at 7%.

*The MFIs get loans at 13-14% and lend them at 23-24%, keeping a 10% margin to take care of their operating cost and profit.*

MUDRA bank is a step by the government to provide services to the small entrepreneurs outside the service area of regular banks. About 57.7 Million small businesses have been identified as target clients & only 4% of these businesses get finance from regular banks. The Mudra bank will ensure that its clients do not fall into indebtedness & will lend responsibly.

#### **Role of Mudra Bank**

- Laying down policy guidelines for micro enterprise financing business, registration of MFI entities
- Accreditation, rating of MFI entities would encourage the adoption of best practices across the industry but also regular monitoring of the same Funding & Liquidity
- Laying down responsible financing practices to ward off over-indebtedness and ensure proper client protection principles and methods of recovery
- Development of standardised set of covenants governing last-mile lending to micro enterprises
- Promoting right technology solutions for the last mile
- Formulating and running a credit guarantee scheme for providing guarantees to loans and portfolios being extended to micro enterprises
- Support development and promotional activities in the sector

*MUDRA Bank can be a game changer in giving birth to a new set of entrepreneurs, some of whom may scale heights not imagined today.*

- Creating a good architecture for last-mile credit delivery to micro businesses.
- To give priority to SC/ST enterprises in lending.



### Benefits

- It will increase liquidity & access to funds for small scale business
- Providing low cost funding for MFI
- Uniformity in regulations & best practices for SHG bank linkage programme, NBFC-MFIs, & trust/ societies/not for profit NBFCs engaging in MFI activities as MUDRA BANK would be the sole regulator for all players in the small business sector

➤

### Recent Developments

MUDRA bank has joined hands with 19 states and regional level coordinators so as to reach the small entrepreneurs who have limited branch presence and are cut off from the general banking system.

The initiative taken by the government is expected to be helpful for the small and micro businesses. It is also expected that these businesses will generate 10 times more number of jobs which are normally generated by the big business firms/companies at present.

### Issues to be Resolved

Aside from refinancing, MUDRA has been assigned the role of regulator also. This dilutes RBI's position as regulator of all the lending institution & thus can cause a chaos.

Also given that there are already refinance institutions such as NABARD & SIDBI, it will be imperative that MUDRA ensures more efficient use of capital. Rather than directly refinancing, it will help if it acts as market maker to further the dissemination of capital. Providing guarantees to bond & loan issues & securitizing loans to MFIs will raise more liquidity for the sector.

## SHG Bank Linkage: Optimizing the potential

*A self-help group (SHG) is a village-based financial intermediary committee usually composed of 10–20 local women or men*

*The SHG-Bank linkage program was conceived with the objectives of developing supplementary credit delivery services for the unreached poor, building mutual trust and confidence between the bankers and the poor and encouraging banking activity both on thrift as well as credit and sustaining a simple and formal mechanism of banking with the poor*

In India, the concept of micro finance encourages SHGs as means of savings and loan providers. Micro finance has to act proactively not for financial inclusion but also has to work to reduce dependence of poor borrowers on different informal financial sources.

SHG-Banking linkage programme for credit has been able to reduce transaction costs. It has enabled the banks to achieve better loan recovery and mobilize low cost deposits. It has contributed to a reduced dependency on informal money lenders and other impact on lives of poor households in a significant way. They reduce poverty through increases in income and enable the poor to build their assets

(NBFC-MFIs) likely to have overall debt of INR 360 billion to INR 420 billion by March 2016, re-finance from MUDRA Bank could constitute a major portion of the overall debt of the MFIs. Assuming an annual growth rate of 10%-15% for SHGs and 30%-35% for NBFC-MFI for the next two years, the overall microfinance portfolio is likely to cross INR 1 trillion as per ICRA estimates.

The SHG-bank linkage program has proved as useful channel for credit delivery system with a wide acceptance by banks, NGOs and various government departments. The following tables show the agency-wise savings of SHGs and loan disbursed to SHGs.

Outstanding Bank Credit to Micro and Small Enterprises				
Year	Public Sector Banks	Private Sector Banks	Foreign Banks	Total
2005	67,800.00	8,592.00	6,907.00	83,299.00
2006	82,434.00	10,421.00	8,430.00	101,285.00
2007	102,550.00	13,136.00	11,637.00	127,323.00
2008	151,137.00	46,912.00	15,489.00	213,538.00
2009	191,408.00	46,656.00	18,063.00	256,127.00
2010	278,398.00	64,534.00	21,069.00	364,001.00
2011	376,625.00	87,857.00	21,535.00	486,017.00
2012	396,343.00	110,514.00	21,760.00	528,617.00
2013	500,250.00	152,554.00	31,993.00	684,797.00

*SHGs is a savings-led model providing opportunities to the members to pool their small savings*

### SHG Schematic

The SHG Bank linkage programme, starting from the pilot project in 1992, has evolved as a major mainstream channel under which the poor are able to access formal financial institutional services.

The SHG-Bank linkage programme has turned into a solid structure with more than 73.18 lakh savings-linked Self Help Groups (SHGs) covering over 9.50 crore poor households as on 31 March 2013. The total savings of these SHGs with banks amounted to ` 8,217.25 crore. The number of credit-linked SHGs under the programme stood at 44.51 lakh.

Efforts were undertaken to plug the gap in the outreach of the programme in identified States viz., Assam, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan, Uttar Pradesh and West Bengal.

*Apart from the conventional ways of financing an enterprise there are various alternative options to finance a business. These alternative or unconventional ways of financing offer a wide range of choice for the promoter to raise fund for his business and also offers a range of options to choose from.*

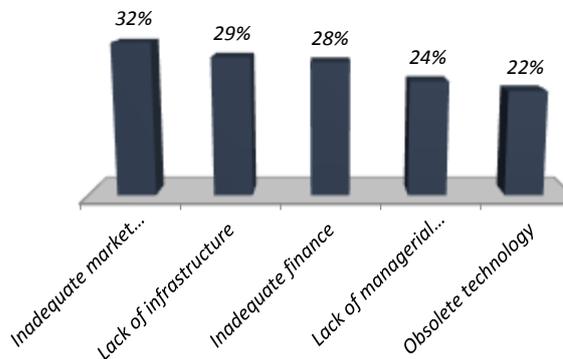
### **Transformed the lives of Poor/ A solution to Poor**

The World Bank has set a target for ending extreme poverty in this world by 2030 and declared that all policies and strategies of the Bank would henceforth be directed to achieve this goal.

Financial service providers have a big role in achieving this poverty eradication goal. However, financial services alone are inadequate for lifting the poor sustainably above poverty. Realizing this fact, many microfinance practitioners are adopting a holistic approach by addressing the myriad problems faced by the poor.

Freedom from Hunger and the Microcredit Summit Campaign have been working with several financial service providers in India to demonstrate that such add-on services can be practically and sustainably combined with microfinance services to transform the lives of the poor.

## KEY HINDRANCES FACED BY SMALL BUSINESS SECTOR



Source: Report of Working Group on Rehabilitation of Sick MSMEs, Reserve Bank of India

*Along with these challenges, the contribution of small business sectors in the GDP of the country is something around 8% and it is further increasing with each passing year.*

One of the challenges that continue to slowdown the pace of the microfinance sector is the flow of funds from banks that has shown improvement in the last year, but is far too short of the demand aggregated at the MFI level. While most banks have been lending to a few more established MFIs, the small and medium organizations continue to struggle for funding.

**Dearth of easy finance and credit instruments:** Though the government has specified schemes to fund businesses, what is lacking is the awareness. Most of the times, something doesn't work fine, businessmen will be under pressure to go for extended financing.

**Limiting regulatory polices:** Implementing the 'Make in India' campaign in letter and spirit, India has taken the initiative of improving 'Ease of Doing Business' by heavily cutting down documentation process. It has reduced the mandatory documents required for import and export of goods to three documents each.

**Unavailability of modern, affordable technology:** Despite the increasing adoption of newer technologies by large enterprises, the small enterprises are not very confident about the prospects of technology. They lack the trust. They often ask: "What if technology fails and our business flops". Technology providers need to build confidence with fool-proof methodologies and techniques to minimise fail-impact on overall business, or have a back-up plan.

**Lack of basic infrastructure facilities:** One of the major constraints for MSMEs is lack of infrastructure facilities and the absence of marketing platforms

*According to International Finance Corporation (IFC), the total financing demand gap in small business sector is of INR 2.93 Trillion.*

**Competition in International Market:** Advanced

competition in the global market further affects the profit making of Indian small business sectors. International producers offer better quality products at quite low prices. The limited access to international market is also a challenge.

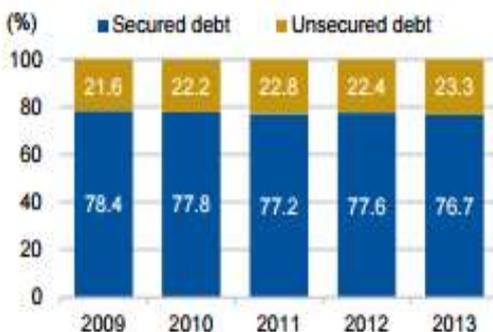
Small Business sector mostly operate in the service sector, and most entrepreneurs do not have access to immovable collateral to secure finance or get the sanctioned limits to be raised. Entrepreneurs have limited internal resources to capitalize (equity) the business and limited managerial experience, both of which make accessing debt capital from formal sources challenging. As a result, an enterprise is vulnerable to working capital strain.

Although Small business financing and microfinance models have started yielding desired results, equity financing remains a challenge. Given that banking and lending services represent the bulk of MSME financing in the developing world, especially for small firms, equity financing presents an opportunity for the development of a complementary financial product.

MSMEs in India have reported that as high as 93% of their financing needs are met by internal and informal sources.

## ENABLING ENVIRONMENT FOR GROWTH OF FINANCE TO SMALL BUSINESS SECTORS

### Proportion of Unsecured Debt Increasing for Small Companies



Source: Ind-Ra, company reports and publicly available information

The newly appointed NDA government in India has worked like a shot in the arm for the country's economy. A recent study by ASSOCHAM confirmed that this new wave of leadership for India is expected to double foreign investments to USD 60 billion. This is surely a major boost from the distressed condition of the Indian economy. Growth of MSMEs needs to be reinforced by holistic fiscal support and enabling policies. There have been significant efforts to strengthen the enabling environment for small business sector, which have had a positive impact on the sector as a whole. However, challenges in formulating and implementing effective policy continue to impede the growth of Small business sectors and small business sector finance.

### Schematic Key elements of Enabling Environment

**Legal & Regulatory Framework:** Given the importance of the MSME sector for economic growth, the government and regulators have instituted several policies to facilitate the growth of the sector and encourage participation by financial institutions. The current study assesses key legal and regulatory interventions that promote formal finance in the MSME sector

**Government Support:** Policies to facilitate multi-pronged support – skill, development market linkage, technology adoption and infrastructure, Funding support to credit guarantee schemes to enhance unsecured financing, Financial support to increase penetration of credit rating

**Financial Infrastructure Support:** Credit bureaus to track credit history of enterprises, Collateral registry for

immovable assets, Small and Medium (SME) Stock Exchange to facilitate primary and secondary transactions for SME securities

Small business sector function in a highly competitive environment and require an enabling environment to sustain growth. Well-rounded fiscal support, a strong policy framework, and incentives promoting innovation by financial institutions can significantly increase the penetration of formal financial services to the small business sector. While there have been commendable efforts by the government and the financial sector to develop and implement multiple support mechanisms for the small business sector, many of the current interventions have not been completely successful in meeting their original objectives.

MSMEs expect the new Narendra Modi led NDA government to focus on their key challenges and provide definitive schemes and programs to help solve long pending matters

### Potential Intervention to increase Financial Access to Small Business Sector

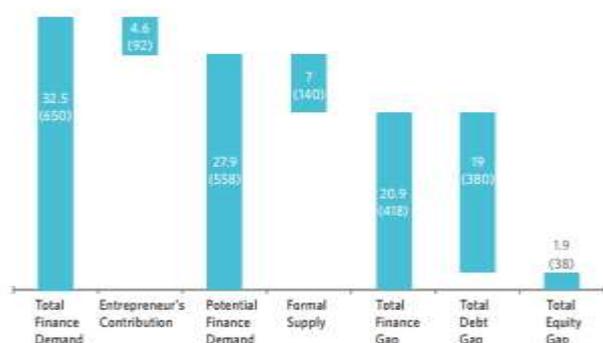
The current financing gap in the small business sector market presents a huge potential opportunity for formal financial institutions to expand their market reach. However, to achieve this, both the financial institutions and enterprises require substantial support from government and private sector.

Building on the efforts already underway, there are several potential interventions that can be undertaken to expand the access to MSME finance in India through enabling infrastructure, liquidity management, and risk management. Some of these potential interventions include:

#### Enabling Infrastructure

- Encourage securitization of trade-receivables in the sector through appropriate legal infrastructure.

OVERALL FINANCE GAP IN MSME SECTOR (IN INR TRILLION)\*



\*Figure in brackets is in USD Billion

SOURCE: MSME Census, RBI, SIDBI, FICCI RESEARCH, ICF-INTL/LEAP ANALYTICS

- Promote institutions to syndicate finance and provide advisory support to MSMEs in rural and semi-urban areas
- Incentivize formation of new MSME-specific venture funds by allowing existing government equity funds to make anchor investment in venture funds.

### **Liquidity Management**

- Improve debt access to non-banking finance companies focused on these enterprises and provide regulatory incentives for participation in the sector.
- Develop an IT-enabled platform to track MSME receivables to facilitate securitization of these trade receivables, or alternatively expand the scope of SIDBI and NSE's IT-platform NTREES to facilitate securitization.
- Provide credit guarantee support for MSME finance to non-banking finance companies.

### **Risk Management**

- Develop a better understanding of financing patterns of service enterprises in the sector
- Expand the scope of the sector's credit information bureau to collate and process important transaction data, including utility bill payment.
- Strengthen the recently established collateral registry and create stronger linkages with other financial infrastructure
- Facilitate greater debt access to non-banking finance companies.

## CONCLUSION & SUGGESTION

There is an INR 3.57 trillion (US\$ 71.4 billion) institutional demand-supply gap in the small business sector in India, which formal financial institutions can viably finance. Of this, the debt gap is INR 2.93 trillion (US\$ 58.6 billion) and the equity gap is INR 0.64 trillion (US\$ 12.8 billion).

Micro and small enterprises together account for 97% of the viable debt gap. Working capital demand accounts for an estimated 61% of this debt demand. This represents a significant opportunity for Indian financial institutions that seek to address the “missing middle” by providing debt products and services specially designed to meet the needs of this large market.

The government’s “Make in India” initiative and its emphasis on increasing the share of manufacturing in the gross domestic product (GDP) from the present 14%-15% to 25% by 2022 has the potential to transform the fortunes of the small business sector, enabling it to scale hitherto unheard-of heights. A large number of small primary lenders will require significant investments in monitoring & compliance. Internal mechanism for risk assessment & mitigation is required. Otherwise it would result in erosion of capital through NPA’S. For the model to work there should be a synergy between the lenders & the refiner. Nevertheless, a challenge would be on incentivising lenders & the appropriation of this fund across different segments of the society including women (that for a large part of microfinance borrower class) & weaker section in general.

Small business sector contributes to economic development in various ways such as creating employment opportunities for rural and urban population, providing goods & services at affordable costs by offering innovative solutions and sustainable development to the economy as a whole. Small Business Sector in India faces a number of problems - absence of adequate and timely banking finance, non-availability of suitable technology, ineffective marketing due to limited resources and non availability of skilled manpower. The small business sector

MUDRA Bank was primarily launches with the objective of refinancing.

Refinancing is a very effective method of expanding resource flow to any activity

contributes significantly to manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 % of the manufacturing output and 40% of total exports of the country. To make this sector to become more a vibrant and significant player in development of the Indian economy the Government of India has taken various initiatives.

This marks the beginning of a deeper & broader enterprise driven economic model in place of the existing corporate driven growth model. In so far as efficiency of capital use is concerned, there is mixed evidence on whether the Small Business sector is inherently more efficient than the corporate. Although it is certainly true that MSMEs tend to have lower capital to labour ratios, it is also true that the value added per unit of capital may actually be lower. In the aggregate, the probability is that an MSME-led growth process would require a higher investment rate to achieve a particular growth rate than a corporate-led strategy. This, taken with the lower marginal savings rate of the MSMEs, implies that the burden for generating the requisite savings would fall more heavily on the government. On the other hand, there is no doubt at all that MSME-led growth would generate far higher employment growth than the corporate-led. This would in itself reduce the need to support aggregate demand through fiscal action since the private consumption arising from such incomes will be higher.

It is true that the Small Business sector does not stand isolated from other industry sectors and the recent reform measures towards improvement of the overall business ecosystem are likely to push up the small business sector too, but considering the massive contribution of the sector to the economy and its ongoing turmoil, it is imperative that exclusive attention is paid to it. Non-availability of credit, high interest rates, faulty power supply, ease of doing business, start-up and registration, exit and rehabilitation, labour issues, tax exemption, manufacturing and export promotion - all these concerns should be addressed keeping in view the specific interests and challenges of the small business sector.

## **NURTURING ENTREPRENEURS FOR SUSTAINABILITY MSMEs IN ASSAM**

### **Introduction**

The movement of entrepreneurship promotion and development in the past few decades has gone a long way in North East India, particularly in the state of Assam. Both governments and various industrial promotion and support institutions are making considerable efforts to facilitate the process of emergence of new entrepreneurs for setting up enterprises in the small scale sector.



**Mr. U.K. Joshi**  
**Director, ASSOCHAM**

These efforts involved making attractive schemes for availability of finance and various other assistances including technical knowhow, training, sales, and purchases. It is believed that these efforts have made a favourable impact on the growth of these enterprises in the State as well as in the region. The present article in this regard is an attempt to examine the role of financial institutions in promoting small scale and tiny industries in terms of growth of entrepreneurs, enterprises and their contribution to the state of **ASSAM**.

### **Assam as the Land Of Opportunities**

Assam is one of the most vibrant states in the North Eastern region of India. The state is full of most of the important natural resources that attracts the attention of many investors to set up their production and manufacturing units in the state. Assam offers a range of lucrative business opportunities in the region. Both the central and state governments have allowed exclusive incentives Assam. These include enormous subsidies to support power, transportation, land infrastructure development for setting up business in the state. The state has enormous reserves of natural resources. Assam is blessed with abundant river waters, huge hydrocarbon potential, large quantities of low ash coal resources, limestone and dolomite deposits as well as a few other unexplored minerals. The natural climate of Assam is encouraging for plantation crops offering ideal climatic conditions for growing tea and rubber. Assam also possesses a vast potential for forest-based industries. Some of the forest resources available in the state including bamboo, medicinal herbs and wood, which are utilised for setting up of forest-based industries. For tourism, Assam offers vast potential. The state is packed with a number of tourist places.

### **Key Thrust Areas**

- ❖ IT-based Industries
- ❖ Tea-based Industries
- ❖ Food Processing Industry
- ❖ Crude Oil and Natural Gas
- ❖ Petrochemicals
- ❖ Agro-based Industry
- ❖ Forest-based Industry
- ❖ Mineral Based Industry
- ❖ Chemicals Industry
- ❖ Engineering Industry

**Nurturing the Start-up – for building Economy**

The State inspires the new decade with encouraging atmosphere of Industrialization. It lays emphasis on "Clean Development Mechanism" as an investment proposition. The State Government is projecting an alternative approach to economic development by fostering interdependence between nature and economics for which the concept of 'Green Accounting (valuing nature assets)' is sought to be introduced to supplement the State's Gross State Domestic Product. The Green Accounting statistics are necessary for measuring the sustainability of Assam's economy in quantitative and monetary terms. The new thrust would track the gains and losses of Assam's natural capital including estimates for the values embedded in our fresh water quality, forest biomass carbons storage and carbon sequestration, bio diversity, bio prospecting, eco-tourism, timber and fuel and non-timber forest products. The new thrust also would track the gains and losses in our human capital including the values of education at all level and the future liability and health impacts of pollution. The new approach would cover estimates of annual losses of carbon dioxide to the atmosphere through deforestation and thinning of forest biomass so that Assam can benefit from significant compensation through future variations of the Kyoto protocol.

### **Advantage Assam**

The growing investment climate coupled with comprehensive central investment policy for NER (NEIIPP 2007) and liberalised Assam State Industrial policy 2008 provides attractive incentives/ subsidies for attracting investment in the region.

Special tax incentives for Export Oriented Units (EOUs) and potential for investment in key infrastructure areas.

- ❖ Vast natural resources such as oil, natural gas and minerals, hydro energy, diverse agro-climatic zones, forest resources and medicinal plants makes the region the best choice for investors.
- ❖ Its geographical location is advantageous for foreign trade with neighbouring countries like Bhutan, Bangladesh, Nepal, Myanmar, Thailand, China etc.
- ❖ The state is well placed to serve the needs and markets of other states of the North East.
- ❖ It is favoured destination for tourists because of its pleasant climate and scenic landscape.
- ❖ Availability of skilled and cheap man power.
- ❖ Assam is poised to have surplus quality power in the near future through the National Power Grid which is in advanced stage of implementation
- ❖ The Rs. 5460 crores Assam Gas Cracker Project with joint venture of GAIL, NRL, OIL, and Govt. of Assam which is scheduled to be complete within 2012 will generate lot of investment opportunities for polymer based industries and

engineering industries in petro chemical sector

- ❖ The river Brahmaputra is the National Waterway No.2 of the country.
- ❖ Strong language and communication skills, since English is a widely spoken language in the region.
- ❖ Proactive administrative support and facilitation.

### Basic Infrastructure Facilities In The State

Assam is the most developed North Eastern state in India that has got good infrastructure in terms of both industrial as well as social sectors. The state has good network of roads, railways. Inland waterways, airports, etc. The state of the physical infrastructure is being given immense importance both by the state as well as central governments. The government well understands the significance of infrastructural development for the overall growth and development of the state. This has been gradually turning the state into a potentially viable destination for major fundings and financial investments.

### Industrial Infrastructure

Assam has good industrial infrastructure, which includes a STP in Guwahati, an EPIP set up by the Assam Industrial Development Corporation (AIDC) at Amingaon near Guwahati, and a Food Processing Park (FPP) at Chaigaon. Some of the industrial growth centres with high quality infrastructure are being set up at different places in the state. These include; Balipara in Sonitpur district and Matia in Goalpara district with a total area of 1.6 sq km and 2.8 sq km respectively. These two industrial growth centres will be complete with excellent approach and internal roads, dedicated power lines, adequate water supply, communication facilities and central effluent treatment plants. The various additional social infrastructure included in these two facilities are banks, post offices, fire stations and police stations.

L&M Scale Industries	Small Scale Industries	Industrial Estates/ Area
115	45,193	21

The state is also developing another growth centre at Chaigaon is currently. The central government has also approved setting up of four IIDCs in Nagaon, Darrang and Sivasagar Cachar. Some of the other industrial development centers under provision include; Software Technology Parks (STP), Export Promotion Industrial Parks (EPIP), Food Processing Park (FPP).

### Institution Helping In Nurturing Entrepreneurs

The Micro, Small and Medium Enterprises Development Institute, Guwahati earlier called Small Industries Service Institute was established in 1958. This institute is a field office of Micro, Small and Medium Enterprises-Development Organisation (MSME-DO) under Ministry of Micro, Small and Medium. Over the years, it has seen its role evolve into an

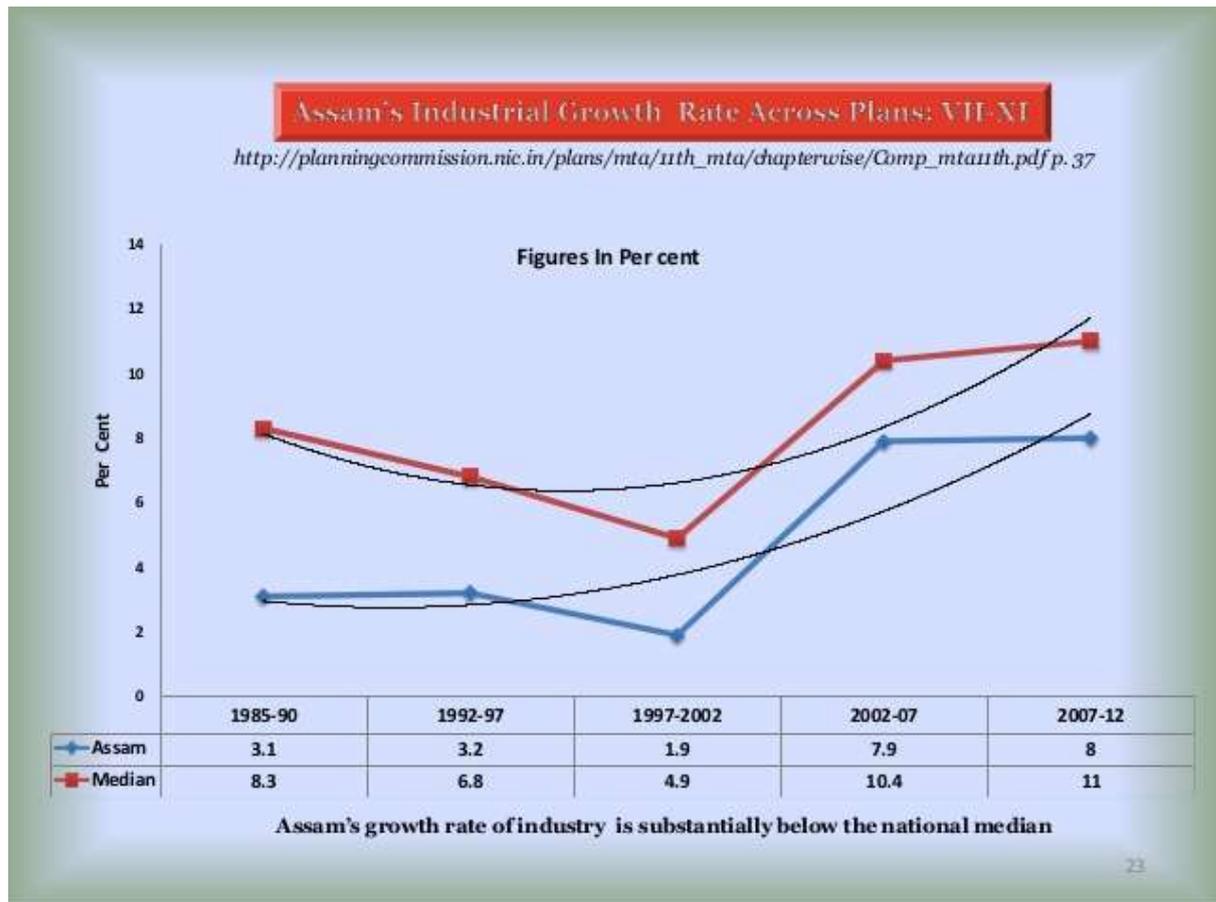
### Nurturing the Start-up – for building Economy

agency for advocacy, hand holding and facilitation for the small industries sector of Assam, Meghalaya and Arunachal Pradesh. With the enactment of the MSMED Act 2006, the institute has worked with the wider mandate of promotion and development of MSME sector. It has six branch institutes in the state of Assam, Meghalaya & Arunachal Pradesh.

MSME-DI, Guwahati provides a wide spectrum of services to the small industries sector, now enlarged to include all enterprises, excluding the larger ones which include training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, provides economic information services, facilities for testing and tool making. It also works as effective links between the Central and the State Governments in the area of MSME development.

*The main activities of this institution are as follows:*

- ❖ Assistance/Consultancy to prospective and existing entrepreneurs.
- ❖ Preparation of State Industrial Profiles and District Industrial Potential Surveys.
- ❖ Preparation/updating of Project Profiles.
- ❖ Entrepreneurship Development Programmes.
- ❖ Motivational Campaigns.
- ❖ Production Index.
- ❖ Management Development Programmes.
- ❖ Skill Development Programmes.
- ❖ Energy Conservation.
- ❖ Pollution Control.
- ❖ Quality Control & up gradation.
- ❖ Export Promotion.
- ❖ Ancillary Development.
- ❖ Common Facility Workshop/Laboratory services.
- ❖ Preparation of Directory of specific industries.
- ❖ Intensive Technical Assistance.



### Providing Finance to MSMEs in Assam

India has a two-tier structure of financial institutions with thirteen all India financial institutions and forty-six institutions at the state level. All India financial institutions comprise term-lending institutions, specialized institutions and investment institutions, including in insurance. State level institutions comprise of State Financial Institutions and State Industrial Development Corporations providing project finance, equipment leasing, corporate loans, short-term loans and bill discounting facilities to corporate.

In Assam, apart from lending's from the public sector banks there are other institutions for financing and lending. Assam Financial Corporation, a premier term lending institution of the North East, has been providing credit and other financial services to Micro, Small and Medium Enterprises (MSME).

The Corporation offers liberal credit of term loan and working capital term loan to a maximum limit of Rs.150.00 lakhs per projects including consortium finance by way of joint financing with SIDBI/Commercial Banks for viable large size projects.

### Welfare of Labour in the State

The **Labour** Departments of the Central and State Government shoulder the responsibility of labour welfare in the State. The departments have been armed with a number of labour legislations passed by the Indian Parliament and the State Assembly. The legislations so far enacted cover public and private sector establishments. The employers have been brought under the purview of the legislation and are expected to adopt necessary welfare measures in their establishments.

### Nurturing the Start-up – for building Economy

The acts and regulations cover a wide range of labour welfare measures such as housing ,medical, education ,nutrition ,establishment of canteens ,etc., rest and recreation ,day nurseries, sanitations, holiday with pay and sickness benefits.

### **PPP Initiatives in Assam**

Assam has achieved NSDP growth rate of 14.5% in 2013-14 against the national growth rate of 9.6%. However the state still needs to improve on infrastructure to trigger rapid industrialisation. The development of infrastructure requires large investments and gestation period. The Government of Assam proposes to bring in private sector investment with Public Private Partnership as one of the preferred routes.

The Policy objectives include:

1. The key objective of this policy is to leverage the resources of State Government to invite private sector investment in infrastructure at best possible terms for the people of the state.
2. Protection of the interest of users and securing value for public money.
3. To bring uniformity in approach cutting across various sectors and Departments of the Government.
4. To prepare a shelf of projects to be offered for PPP under various Departments and take them forward for implementation.
5. Putting in place an effective and efficient institutional mechanism for obtaining various clearances for the projects speedily.

### **Cluster Development**

Business clusters of the Northeast are forging ahead, registering phenomenal growth rates and volume within a relatively short span.

A cluster is a sector-specific geographical group of micro and/or small and medium enterprises (MSMEs), service providers and institutions having common opportunities and threats. In other words, it is a concentration of economic enterprises, producing a typical product or service or a complementary range of products or services within a given geographical area. It is the centrepiece of a new approach focussed on increasing public private partnerships for creating support systems for micro, small and medium enterprises.

Several enterprise development organisations and institutions of the region are focussing on this approach, given its potential for growth.

The Indian Institute of Entrepreneurship (IIE), Guwahati, directly operates 16 clusters, which have registered sales volumes of Rs 22 crore in a year.

The clusters of the region are also in the limelight at the national level.

Sources said CRISIL would undertake a rating initiative for the region's clusters. This development can be deemed important, as it has not been done elsewhere in the country.

### **Nurturing the Start-up – for building Economy**

Moreover, three clusters from the Northeast have been selected from among a group of 25 clusters across the country under the National Innovation Council. The council was set up by the Prime Minister to prepare a roadmap for innovations in the decade 2010-2020, which has been declared as the decade of innovation with focus on inclusive growth.

The *eri* cluster of Umden in Meghalaya, being developed by the IIE, has been selected for further interventions under this initiative.

Another three clusters, which may be taken up for development under this initiative, are the brass and bell metal cluster in Hajo, Assam, the cane and bamboo cluster in Barpeta, Assam and the cane and bamboo cluster in Agartala, Tripura.

The best thing about clusters is that they give rise to collective benefits. For instance, clusters usually have spontaneous inflow of suppliers of raw materials, components and machinery or availability of workers with sector-specific skills. They also act as catalysts in creation of specialised technical, administrative and financial service providers. Last but not the least; they create a conducive environment for development of co-operation between firms as well as public and private institutions to promote local production, innovation and collective learning.

### **Future Plans and Vision of the State**

Consistent with the state's natural resource base, industries like tea, petroleum refinery and plywood have occupied historically important positions in Assam. The tea industry dates back to mid-19th century and has played an important role in the economic and cultural life of upper Assam. Production, acreage and yield of tea have gone up over the years with large employment opportunities more favourable to rural areas and female employment. The petroleum refinery industry at Digboi is also about 100 years' old. Refineries have also been set up at other places like Guwahati, Bongaigaon and Numaligarh. Despite these industries, the industrialization process has not been wide spread in Assam. The contribution of manufacturing sector in the state's GDP remains low at about 10 per cent compared to all-India figure of about 19 per cent. Moreover, as the Industrial Policy Resolution of Assam Government points out future prospects for expansion of the large traditional industries is rather limited. Tea industry is believed to be approaching a saturation point. Petroleum sector might not be able to grow very much unless new oil fields are discovered. In the absence of a sustainable forest use plan, most units in the plywood industry have currently faced closure due to court intervention. Against this background, the need for diversification of the state's industrial base could not be overemphasized.

We have reviewed the macroeconomic development process of Assam. Two major standard data sources in the country provide sufficient evidence to the fact 39 that Assam has not been able to keep pace with the national level on economic front. The National Accounts data income indicates that growth rate of state income has remained low for several decades and there is no evidence of acceleration in the post-reform period. The NSSO consumption expenditure data too shows that real mean consumption expenditure is falling in rural Assam. While income distribution in Assam has been more egalitarian compared to other states, it has not helped to reduce rural poverty in the state. Poverty reduction necessarily calls for higher economic growth in Assam. 39. A growth strategy for Assam to raise its per capita income to the national average by 2025 would require:

### **Nurturing the Start-up – for building Economy**

- A pick-up in state income growth to the national level in the medium run of about five years.
- A 2-3 percentage points higher growth rate than the national level thereafter for about two decades

Admittedly, it is not an easy task. Yet, it is not an impossible task. Assam has got the required natural and human resources. Generation of required financial resources would involve the following:

- Steady pick up in investment rate in relation to state income by about 4 percentage points.
- Attraction of private investment in a big way. This in turn requires quick solution of the insurgency problem.
- Maintenance of the important role of the public sector in areas like irrigation, infrastructure and social sectors where private investment might not come forward.
- Priority should be given to those sectors that have both comparative advantage and high linkages with other sectors.

## About ASSOCHAM

### THE KNOWLEDGE ARCHITECT OF CORPORATE INDIA

#### Evolution of Value Creator

ASSOCHAM initiated its endeavour of value creation for Indian industry in 1920. Having in its fold more than 400 Chambers and Trade Associations, and serving more than 4,00,000 members from all over India. It has witnessed upswings as well as upheavals of Indian Economy, and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country. Today, ASSOCHAM has emerged as the fountainhead of Knowledge for Indian industry, which is all set to redefine the dynamics of growth and development in the technology driven cyber age of 'Knowledge Based Economy'. ASSOCHAM is seen as a forceful, proactive, forward looking institution equipping itself to meet the aspirations of corporate India in the new world of business. ASSOCHAM is working towards creating a conducive environment of India business to compete globally. ASSOCHAM derives its strength from its Promoter Chambers and other Industry/Regional Chambers/Associations spread all over the country.

#### VISION

Empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the barrier less technology driven global market and help them upscale, align and emerge as formidable player in respective business segments.

#### MISSION

As a representative organ of Corporate India, ASSOCHAM articulates the genuine, legitimate needs and interests of its members. Its mission is to impact the policy and legislative environment so as to foster balanced economic, industrial and social development. We believe education, IT, BT, Health, Corporate Social responsibility and environment to be the critical success factors.

#### MEMBERS – OUR STRENGTH

ASSOCHAM represents the interests of more than 4,00,000 direct and indirect members across the country. Through its heterogeneous membership, ASSOCHAM combines the entrepreneurial spirit and business acumen of owners with management skills and expertise of professionals to set itself apart as a Chamber with a difference. Currently, ASSOCHAM has more than 100 National Councils covering the entire gamut of economic activities in India. It has been especially acknowledged as a significant voice of Indian industry in the field of Corporate Social Responsibility, Environment & Safety, HR & Labour Affairs, Corporate Governance, Information Technology, Biotechnology, Telecom, Banking & Finance, Company Law, Corporate Finance, Economic and International Affairs, Mergers & Acquisitions, Tourism, Civil Aviation, Infrastructure, Energy & Power, Education, Legal Reforms, Real Estate and Rural Development, Competency Building & Skill Development to mention a few.

#### INSIGHT INTO 'NEW BUSINESS MODELS'

ASSOCHAM has been a significant contributory factor in the emergence of new-age Indian Corporate, characterized by a new mindset and global ambition for dominating the international business. The Chamber has addressed itself to the key areas like India as Investment Destination, Achieving International Competitiveness, Promoting International Trade, Corporate Strategies for Enhancing Stakeholders Value, Government Policies in sustaining India's Development, Infrastructure Development for enhancing India's Competitiveness, Building Indian MNCs, Role of Financial Sector the Catalyst for India's Transformation.

ASSOCHAM derives its strengths from the following Promoter Chambers: Bombay Chamber of Commerce & Industry, Mumbai; Cochin Chambers of Commerce & Industry, Cochin; Indian Merchant's Chamber, Mumbai; The Madras Chamber of Commerce and Industry, Chennai; PHD Chamber of Commerce and Industry, New Delhi and has over 4 Lakh Direct / Indirect members.

Together, we can make a significant difference to the burden that our nation carries and bring in a bright, new tomorrow for our nation.

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# RESURGENT INDIA LIMITED

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