

SMALL AND MEDIUM ENTERPRISES: ENERGY EFFICIENCY KNOWLEDGE SHARING

SAMEEEKSHA

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NEWSLETTER

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VISION

SAMEEEKSHA envisages a robust and competitive SME sector built on strong foundations of knowledge and capabilities in the development, application, and promotion of energy-efficient and environment-friendly technologies.



Bureau of Energy Efficiency



Creating Innovative Solutions for a Sustainable Future



A PLATFORM FOR PROMOTING ENERGY EFFICIENCY IN SMEs

IN THIS ISSUE...

The theme of this issue is the Union Budget for the current financial year (FY 2024–25), which builds on the efforts undertaken by the Government of India during the last decade to spur the development of India's MSME sector; particularly since 2020, when the Government announced a slew of measures aimed at helping the recovery and growth of the MSME sector from the devastating impacts of the Covid-19 pandemic. The theme article outlines some of the important plans and measures set out in the Budget that are relevant to MSMEs under the broad thrust areas of energy security; manufacturing & services; employment & skilling; and infrastructure. The article also provides snapshots of some of the significant initiatives and milestones that mark the transformation of the MSME sector during the past five years, and that have helped its recovery following the crisis period of 2020–21.

The issue also presents an article on a World Bank-assisted scheme titled 'Raising & Accelerating MSME Performance (RAMP)', which is being implemented by the Ministry of MSME, Government of India (MoMSME). RAMP was launched in mid- 2022 and extends over the five-year period 2022–2026. As the article describes, RAMP focuses on enhancing the impact of the existing schemes for MSME development, as well as scaling up the implementation capacities and coverage of MSMEs by fostering innovation, encouraging ideation, improving practices and processes, enhancing market access, promoting greening initiatives, scaling up guarantees to women-owned micro and small enterprises (MSEs), etc.

SAMEEEKSHA Secretariat



BUDGET 2024–25: SUSTAINING SUPPORT FOR MSME GROWTH

The Union Budget for the current financial year (FY 2024–25) reflects an encouraging continuity in the efforts undertaken by the Government of India during the last decade to spur the development of India's MSME sector; particularly since 2020, when the Government announced a slew of measures aimed at helping the recovery and growth of the MSME sector from the devastating impacts of the Covid-19 pandemic.¹ The current Budget indicates that these measures are being built on and expanded with a long-term vision to support the healthy growth of the MSME sector.

This article outlines some of the important thrust areas of the Budget that are relevant to MSMEs. It also provides snapshots of some of the significant initiatives and milestones that mark the transformation of the MSME sector during the past five years, and that have helped its recovery following the crisis period of 2020–21.

What the Budget has for MSMEs

The overall focus of the Budget is on supporting and strengthening employment, skilling, MSMEs, and the middle class. Towards this, the Budget sets out plans and measures under nine 'priorities' or thrust areas, of which the following priorities spell out initiatives that are of particular relevance to MSMEs:

- Energy Security
- Manufacturing & Services
- Employment & Skilling
- Infrastructure

Energy security

Policy document on energy transition

The government will bring out a policy document on appropriate energy transition pathways that balances the imperatives of employment, growth, and environmental sustainability.

Roadmap for 'hard to abate' industries

A roadmap will be formulated for moving the 'hard-to-abate' industries from energy efficiency targets to emission targets. Appropriate regulations for transition



of these industries from the current 'Perform, Achieve and Trade' (PAT) mode to 'Indian Carbon Market' mode will also be put in place.

Support to traditional micro and small industries

Investment-grade energy audits will be facilitated for traditional micro and small industries (MSEs) in 60 clusters, including brass and ceramic. Financial support will be provided for shifting them to cleaner forms of energy and implementation of energy efficiency measures. The scheme will be replicated in another 100 clusters in the next phase.

Definition of MSMEs revised and broadened

To pave the way for the strengthening and growth of MSMEs, Government announced a new definition of 'MSME', effective from 1st July 2020, which removed the distinction between manufacturing and service enterprises. Besides the investment in plant and machinery, a new criterion for turnover was also included. From 2nd July, 2021, the Government has included retail and wholesale trades as MSMEs, and clarified that street vendors, too, can register as retail traders.

[Source: Ministry of Finance & Ministry of MSME. 2022. 'Strengthening credit flows to the MSME sector': 46th Report of the Standing Committee on Finance, 17th Lok Sabha.]

¹ See SAMEEEKSHA11(2), June 2020



Udyam Portal: formalizing MSMEs

In concert with revising the definition of MSMEs with effect from 1st July 2020, the government also launched the Udyam Registration Portal to help MSMEs—the majority of which have been operating in the informal sector—to enter the formal sector as registered entities. The Udyam registration process is fully online and does not require any documents to be uploaded. Once registered with Udyam, MSMEs can benefit from opportunities such as obtaining loans from banks under priority sector, availing of credit guarantee schemes, and registering themselves on the government e-marketplace (GeM), which is the Public Procurement Portal for procurement of goods and services for all Central Government and State Government Ministries, Departments, Public Sector Units (PSUs) and affiliated entities.

The number of MSMEs registered on Udyam has increased to over 5 crores by mid-September 2024, of which the vast majority are micro units (over 4.9 crores).

[Sources: (1) PIB Press Release, 2 August 2022; (2) Udyam: <https://udyamregistration.gov.in/>]

Manufacturing & Services

The Budget pays special attention to MSMEs in the manufacturing segment, particularly labour-intensive industries, and presents a package of measures covering financing, regulatory changes and technology support for these MSMEs to help them grow and also compete globally.

Credit Guarantee Scheme for MSMEs in the manufacturing sector

A credit guarantee scheme will be introduced to facilitate term loans to MSMEs for purchase of machinery and equipment without collateral or third-party guarantee. The scheme will operate on the pooling of credit risks of such MSMEs. A separately constituted self-financing guarantee fund will provide, to each applicant, guarantee cover up to Rs 100 crores, while the loan amount may be larger. The borrower will have to provide an upfront guarantee fee and an annual guarantee fee on the reducing loan balance.

The government is aiming to enable credit guarantees worth Rs 5 lakh crores to micro and small enterprises (MSEs) in the next two years under the Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) programme...

The Financial Express, 10 September 2024

New assessment model for MSME credit

Public sector banks will build their in-house capability to assess MSMEs for credit, instead of relying on external assessment. They will also take a lead in developing or getting developed a new credit assessment model, based on the scoring of digital footprints of MSMEs in the economy. This is expected to be a significant improvement over the traditional assessment of credit eligibility based only on asset or turnover criteria. The new credit assessment model will also cover MSMEs without a formal accounting system.

Credit Support to MSMEs during stress period

A new mechanism will be set up to facilitate the continuation of bank credit to MSMEs during their stress period. While being in the 'special mention account' (SMA)² stage for reasons beyond their control, MSMEs need credit to continue their business and to

² A Special Mention Account (SMA) is a bank account that shows early signs of financial stress and could become a non-performing asset (NPA).

MUDRA

The Micro Units Development & Refinance Agency Ltd (MUDRA) was set up by Government of India in FY 2016 under the 'Pradhan Mantri Mudra Yojana' (PMMY) to encourage last-mile financial institutions like banks, NBFCs and mutual fund institutions (MFIs) to extend loans to micro enterprises—comprising millions of small industries, artisans, food processors and others in rural and urban areas—for whom the lack of financial support is the biggest bottleneck to growth.

MUDRA products/schemes are of three categories named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth/development and funding needs of the beneficiary micro unit/entrepreneur and also to provide a reference point for the next phase of graduation/growth to look forward to. The financial limits for these schemes are:

- Shishu: loans up to Rs 50,000
- Kishor: loans above Rs 50,000 and up to Rs 5 lakhs
- Tarun: loans above Rs 5 lakhs to Rs 20 lakhs (upper limit has been increased under Budget 2024–25, from the earlier upper limit of Rs 10 lakhs).

By the end of the financial year 2023–24, over 6.67 crore PMMY loans had been sanctioned to micro enterprises, of which over 62% (4.16 crore accounts) were under 'Shishu' category.

Source: <https://www.mudra.org.in/>



avoid getting into the NPA stage. Credit availability will be supported through a guarantee from a government-promoted fund.

Mudra Loans

The limit of Mudra loans will be enhanced to Rs 20 lakhs from the current Rs 10 lakhs for those entrepreneurs who have availed and successfully repaid previous loans under the 'Tarun' category.

TReDS

The 'Trade Receivables Electronic Discounting System' (TReDS) is an online platform that helps MSMEs improve their cash flows and access working capital by selling their receivables (i.e. invoices on large buyers like government bodies and corporates) to financiers at a discount. MSMEs that have registered themselves on the Udyam Portal may also onboard themselves on 'TReDS',

[Source:TReDS: <https://www.sidbi.in/treds>]

Enhanced scope for mandatory onboarding in TReDS

The Budget reduces the turnover threshold of buyers for mandatory onboarding on the 'TReDS' platform from Rs 500 crores to Rs 250 crores. This measure will help in bringing 22 more Central Public Sector Enterprises (CPSEs) and 7000 more companies onto the TReDS platform.

SIDBI branches in MSME clusters

SIDBI will open new branches to expand its reach to serve all major MSME clusters within three years, and provide direct credit to them. With the opening of 24 such SIDBI branches this year, the service coverage will expand to 168 out of 242 major clusters.

MSME units for food irradiation, quality & safety testing

Financial support will be provided for setting up of 50 multi-product food irradiation units in the MSME sector. Support will also be provided for setting up of 100 food quality and safety testing labs with NABL accreditation.

Employment & Skilling

Employment-linked incentives

The Budget presents three schemes for 'employment-linked incentive'. These schemes will be based on enrolment in the Employees' Provident Fund Organization (EPFO), and focus on recognition of first-time employees, and support to employees and



employers.

Scheme A: First Timers. This scheme will provide one-month wage to all persons newly entering the workforce in all formal sectors. The direct benefit transfer of one-month salary, in three instalments, to first-time employees registered in the EPFO will be up to Rs 15,000. The eligibility limit will be a salary of Rs 1 lakh per month. The scheme is expected to benefit 2.1 crore youth.

Scheme B: Job creation in manufacturing. This scheme will incentivize additional employment in the manufacturing sector, linked to the employment of first-time employees. An incentive will be provided directly, at specified scale, both to the employee and the employer with respect to their EPFO contribution in the first four years of employment. The scheme is expected to benefit 30 lakh youth entering employment and their employers.

Scheme C: Support to employers. This employer-focused scheme will cover additional employment in all sectors, within a salary of Rs 1 lakh per month. The government will reimburse employers with up to Rs 3000 per month for two years towards their EPFO contribution for each additional employee. The scheme is expected to incentivize additional employment of 50 lakh persons.

Participation of women in the workforce

Higher participation of women in the workforce will be facilitated through the setting up of working women hostels in collaboration with industry, and establishing crèches. In addition, the partnership will seek to organize women-specific skilling programmes, and promotion of market access for women self-help group (SHG) enterprises.

Skilling programs

Through a new centrally sponsored scheme for skilling in collaboration with state governments and industry, 20 lakh youth will be skilled over a five-year period. Also, 1000 Industrial Training Institutes will be upgraded



Model Skill Loan Scheme

The Skill Loan Scheme was first launched in 2015 by the Ministry of Skill Development and Entrepreneurship (MSDE) to provide institutional credit to individuals for skill development courses aligned to National Occupations Standards and Qualification Packs and leading to a certificate/diploma/degree by training institutes as per National Skill Qualification Framework (NSQF). Under this earlier scheme, skill loans could be extended by member banks of the Indian Banks Association (IBA) and other specified financial institutions.

The revised Model Skill Loan Scheme, launched in July 2024 by MSDE, makes pivotal changes to the earlier scheme with the aim of providing youth with easy access to advanced-level skill courses to gain futuristic and in-demand industry skills. Such courses usually come with high course fees that can pose a significant financial barrier for many deserving candidates. The revised scheme recognizes the significant role played by NBFCs, micro finance institutions (MFIs) and small finance banks (SFBs) in the skill loan market, and makes them eligible too for extending skill loans which will be backed by guarantee against default up to 75% of the loan disbursed. Furthermore, the maximum ticket size of individual loans eligible for credit guarantee cover has been increased to Rs 7.50 lakhs from the earlier limit of Rs 1.50 lakhs.

[Sources: (1) MSDE: <https://msde.gov.in/en/schemes-initiatives/Other-Schemes-and-Initiatives/Skill-Loan-Scheme>; (2) PIB Press Release: <https://pib.gov.in/PressReleasePage.aspx?PRID=2037145>]



SIDBI Cluster Development Fund

The Small Industries Development Bank of India (SIDBI) has set up a cluster development vertical—SIDBI Cluster Development Fund (SCDF)—with support from Reserve Bank of India (RBI). SCDF extends support to state governments to create both 'hard' and 'soft' infrastructure for the development of existing (brownfield) and new/induced (greenfield) MSME clusters.

[Source: <https://www.sidbi.in/msme-cluster-development-initiatives>]

in hub-and-spoke arrangements with the orientation towards outcomes. Course content and design will be aligned to the skill needs of industry, and new courses will be introduced for emerging needs.

Skilling Loans

The Model Skill Loan Scheme under the Ministry of Skill Development and Entrepreneurship (MSDE) is being revised to facilitate loans up to Rs 7.5 lakhs with a guarantee from a government-promoted Fund. This measure is expected to help 25,000 students every year.

Infrastructure

E-commerce export hubs

To enable MSMEs and traditional artisans to sell their products in international markets, e-commerce export hubs will be set up, in public-private-partnership (PPP) mode, under a seamless regulatory and logistic framework that will facilitate trade and export-related services under one roof.

Industrial parks

The government will facilitate the development of investment-ready 'plug and play' industrial parks with complete infrastructure in or near 100 cities, in partnership with the states and private sector, by better using town planning schemes. Also, 12 industrial parks will be sanctioned under the National Industrial Corridor Development Programme.

Rental housing for industrial workers

Rental housing with dormitory type accommodation for industrial workers will be facilitated in PPP mode with viability gap funding (VGF) support and commitment from anchor industries.



RAISING & ACCELERATING MSME PERFORMANCE (RAMP) SCHEME

The Ministry of MSME, Government of India (MoMSME) is implementing a World Bank-assisted scheme titled 'Raising & Accelerating MSME Performance (RAMP)', which was launched in mid-2022 and extends over the five-year period 2022–2026. The roots of RAMP go back to 2021, when it was formulated and proposed by the Government of India for strengthening the MSME sector in line with the recommendations made by expert bodies that had studied the Indian MSME sector—in particular, the U K Sinha Committee on MSMEs set up by Reserve Bank of India (RBI) in 2019.¹

RAMP effectively builds on and takes forward the various interventions made under the World Bank-supported 'Covid Resilience and Recovery' program of MoMSME, which was launched in 2020 to help the Indian MSME sector recover from the devastating effects of the Covid-19 pandemic. The RAMP scheme is focused on enhancing the impact of the existing schemes for MSME development, as well as scaling up the implementation capacities and coverage of MSMEs by fostering innovation, encouraging ideation, improving practices and processes, enhancing market access, promoting greening initiatives, scaling up guarantees to women-owned micro and small enterprises (MSEs), etc. RAMP also aims at promoting Centre–State collaboration by providing grants to States and Union Territories (UTs) for preparation of Strategic Investment Plans (SIPs). Each SIP is a roadmap developed by the State/UT for development of the MSME sector in its territory.² Over 5.5 lakh MSMEs are expected to benefit from RAMP.³

Benefits

RAMP will bring benefits to the overall MSME sector as well as individual MSMEs in the following broad areas:

Address gaps in capacity, technology, and outreach

RAMP will focus on overcoming the gaps and barriers



U.K. Sinha Committee on MSMEs

In 2019, the Reserve Bank of India (RBI) set up an expert committee headed by U K Sinha, former chairman of Securities and Exchange Board of India (SEBI), to undertake a comprehensive review of the MSME sector and identify solutions to the various challenges faced by MSMEs. The committee recommended reforms and measures in the domains of policy, technology, finance, and capacity that could spur MSME development and help drive targeted interventions to overcome these challenges. Many of the committee recommendations are being taken forward in calibrated manner since 2020, and reflect in the World Bank-supported RAMP scheme as well as the Union Budget for 2024–25. A few examples are summarized below:

- Revising the classification of MSMEs.
- Bringing MSMEs into the formal sector through simplified online registration processes.

¹ Full report of the U K Sinha Committee available at https://dcmsme.gov.in/RBI_Committee_Report.aspx. Also see 'Policy Brief: Highlights of the U K Sinha led expert committee report on Micro, Small and Medium Enterprises': Komal Gupta, NASSCOM, 3 July 2019 (available at <https://community.nasscom.in/communities/policy-advocacy/policy-brief-highlights-of-the-u-k-sinha-led-expert-committee-report-on-micro-small-and-medium-enterprises.html>).

² PIB, Government of India. Press Release dated 05th August 2024. 'Raising and Accelerating MSME Performance' (RAMP) Scheme'. Available at <https://pib.gov.in/PressReleaseFramePage.aspx?PRID=2041699>

³ PIB, Government of India. Press Release (Cabinet) dated 30 March 2022. 'Cabinet approves USD 808 million for 'Raising and Accelerating MSME Performance.' Available at <https://pib.gov.in/PressReleasePage.aspx?PRID=1811360>



- Making it mandatory for PSUs/ government departments to procure from micro and small enterprises (MSEs) through the government e-marketplace (GeM) portal .
- Widening SIDBI's role to support development of the MSME sector through:
 - Deepening credit markets for MSMEs in underserved districts and regions by handholding NBFCs, MFIs and other lenders;
 - Developing additional instruments for debt and equity to mobilize new funding sources for MSMEs and MSME lenders;
- Creating a Distressed Asset Fund to assist MSMEs that have become non-performing assets (NPA) due to change in the external environment (e.g. the pandemic!)
- Revising the collateral-free loan limit to Rs 20 lakhs (from Rs 10 lakhs) for MSMEs, including loans sanctioned under PMMY and SHG based enterprises.

faced by MSMEs in key areas such as capacity building, handholding, skill development, quality enrichment, technological upgradation, and digitization.

Improve access to credit

RAMP will help MSMEs in accessing credit by providing them with guarantees and collateral support. This will make it easier for MSMEs to obtain loans from banks and other financial institutions.

MSE SPICE

MSE Scheme for Promotion and Investment in Circular Economy (MSE SPICE) is a sub-scheme under RAMP and a pioneering initiative by MoMSME dedicated to empowering micro and small enterprises (MSEs) in embracing sustainable practices through circular economy (CE) solutions. The primary goal of this 4-year scheme (FY 2023–24 to 2026–27) is to promote resource efficiency, reduce environmental impact, and enhance the competitiveness of MSEs. All MSEs registered with the Udyam Portal are eligible for finance under the scheme. SIDBI is the implementing agency, and the implementing partners include all scheduled commercial banks, small finance banks (SFBs), non-banking financial companies (NBFCs), micro finance institutions (MFIs), and other financial institutions (including SIDBI itself).

About 3400 MSEs are expected to benefit under MSE SPICE, which has two components:

1. Credit Linked Capital Subsidy. This component will make available affordable finance to the MSEs to adopt CE solutions in 'brown field' projects. A maximum of Rs 50 lakhs is admissible under the scheme, with 25 % subsidy only for plant and machinery.



2. Information, Education & Communication (IEC). This component will engage specialist organizations/ agencies that have expertise and experience in the implementation of CE solutions. It will address the capacity gaps among FIs in adopting CE principles, support implementations, and operationalize the monitoring and evaluation framework of the scheme.

[Source: Ministry of MSME: see <https://green.msme.gov.in/mseSpiceScheme>]

Improve access to markets

MSMEs can access new markets by getting support under RAMP for market research, product development, and export promotion.

Strengthen institutions and governance

The institutions and governance of the MSME sector will be strengthened under RAMP, through providing support for capacity building, training, and reforms. This will help to create a more conducive environment for MSMEs to operate in.

Reduce delays in payments

RAMP will help to reduce delays in payments to MSMEs by providing support for the development of payment systems and dispute resolution mechanisms. This will help MSMEs to improve their cash flow and financial health.



Increase environmental sustainability

MSMEs will be able to become more environmentally sustainable by getting support, under RAMP, for the adoption of green technologies and practices. This will help MSMEs to reduce their environmental impact and costs.

Usher in larger formalization

In states with relatively smaller numbers of registered MSMEs, RAMP will usher in larger formalization as a consequence of the higher positive impacts of the initiatives covered under the scheme. The SIPs developed by these states will provide roadmaps for the development of a healthy and productive MSME sector in each state.

SAMEEEKSHA is a collaborative platform aimed at pooling the knowledge and synergizing the efforts of various organizations and institutions—Indian and international, public and private—that are working towards the common goal of facilitating the development of the Small and Medium Enterprise (SME) sector in India, through the promotion and adoption of clean, energy-efficient technologies and practices.

SAMEEEKSHA provides a unique forum where industry may interface with funding agencies, research and development (R&D) institutions, technology development specialists, government bodies, training institutes, and academia to facilitate this process.

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