



Finance for MSME Manufacturers

Constraints & Opportunities

KNOWLEDGE REPORT





Mrs Perminder Jeet Kaur
Senior Director
East & Northeast ASSOCHAM

Dear Members,

Growth of Manufacturing sector is significant for India's vision of a USD 5 Trillion Economy. As India moves to the league of top economies of the world, innovation driven business models shall enhance the competitive advantage. India strength of talented human resource, a large consumable base offers it as a lucrative investment destination.

With changing globally dynamics and with global MNCs adopting a strategy of China plus One; a globally competitive manufacturing sector is India's greatest potential to drive economic growth and create job for its people, enhance presence in international markets. Technology naturally comes in as a key enabler.

Manufacturing sector in India is gradually shifting to a more automated and process driven manufacturing which is expected to increase the efficiency and boost production of the manufacturing industry. West Bengal, with its enabling climate and advantageous geographical location, has spearheaded today as a major Industrial and trading Hub not only in the country but even globally.

MSMEs in India has created a separate web with strong growth rate ; 50% of Indian Export is by MSME sector. Recent economic policies with technological interventions certain shall boost the sector. MSME sector shall play key role over next 25 years to make India \$30 trillion GDP by 2047 as India shall celebrate 100 years of independence and should script India's growth story for the world.

ASSOCHAM brings in actionable insights to strengthen the Indian ecosystem, leveraging its network of more than 4,50,000 members, of which MSMEs represent a large segment. We are committed to building an advisory ecosystem and assist MSMEs. I believe that this report would certainly serve as a roadmap for decision makers, influencers, and all other key stakeholders.

Thank you!!!



Mr Ravi Agarwal
Chairman
Eastern Regional Council ASSOCHAM

Dear Members,

India is land of transformational leaders and change-makers whose innovative and impactful ideas and action have helped globalise the country, fuelled by country's proactive policy reforms. Recent years have seen Indian business leaders reach new levels of innovation and achieve high growth despite the economic disruption caused by inflation and high prices.

Apart from being one of the world's fastest-growing economies, India is engaging with rest of the world in dealing with Global issue of Climate Change, while its responsible business work with governments across states to work towards excellence in business environment.

Globally India is 3rd most sought-after destination for manufacturing. From Solar to auto to engineering to chemicals India offers talent and skilled manpower. Indian MSME sector has created a different league of business leaders as India move towards making its mark at global platform.

India has approximately 7.9 million MSMEs (including both service and manufacturing firms). These small to medium sized ventures have always contributed largely to the country's GDP, hence contributing to different aspects of its development.

ASSOCHAM has been at the forefront of representing MSME Sector and believes in strong manufacturing for growth and development of any region. I am optimistic the report shall reflect industry leaders thoughts and aspirations along with vision of government. Its time for us to strengthen the eco system and build a strong economy together.

Thank you!!!

About ASSOCHAM

ASSOCHAM initiated its endeavour of value creation for Indian industry in 1920. Having in its fold more than 250 Chambers and Trade Associations and serving more than 4,50,000 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. Our legacy has helped build a strong foundation for future endeavors wherein we serve as the Knowledge Chamber for the industry and become the conduit between them and the Government to foster development of a New India. Seen as a proactive and forward looking institution, ASSOCHAM is fully equipped to meet the aspirations of Corporate India in the new world of business.

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'. We aim to empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the technology-driven global market and helps them upscale, align and emerge as formidable player in respective business segments. Aligned with the vision of creating a New India, ASSOCHAM works as a conduit between the industry and the Government. 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.

As a representative 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. ASSOCHAM derives its strength from its Promoter Chambers and other Industry/Regional Chambers/ Associations spread all over the country.

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Mr. Jyoti Prakash Gadia
Managing Director
Resurgent India Limited

India's long-term economic success pivots on MSMEs. The majority of the MSMEs are engaged indirectly in the export ecosystem – they manufacture intermediate goods for larger industries engaged in exports to international partners.

In the industrial sector, India has historically placed a higher priority on domestic production and consumption. A price-conscious market, weak supply networks, and a propensity for labour-intensive operations are challenges brought on by the availability of cheap labour and the high cost of technology.

The most significant impediment to MSME manufacturers' expansion plans is a lack of timely access to credit. Loans to MSMEs entail difficult paperwork processes, stringent lending norms, stiff collateral requirements, taxing payback terms, and a high rate of interest. On account of the high cost of servicing loans, small tickets, and the restricted ability of MSMEs to offer security against required financing, financial institutions remain reluctant to increase their exposure to MSMEs.

Aside from funding challenges, MSMEs confront a number of difficulties in managing their finances, which affect their creditworthiness and borrowing ability. The inability to manage and strengthen their balance sheets, the lack of a detailed business plan and several other factors act as significant barriers to MSMEs struggling to obtain credit from lenders.

The report offers a thorough analysis of the many strategies that could support MSME manufacturers and also assist in obtaining capital, bridging the funding gap for MSME manufacturers. It also provides a detailed overview of the multiple measures and initiatives undertaken by the government and regulatory authorities to help MSMEs fund their expansion and become more efficient.

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CHAPTER 1

A Brief Overview

India's greatest opportunity to spur economic growth and job creation pivots on a globally competitive manufacturing sector. MSME manufacturers in India are becoming increasingly automated and process-driven, which has brought down costs and helped push up demand for premium gear and equipment. The foundation of India's industrial sector was essentially the machine tool sector. With digital transformation acting as a catalyst in this fiercely competitive industry, technology has now brought on considerable innovation in manufacturing.

India's gross domestic product (GDP) at current prices stood at Rs. 51.23 lakh crore (in the first quarter of FY22, as per the provisional estimates of gross domestic product for the first quarter of 2021-22). The manufacturing GVA at current prices was estimated at US\$ 77.47 billion in the third quarter of FY22 and has contributed around 16.3% to the nominal GVA of during the past ten years. India has potential to become a global manufacturing hub and by 2030; it can add more than US\$ 500 billion annually to the global economy.

In India, MSMEs have grown in prominence due to their weighty contribution to the Gross Domestic Product (GDP) of the country and exports. Approximately 98.5 per cent of the industries fall under the category of MSMEs in India. While some of these enterprises are directly engaged in exports, the majority of MSMEs are engaged indirectly in the export ecosystem through the manufacturing of intermediate goods for larger industries engaged in exports to international partners. As per the Index of Industrial Production (IIP), there are over 7,500 commodities produced by MSMEs.

India has historically prioritized local production and consumption in the industrial sector. The availability of cheap labour and technological hurdles led to challenges such as a price-conscious market, inadequate supply networks, and a tendency toward labour-intensive processes.



The government of India has taken several key initiatives to accelerate the development of industrial processes.

- ▶ The National Manufacturing Policy of the Government of India aims to increase the share of manufacturing in GDP to 25 per cent by 2025.
- ▶ The “Make in India” policy of the Government of India is expected to increase the demand and consumption of machinery and equipment by the local manufacturing industry.
- ▶ With the objective to boost domestic manufacturing, investments and export in the telecom and networking products, the Department of Telecommunications (DoT) notified the “Production Linked Incentive (PLI) Scheme” on 24th February 2021. The PLI Scheme will be implemented within the overall financial limits of ₹ 12,195 Crores only for implementation of the Scheme over a period of 5 years. For the MSME category, financial allocation will be to the tune of ₹1000 crore.

The gap between demand and supply has spurred the need for increased capacities and the Indian manufacturing sector is expected to offer several opportunities for investment and trade. There is also a gradual shift in the focus of Indian industry toward more automated and process-driven manufacturing. Companies previously dependent on labour-intensive practices are now looking towards increased automation to minimize uncertainties and maximize productivity.

With a view to reducing the competition gap and taking advantage of challenges in China, India is leaning on adopting cutting edge technology to boost its manufacturing processes. End-user segments, such as aerospace/defense, automotive, and information and communication technology are among significant sources of the demand for more high-end equipment and machinery.



The Ministry for Heavy Industries & Public Enterprises has taken several initiatives like SAMARTH Udyog Bharat 4.0 or Smart Advanced Manufacturing and Rapid Transformation Hubs to enhance competitiveness in the capital goods industry. It has built demonstration centres or hubs to spread awareness about Industry 4.0 among Indian manufacturing companies. Additive manufacturing, though still in its nascent stage, is slowly gaining traction in India. Associations such as the Additive Manufacturing Society of India have been formed with the objective of promoting this technology.

The process of integrating into the global value chain presents several challenges for MSME manufacturers, necessitating more measures to develop the MSME sector and enable their global penetration. Productivity and quality need to be seen in the context of both a domestically supportive landscape and an internationally competitive one, when considering the role and potential of Indian MSMEs.

CHAPTER 2

Supporting MSME Manufacturers for Rapid Business Growth

As the 6th largest consumer market globally and with 49% workforce participation, India is likely to be a growth engine for global economic growth for the foreseeable future. The development of MSME manufacturers depends on their improved access to productive factors of production through business- friendly labor reforms, appropriate land acquisition policies, unrestricted capital access, a thriving entrepreneurial culture, cutting-edge technology, supportive infrastructure, and uniform tax laws. Various ministries offer help with initiatives for developing skills, market structure, technological support, loan flow, public procurement rules, participation in domestic and international fairs, etc. For entrepreneurs, the transition from micro to small and medium firms is a continual process. Utilizing the resources and assistance that the Indian government has made available through its many ministries makes this feasible. There is widespread concern that credit restrictions will simply become "the new normal" for SMEs and business owners, despite the fact that bank funding will continue to be essential for the SME sector. In order to enable SMEs and entrepreneurs to continue playing their role in investment, development, innovation, and employment, it is vital to expand the range of financial instruments accessible to them. The MSME manufacturing sector can advance in the right direction with the help of collaboration between rural fintechs and traditional banking institutions. This collaboration can also guarantee that the intended recipients have access to financing. By bridging the credit gap and bringing micro and small businesses, even in rural India, under the scope of formal credit, this partnership can help the country's aim of financial inclusion and develop a self-reliant India. The adoption of international technologies and best practices would be a significant additional potential development engine for MSMEs in India. It is essential to map the technology practices used by the MSME sector in foreign markets and offer efforts that can benefit Indian MSMEs if the growth of the MSME sector is to be scaled up further. The Internet of Things (IOT), cloud computing, and other cutting-edge automation and data exchange technologies must all be integrated into manufacturing processes.

The complex and distinctive difficulties encountered by the MSME manufacturing sector may be addressed with the support of strategic alliances between the government, regulatory agencies, and fintech businesses.

The MSME Ministry must get information on informal MSMEs that raise loans through small NBFCs in order to register them as formal businesses. The approach will include setting up designated organisations to support small NBFCs using an aggregation mechanism. The MSME Ministry can get the compiled data for mass registration. This can serve as the foundation for the implementation of a number of government-sponsored benefits. Several conditions help explain why Indian manufacturers tend to create limited value. Some have to do with the price of the necessary resources and infrastructure. Poor logistics increase inventory costs and cause delays, while high power and credit prices increase operating costs. The value chains also come with additional requirements. Small, dispersed businesses that make up some value chains cannot operate productively, much less at peak efficiency; they cannot innovate quickly enough to keep up with rivals; and they cannot command price premiums because they lack strong brands.

In addition, many of India's industrial value chains benefit from significant advantages that may fuel fast expansion. Manufacturers of basic metals, textiles and clothing, renewable energy, and chemical goods benefit from India's natural resources (such as iron ore, bauxite, high solar insolation, and cotton) and affordable labor. Large numbers of skilled employees in the nation support value chains requiring a lot of talent, such as capital goods, capital goods manufacturing, and automobile components. Additionally, a lot of India's industrial value chains are located near to its robust domestic markets. For instance, manufacturers of popular technological items have easy access to millions of Indian consumers. The benefits mentioned above are useful, but they are insufficient to make India's industrial value chains competitive on a global scale.

India must plant the seeds for emerging value chains. India has lagged significantly behind other Asian nations because of a lack of investment in so-called "sunrise" industries like semiconductors and solar. However, India can still win a significant portion of the global market for low-carbon technologies (such as energy storage, hydrogen equipment, carbon capture and sequestration, electric two-wheelers, drones, and lithium-ion cells). Working with international OEMs to gain access to the technology and funding necessary to create local manufacturing capacity that would first serve the sizable domestic market is a feasible strategy for major industrial-promoter companies.



CHAPTER 3

Funding Alternatives for MSME Manufacturers

According to a survey conducted by the All India Manufacturers' Association (AIMO) in collaboration with nine other industry bodies, 47% of Micro, Small and Medium Enterprises (MSMEs) believe that those who do not qualify for the loan scheme announced by the government should have access to alternative financing options.

Alternative financing models for MSME

Capital gaps often emerge for businesses making significant changes to their operations and for MSMEs looking to reduce their debt and enhance their capital structures. Accessing traditional bank financing is difficult for MSMEs, especially for younger, more inventive, rapidly expanding businesses with a greater risk-return profile. Thus, alternative financing tools become all the more crucial for MSMEs.

Types of Alternative Financing Models for MSME

Factoring

In order to satisfy its immediate capital demands, a company may enter into a financial arrangement known as "factoring," in which it sells its account receivables (invoices) to a third party at a discount.

Factoring has become a more widely used and accepted alternative for liquidity-strapped MSMEs in many countries, with volumes expanding significantly over the last decade.

TReDS Platform

TReDS, an electronic platform for facilitating the financing / discounting of trade receivables of Micro, Small and Medium Enterprises (MSMEs) through numerous lenders, is one of the well-known platforms in India. These receivables may be owed by businesses and other purchasers, such as government agencies and PSUs (PSUs).

Private Equity and Private Placement

In industrialized nations, private equity financing has become a commonly recognized method of funding MSMEs. This development has helped the capital market, in general, to become a little less congested and has given MSMEs that are unable to obtain money a route to do so.

Peer to Peer Lending

As a method of Debt financing, Peer to Peer investment or lending is a novel investment concept. Peer-to-peer lending or crowd lending is a form of debt financing wherein borrowers can request a loan from another individual/entity without the need for any financial institutions to act as the intermediary.

Small and micro companies, as well as the underbanked and unbanked population, frequently have trouble being accepted for structured credit. Due to this, P2P lending is a desirable choice for many MSME businesses. The lender, the borrower, and the P2P platform are the parties engaged in peer-to-peer lending.

Business Angel Investments

Since many angel investors have built their careers around the businesses that they now engage in, they come not just with capital but also with management experience. The Ministry of Micro, Small, and Medium Enterprises (MSME) executes a number of programs and MSME schemes to make funding for MSMEs' ongoing growth and development widely accessible. Additionally, the Indian government has taken several measures to guarantee that all benefits from these MSME initiatives reach them on time. In addition to the different MSME initiatives, a number of announcements have been made as part of the Atmanirbahar Bharat Package to give immediate assistance to the MSME sector.

Existing supports

The Indian government created the Self-Reliant India Fund, a fund of funds that aims to give growth capital to Micro, Small, and Medium Enterprises (MSME). The SRI fund will aid MSMEs in expanding more swiftly, sparking the economy and opening up employment opportunities.

The Daughter Funds will be supported financially by the SRI Fund, which will take the form of a Category II Alternative Investment Fund (AIF), so that they can offer growth capital to MSMEs in the form of equity or quasi-equity for the following purposes:

- Help in listing small businesses on stock exchanges
- Supporting Businesses to become National or International Champions.
- Help in promoting faster growth for MSMEs
- Improving equity-like financing for small businesses

Around 5,000 micro, small, and medium enterprises (MSMEs) are expected to benefit from the government's Rs 50,000-crore Self Reliant India (SRI) fund the launch of the SRI Fund MSME provides equal opportunities and benefits for MSMEs to avail the support of Venture Capital from the private sector. Businesses that were unable to come to fruition now have the doors open to outside capital for their growth and development. There are no stones left unturned if any MSME wishes to secure funding for their businesses. The entry of private sector VCs will help MSMEs in their promotional activities, thereby helping MSMEs with organic marketing. MSMEs are spread across the country and have structures different from Startup. It is, therefore, important to create a new set of institutions that can help set up the MSME investing ecosystem by contributing to the daughter's funds.

In India's rural areas, the MSME sector makes up 20% of the country. Due to a lack of the appropriate documentation and collateral for traditional financing, MSMEs, particularly those located in rural areas, face a significant impediment in getting access to formal credit.

CHAPTER 4

GOVERNMENT SCHEMES AND SUPPORT FOR MANUFACTURERS

A number of schemes have been launched to aid MSME manufacturers in expanding their market reach and access to capital. However, the actual potential of this market to power India's aspirations for economic progress has been thwarted by challenges that remain largely unresolved: greater accessibility and adequate finance.

The Ministry of Micro, Small and Medium Enterprises (M/o MSMEs) has put in place numerous schemes to support budding manufacturing units across the country.

National Manufacturing Competitiveness Programme (NMCP) - An umbrella scheme that aids MSMEs through the following sub-schemes:

► Lean Manufacturing Competitiveness Scheme for MSMEs

Under the scheme, MSMEs will be assisted in reducing their manufacturing costs, through proper personnel management, better space utilization, scientific inventory management, improved processing flows, reduced engineering time, and so on. LMCS (Lean Manufacturing Competitiveness Scheme) also brings improvements in the quality of products and lowers costs, which are essential for competing in national and international markets. The larger enterprises in India have been adopting LMCS to remain competitive, but MSMEs have generally stayed away from such programs as they are not fully aware of the benefits. Beside these issues, experienced and effective Lean Manufacturing counselors or consultants are not easily available and are expensive to engage and, hence, most MSMEs are unable to afford LMCS.

► Enabling Manufacturing Sector to be Competitive through Quality Management Standards (QMS) and Quality Technology Tools (QTT)

The Scheme for Enabling the Manufacturing Sector to be Competitive through Quality Management Standards (QMS)/Quality Technology Tools (QTT) is an initiative of the Ministry of Micro, Small and Medium Scale Enterprises. This scheme is launched under the National Manufacturing Competitiveness Programme (NMCP).

► **Building Awareness on Intellectual Property Rights (IPR)**

The objective of the scheme is to enhance the awareness of MSME about Intellectual Property Rights (IPRs) to take measures for protecting their ideas and business strategies. Effective utilisation of IPR tools by MSMEs would also assist them in technology upgradation and enhancing competitiveness.

► **Design Clinic for Design Expertise to MSMEs**

Design Clinic Scheme for Design Expertise in the MSME manufacturing sector.

The main objectives of the scheme are:

- To create a sustainable design eco system for the MSME sector through continuous learning and skill development
- Bring the industrial design fraternity closer to the MSME Sector
- Develop an institutional base for the industry's design requirement
- Increase the awareness of the value of design and establish design learning in the MSME
- Increase the competitiveness of local products and services through design

► **Technology and Quality Upgradation Support to MSMEs**

The objectives of the scheme include inculcating "Zero Defect & Zero Effect practices in manufacturing processes, ensuring continuous improvement, and supporting the "Make in India" initiative.

After ZED assessment, MSME manufacturers can reduce wastages substantially, increase productivity, expand their market as IOPs, become vendors to CPSUs, have more IPRs, develop new products and processes etc.

The scheme envisages promotion of Zero Defect and Zero Effect (ZED) manufacturing amongst MSMEs and ZED Assessment for their certification so as to:

- Develop an Ecosystem for Zero Defect Manufacturing in MSMEs.
 - Promote adaptation of Quality tools/systems and Energy Efficient manufacturing.
 - Enable MSMEs for manufacturing of quality products.
 - Encourage MSMEs to constantly upgrade their quality standards in products and processes.
 - Drive manufacturing with adoption of Zero Defect production processes and without impacting the environment.
 - Support 'Make in India' campaign.
 - Develop professionals in the area of ZED manufacturing and certification.
- **Entrepreneurial and Managerial Development of SMEs through Incubators**
 - **Credit Linked Capital Subsidy for Technology Upgradation (CLCSS)**
 - **Financial Assistance on GSI Barcodes for Micro Enterprises**



An overview of the schemes offered by Tamil Nadu, Uttar Pradesh & Gujarat

Tamil Nadu Government Initiatives and Schemes to support MSMEs

Tamil Nadu's state government's freedom and assistance are to be recognized for the MSME sector's expansion. It has provided several incentives to help firms with funds or through infrastructural development. The most effective government initiatives and projects are listed here.

New Entrepreneur cum Enterprise Development Scheme (NEEDS)

The governing organization for this scheme is the Directorate of Industries and Commerce, Government of Tamil Nadu. By providing them with subsidies, the project seeks to equip the next generation to seize economic possibilities in MSMEs.

The scheme collaborates with financial institutions to provide funding for entrepreneurial training for young people. 1,000 young adults, including 50% women, are the annual target for training. 25% of the overall project cost is covered by the subsidies offered by the program (up to 75 lakhs) Institutions provide training in a variety of fields and specialties, including agriculture, sericulture, and the cement industry. The age range for applicants to the training is 21 to 35.

However, relaxation is offered to those who fall into specific categories. They should be between the ages of 21 and 45. The candidate should furthermore possess a degree, certificate, ITI, or vocational training from an accredited institution.

Pacts With Tansidco and TAICO Bank

The government of Tamil Nadu recently launched a program to improve the industrial infrastructure of the MSMEs. In order to implement the loan system and support numerous MSMEs in the state, it inked two agreements, or Memoranda of Understanding (MoUs). First, it collaborated with Tansidco (Tamil Nadu Small Industries Development Corporation) to carry out the Industrial Infrastructure Initiative Scheme driven by the TIIC. On the other hand, a second Memorandum of Understanding (MoU) was inked with the TAICO Bank to offer loans and credit to various MSMEs for efficient and continuous company operations. Both MoUs have been used by the government to provide different businesses with a financial buffer for ongoing operations.

Capital Subsidy

Subsidies are provided to the enterprise through various means. One of the most effective subsidies is the capital subsidy. Under this, a subsidy of 25% on the total value of plant and machinery. The subsidy amount can be up to 150 lakh.

Implementation of Single Window Portal

The Single Window Platform is a portal that the state government has created to assist MSMEs in setting up more quickly. Any business can now easily get approvals, clearances, and No Objection Certificates (NoCs) from the different relevant government ministries by using this online platform. A small or medium-sized business can now be established without facing any legal challenges as a result.

Uttar Pradesh Government Initiatives and Schemes to support MSMEs

One District, One Product (ODOP)

In 75 districts across Uttar Pradesh, this initiative aims to build product-specific traditional manufacturing facilities. This will increase traditional industries in a number of state districts. The policy offers financial assistance for the growth of specialized product manufacturing through marketing, skill development, the establishment of shared facilities, and the development of MSME businesses.

Each of the state's 75 districts has been designated a product that has a considerable manufacturing competitive advantage due to the presence of a historic MSME industrial base. Examples of well-established value chains include chikankari in Lucknow, silk textiles in Varanasi, and the locks and hardware industry in Aligarh. By providing a full assistance package for chosen items, including increased access to technology, markets, finance, and skills, the ODOP project seeks to reach every district in the state.

Industrial Investment & Employment Promotion Policy of Uttar Pradesh

The Industrial Investment and Employment Promotion Policy of Uttar Pradesh 2017 attempts to leverage the state's natural strengths while developing new ones and resolving its underlying inadequacies in light of the economic dynamics at play at the Indian, Asian, and global levels. With the help of the scheme, present industries will be stabilized and improved, and new foreign and domestic industrial investments will be attracted and realized.

In order to create this position and stimulate the state's long-term, all-encompassing, and balanced financial growth, the Industrial Investment and Employment Promotion Policy of Uttar Pradesh 2017 intends to make the express a genuinely serious venture objective on a national and international scale.

Uttar Pradesh I.T. & Start-up Policy

The Uttar Pradesh I.T. and Start-up Policy intends to capitalize on the innovation sector's full potential as a significant forerunner of progress, reaping the benefits of occupation creation, development, and overall financial growth. The State Government has brought about moderate alteration by establishing an enabling policy framework and executing proactive actions to translate these policies on the ground. The Uttar Pradesh twin towns of Noida and Greater Noida have developed into important software and startup hubs.

Gujarat Government Initiatives and Schemes to Support MSMEs

Gujarat Industry Policy 2020

For projects lasting up to 50 years, industrial enterprises will now be able to lease government land for 6% of the market price. The Gujarat government will provide special incentives to companies wishing to move their operations from other regions of the world to Gujarat in order to capitalize on the worldwide pandemic threat.

According to the scheme, units will obtain tax discounts and capital subsidies. Gujarat was the first state to decouple incentives from the SGST, enabling businesses to earn up to 12% of fixed capital investment as a capital subsidy for starting manufacturing activities.

The government would now subsidize up to 65% of the total cost of acquiring new technology, up to a maximum of Rs 50 lakh, allowing MSMEs to source international inventions. Additionally, MSMEs would be eligible for capital appropriations of up to 25% of the approved advance amounts up to 35 lakh and incentives to build solar-powered roof projects on units with higher taxes for solar electricity produced at 2.25 per unit rather than 1.75 per unit.

Capital Investing Subsidy

On qualified loan amounts up to INR 35 lakhs, a capital investment subsidy of 25% is offered. An additional capital subsidy of up to Rs. 10 lakhs will be available to the unit if the qualifying fixed capital investment exceeds Rs. 10 crores.

Rehabilitation of Failing Businesses

MSME sick industrial businesses will be eligible for the MSME commissioner rate if they fulfill the RBI requirements for sick enterprise registration. The MSME commissioner will examine the application based on the balance sheets.

After the applications have been examined, sick enterprise registration will be granted. Up to Rs. 1 lakh in assistance, the cost of getting a diagnostic report from an expert or expert agency will be covered at 50% of the cost of creating a draft rehabilitation plan for the sick company.

As it aspires to develop, Gujarat must also put an emphasis on essentials like developing skilled labor, improving employee quality, implementing environmentally friendly technology, and concentrating on research and innovation industries.



CHAPTER 5

LEVERAGING TECHNOLOGY TO BOOST DOMESTIC MANUFACTURING

The pandemic brought several vulnerabilities in manufacturing and value chain to the fore. It thus became imperative for small and medium-sized businesses to establish a well-functioning and agile manufacturing unit for any future uncertainties. With the pandemic accelerating the pace of digital adoption and companies leading the digital transformation path, the factories of the future are here today.

The future of Industry 4.0

The logistics industry has seen a great deal of upheaval recently. Its role changed from purely operational with a sales and production focus to a separate function with a great deal of emphasis on advanced planning procedures. Having embraced several technologies that have changed traditional manufacturing, Industry 4.0 has forced businesses to reevaluate how their supply chains function. This highlights the role that Industry 4.0 will play in the digitalization of manufacturing. One of the biggest challenges that manufacturing MSMEs face right now is the timely availability of raw materials.

Data analytics, AI, and deep learning are being used by businesses to integrate various industrial systems and generate insights that staff members may utilize in their decision-making. These digital technologies must now be interwoven with the essential infrastructure of the production processes. Manufacturers can now strategically plan production capacity, cut costs, lower risks, and more swiftly satisfy changing consumer needs, made possible through a real-time awareness of client needs. Digital manufacturing is the way of the future, a must to stay competitive and become a top-tier manufacturer.

Digital transformation enables businesses to acquire a competitive edge by operating more efficiently than their rivals. Although manufacturers are aware of these benefits, they struggle to put them into practice within their organizations.

Leveraging digitalisation

Investments in digital technology may be made to increase the efficiency of already-established production processes and to effectively communicate with clients about business orders.

With the help of digital technology, it is feasible to turn a mostly segregated discrete supply chain into a fully connected ecosystem that is transparent on all levels. Walls dividing the two can be taken down in order to accomplish this.

Based on the size of the industry and the extent of the operation, one may choose whether to adopt full digitalization at every point of operation or merely for certain pockets of activities. The size of the operation might influence this choice. For an industry that runs on a large scale, total digitization is preferred. However, because it mostly depends on the size of the company, supply chain integration cannot be applied to all industries.

Cyber-physical systems (CPS)

The interplay of physical and computational systems, including embedded intelligence at all levels, such as machines, sensors, actuators, production components, subassemblies, and products being created, is referred to as "cyber-physical systems" (CPS). CPS are composed of tangible components that are managed or controlled by computer-based algorithms. A more modern use of CPS is the use of mechatronic drive systems, which undertake coordinated operations in a packaging machine without the need for physical gearing. This provides additional flexibility and reliability while also saving money.

Analytics for Manufacturers

It's possible to use analytics to improve asset utilisation in a variety of ways—including real-time predictive maintenance, which helps manufacturing companies avoid machine failures on the factory floor and thus reduces downtime. Another application is the optimization of manufacturing operations to increase productivity and energy efficiency. Digitization of everything will entail costs, which for a country like India, remains a key challenge. Businesses must first determine which technologies will help them achieve their objectives and get the necessary return on investment (RoI), and only then should they make investments in those technologies.

CHAPTER 6

MANUFACTURING AND SUSTAINABLE DEVELOPMENT

As India sets off on an ambitious development agenda, green and sustainable manufacturing will play a key role in achieving its environmental objectives. As the term implies, green manufacturing uses green energy options like non-fossil or renewable energy to minimize waste, encourage safe production, and lessen the impact on the environment.

To reduce the adverse impact on climate change and other environmental issues, green manufacturing focuses on altering business and production methods as well as stakeholders' mindsets.

Lean Manufacturing Competitiveness Scheme for MSMEs

Core infrastructure is one of the most basic but crucial elements that lends industrial expansion a competitive edge. In order to draw in local and global investors, India must now prioritize improving the availability, quality, efficiency, penetration level, and cost-effectiveness of its energy, ports, transportation, and information communication technologies. Due to increased logistical and production costs caused by less effective and efficient infrastructure, firms are at a major disadvantage, especially in the export market. One of the highest in the world, the average cost of logistics in India amounts to around 4% of GDP. Nearly 90% of the freight traffic in India is transported by rail and on roads, which dominate the country's transportation system. With road transportation obviously dominating, the present ratio of freight traffic between the overall road network and rail network is 65:35, which may not be the ideal combination for sustained expansion.

High-quality highways that are primarily used for freight transportation help the economy by reducing the time it takes for conversion processes, increasing inventory turnover, bringing reliability to deliveries, and lowering vehicle fuel consumption, all of which support increased manufacturing growth. Inadequate upkeep of the road surface caused by financial constraints and other administrative obstacles results in low carrier speeds, clogged traffic, high fuel consumption, vehicle breakdowns, and significant pollution. These require prompt care.

Resource management

The traditional linear take-make-use-dispose approach continues to be used to meet India's rising need for resources. As a result, resource management is becoming increasingly difficult due to both rising demand and diminishing natural resources. Therefore, the circular paradigm of take-make-use-collect-reprocess-reuse is challenging the linear approach in the quest for sustainability. Adopting lean systems, or doing more with less, is one of the operational excellence strategies for sustainability.



CHAPTER 7

KEY FINDINGS

Though bank funding will continue to be crucial for the SME sector, there is widespread worry that credit constraints may simply become "the new normal" for SMEs and company owners. Extending a variety of innovative financing options available to SMEs and entrepreneurs is essential if they are to continue playing their part in investment, development, innovation, and employment.

Resolving assorted funding challenges in India's MSME sector also hinges on addressing issues such as a scarcity of low-cost financing. Limited access to finance, a lack of awareness, and a lack of working capital all have an impact on the sector's long-term profitability, competitiveness, and sustainability. However, it also does present a significant opportunity and a multi-pronged approach involving supportive regulations, risk-bearing financing, and awareness building is required.

In order to speed up formalisation of MSMEs, information on MSMEs who borrow loans through small NBFCs need to be gathered and worked on. The process would involve creating specific entities with an aggregation mechanism to help small NBFCs. For bulk registration, the MSME Ministry would then have access to the assembled data – around which numerous government-sponsored benefits can be designed to support MSMEs.

The MSME manufacturing sector can advance at a rapid pace with the help of collaboration between rural fintechs and traditional banking institutions. Additionally, this collaboration will likely ensure that the intended targets have access to funding. **If the expansion of the MSME sector is to be accelerated, it is also crucial to map the technical methods employed by the MSME sector in international markets and come up with measures that can aid Indian MSME manufacturers.**

India also has to start sowing the seeds for new value chains. Due to a lack of investment in so-called "sunrise" industries like semiconductors and solar, India has fallen far behind needs to catch up with its competitors. India, nevertheless, can still acquire a sizable share of the global market for low-carbon technology (such as energy storage, hydrogen equipment, carbon capture and sequestration, electric two-wheelers, drones, and lithium-ion cells). A viable option for larger industrial-promoter enterprises is to collaborate with multinational OEMs to acquire access to the technology to establish local manufacturing capacity that needs to first service the enormous domestic market.

Initiatives launched by the government to assist micro, small, and medium-sized firms, including a definition revision, preferential public sector procurement, a cluster development program, among other strategies will likely be a shot in the arm for small businesses in India and will help MSMEs become more sustainable and competitive.

A large number of MSME in the country haven't leveraged digitalization. Individual MSMEs that transitioned from offline to advanced digital engagement have seen a revenue increase of 27 percentage points. Two-thirds of Indian MSMEs are currently losing ground due to a lack of digitalization. It is possible to transform a mostly isolated discrete supply chain into a fully linked, transparent ecosystem with the aid of digital technologies. Walls separating the two can be knocked down to achieve this. One can decide whether to implement full digitalization at every point of operation or just for particular pockets of activities, depending on the size of the industry and the scope of the operation.

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