

CREDIT POTENTIAL FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSME)

1. INTRODUCTION

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets.

A number of statutory and non-statutory bodies work under the aegis of the Ministry of MSME. These include the Khadi Village Industries Commission (KVIC) and the Coir Board besides National Small Industries Corporation (NSIC), National Institute for Micro, Small and Medium Enterprises (NIMSME) and Mahatma Gandhi Institute for Rural Industrialisation (MGIRI).

2. DEFINITION OF MICRO, SMALL & MEDIUM ENTERPRISES

Recently, in May 2020, Finance Minister Nirmala Sitharaman announced the revised MSME definition. Earlier, the MSMEs were defined on the basis of investments put in, now the revised definitions will also include turnover of the company. There will be no distinction between Manufacturing and Service MSMEs.

New Definition of MSMEs

- **Micro Enterprise** - where the investment in Plant and Machinery or Equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
- **Small Enterprise** - where the investment in Plant and Machinery or Equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees;
- **Medium Enterprise** - where the investment in Plant and Machinery or Equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements efforts of the State Governments through various initiatives. The role of the Ministry of MSME and its organisations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario.

3. MAJOR SCHEMES OF GoI

The Ministry of MSME runs numerous schemes targeted at a) providing credit and financial assistances b) skill development training, c) infrastructure development, d) marketing assistance, e) technological and quality up gradation and f) Other Services for the MSMEs across the country.

3.1 List of the Schemes of the Ministry of MSME

A. Credit and Financial Assurances to MSMEs

- I.** Prime Minister`s Employment Generation Programme (PMEGP)
- II.** Credit Linked Capital Subsidy Scheme (CLCSS)
- III.** Credit Guarantee Trust Fund for MSEs (CGTMSE) - Provision of collateral free credit for MSMEs

B. Skill Development and Training

- I.** A Scheme for Promotion of Innovation, Rural Industry & Entrepreneurship (ASPIRE)

C. Infrastructure

- I.** Scheme of Fund for Regeneration of Traditional Industries (SFURTI)
- II.** Scheme for Micro & Small Enterprises Cluster Development Programme (MSE-CDP)

D. Marketing Assistance

- I.** Scheme for providing financial assistance to Khadi institutions under MPDA

E. Technology Upgradation and Competiveness

- I.** Financial Support to MSMEs in ZED certification

F. Other Services

- I.** National Scheduled Caste and Scheduled Tribe Hub
- II.** Scheme for Promotion of MSMEs in N.E. Region and Sikkim

4. ACTIVITIES FOR THE NORTH-EAST REGION

4.1 Budgetary outlay reserved for the North-East Region

Pursuant to the Government`s Policy of earmarking 10% of the total funds for NER, under the Schemes/Programmes of M/o MSME, an outlay of Rs.755 crore in Budget Estimate 2019-20 had been earmarked exclusively for the Region which comprises the states of Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura.

4.2 KVIC in the North-East

- i)** In order to ensure effective implementation and monitoring of Khadi and Village Industries (KVI) programmes in the NER, Khadi and Village Industries Commission (KVIC) have a Zonal Office at Guwahati and other field offices in NE States. KVI programmes are being implemented in the region through State KVI Boards, registered institutions, cooperative societies and entrepreneurs.
- ii)** Village industries which are being set up in these hilly and backward areas include forest based industries, pottery, beekeeping, processing of cereals and pulses, fibre, fruit & vegetable processing industries, soap, activities like carpentry and blacksmithy and also khadi and polyvastra.
- iii)** KVIC is implementing the following schemes in the North East :
 - **PMEGP** - Special efforts have been made by KVIC to provide employment in NER under PMEGP. In 2016-17 a total number of 11690 projects were assisted by utilizing margin money subsidy of Rs. 141.91 crore. In the year, 2017-18 (up to 31.12.2017) a total number

of 3499 projects were disbursed by banks involving margin money subsidy of Rs. 57.13 crore.

- **AABY** - A total of 5065 artisans have been covered under the Aam Admi Bima Yojana of KVIC so far to provide insurance to the khadi artisans/weavers.
- **Exhibitions** : Transport subsidy is provided by KVIC to the participant institutions in these exhibitions. KVIC also continued reservations of 10 per cent of space in Khadi Gramodyog Bhawan, New Delhi for the products produced by the units located in NER.

4.3 PMEGP Performance in North-Eastern States

No.of persons benefitted under PMEGP					
States	2013-14	2014-15	2015-16	2016-17	2017-18 (up to 31.12.2017)
Assam	29332	15535	9026	6028	1529
Meghalaya	1386	3680	4824	329	46
Manipur	5277	829	2715	1265	319
Tripura	9074	6333	5355	2297	489
Nagaland	4373	2407	4998	1018	825
Mizoram	5050	6736	9072	425	133
Sikkim	255	54	397	27	16
Arunachal P	6570	2871	104	301	140

4.4 Development Commissioner – MSME (DC-MSME)

The Office of Development Commissioner (MSME) has MSME-Development Institutes at Gangtok (Sikkim); Guwahati (Assam); Imphal (Manipur); Agartala (Tripura) and also branch MSME-DIs at Aizawl (Mizoram); Dimapur (Nagaland); Itanagar (Arunachal Pradesh); Diphu (Assam); Silchar (Assam); Tezpur (Assam); Shillong (Meghalaya) and Tura (Meghalaya).

To strengthen the MSME initiatives in the NER, the Development Commissioner (MSME), Govt. of India implemented the following activities during 2016-17 in all north-eastern states of India through Ministry of Development of North Eastern Region, GoI. A number of training activities are being conducted by NIMSME, details are available at: http://msme.gov.in/WriteReadData/eBook/EDP_Calendar_Training_Programme_Final_Inner_2nd_Draft.pdf) :

- Sensitizing all State government officials in NER on various latest schemes (PMEGY, ASPIRE, MSE-EDP etc.).
- Provide various trainings to officers of District Industry Centres & other line departments & NGOs/MFIs on EDP in various sectors including Agriculture and allied sectors, Tourism etc.
- Provide Enterprise development trainings to existing MSMEs.
- Other flagship schemes of GOI like Start Up India, Stand up India & MUDRA etc.

5. COMMON GUIDELINES / INSTRUCTIONS FOR LENDING TO MSME

SECTOR

5.1 Issue of Acknowledgement of Loan Applications to MSME borrowers

Banks are advised to mandatorily acknowledge all loan applications, submitted manually or online, by their MSME borrowers and ensure that a running serial number is recorded on the application form as well as on the acknowledgement receipt. Banks are further advised to put in place a system of Central Registration of loan applications, online submission of loan applications and a system of e-tracking of MSE loan applications.

5.2 Collateral

Banks are mandated not to accept collateral security in the case of loans up to Rs.10 lakh extended to units in the MSE sector. Banks are also advised to extend collateral-free loans up to Rs. 10 lakh to all units financed under the Prime Minister Employment Generation Programme (PMEGP) administered by KVIC.

5.3 Composite Loan

A composite loan limit of Rs.1 crore can be sanctioned by banks to enable the MSE entrepreneurs to avail of their working capital and term loan requirement through Single Window.

5.4 Revised General Credit Card (GCC) Scheme

In order to enhance the coverage of GCC Scheme to ensure greater credit linkage for all productive activities within the overall Priority Sector guidelines and to capture all credit extended by banks to individuals for non-farm entrepreneurial activity, the [GCC guidelines were revised on December 2, 2013](#).

5.5 Credit Linked Capital Subsidy Scheme (CLCSS)

Government of India, Ministry of Micro, Small and Medium Enterprises had launched Credit Linked Capital Subsidy Scheme (CLCSS) for Technology Upgradation of Micro and Small Enterprises subject to the following terms and conditions :

- i) Ceiling on the loan under the scheme is Rs.1 crore
- ii) The rate of subsidy is 15% for all units of micro and small enterprises up to loan ceiling at Sr. No. (i) above.
- iii) Calculation of admissible subsidy will be done with reference to the purchase price of plant and machinery instead of term loan disbursed to the beneficiary unit.
- iv) SIDBI and NABARD will continue to be implementing agencies of the scheme.

5.6 Streamlining flow of credit to Micro and Small Enterprises (MSEs) for

facilitating timely and adequate credit flow during their ‘Life Cycle’ :

In order to provide timely financial support to Micro and Small enterprises facing financial difficulties during their ‘Life Cycle’, guidelines were issued to banks vide RBI [circular FIDD.MSME & NFS.BC.No.60/06.02.31/2015-16 dated August 27, 2015](#) on the captioned subject. Banks are advised to review and tune their existing lending policies to the MSE sector by incorporating therein the following provisions so as to facilitate timely and adequate availability of credit to viable MSE borrowers especially during the need of funds in unforeseen circumstances :

- i) To extend standby credit facility in case of term loans
- ii) Additional working capital to meet with emergent needs of MSE units
- iii) Mid-term review of the regular working capital limits, where banks are convinced that changes in the demand pattern of MSE borrowers require increasing the existing credit limits of the MSMEs every year based on the actual sales of the previous year.
- iv) Timelines for Credit Decisions

5.7 Debt Restructuring Mechanism for MSMEs

- i) All Scheduled Commercial Banks are advised to follow the guidelines / instructions pertaining to SME Debt Restructuring as contained in [circular DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015](#) on ‘Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances’ and as updated from time to time.
- ii) All Commercial Banks are also advised in terms of RBI circular [RPCD.SME&NFS.BC.No.102/06.04.01/2008-09 dated May 4, 2009](#) to do the following :
 - a) put in place loan policies governing extension of credit facilities, Restructuring/Rehabilitation policy for revival of potentially viable sick units / enterprises (now read with guidelines on [Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises issued on March 17, 2016](#)) and non - discretionary One Time Settlement Scheme for recovery of non-performing loans for the MSE sector, with the approval of the Board of Directors and
 - b) give wide publicity to the One Time Settlement Scheme implemented by them, by placing it on the bank’s website and through other possible modes of dissemination. They may allow reasonable time to the borrowers to submit the application and also make payment of the dues in order to extend the benefits of the scheme to eligible borrowers.
 - c) implement recommendations with regard to timely and adequate flow of credit to

the MSE sector.

5.8 Framework for Revival and Rehabilitation of MSMEs

The Ministry of Micro, Small and Medium Enterprises, Government of India, vide their Gazette Notification dated May 29, 2015 had notified a 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises' to provide a simpler and faster mechanism to address the stress in the accounts of MSMEs and to facilitate the promotion and development of MSMEs.

5.9 Structured Mechanism for monitoring the credit growth to the MSE sector

In view of the concerns emerging from the deceleration in credit growth to the MSE sector, an Indian Banking Association (IBA)-led Sub-Committee (Chairman: Shri K.R. Kamath) was set up to suggest a structured mechanism to be put in place by banks to monitor the entire gamut of credit related issues pertaining to the sector.

5.10 Stand Up India Scheme

The objective of the Stand-Up India scheme is to facilitate bank loans between Rs.10 lakh and Rs. 1 crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one woman borrower per bank branch for setting up a green field new enterprise. The loan may be a combination of term loan and working capital. Margin money – minimum 25%. This enterprise may be in manufacturing, services or the trading sector. In case of non-individual enterprises at least 51% of the shareholding and controlling stake should be held by either an SC/ST or Woman entrepreneur. Hand holding support is available from the institutions listed in www.standupmitra.in. Besides primary security, the loan may be secured by collateral security or guarantee of Credit Guarantee Fund Scheme for Stand-Up India Loans (CGFSIL) as decided by the banks. The loan is repayable in 7 years with a maximum moratorium period of 18 months.

5.11 Setting up of Micro Units Development and Refinance Agency (MUDRA)

MUDRA Ltd was launched on 8 April 2015 to extend finance and credit support to Microfinance Institutions (MFI) and agencies that lend money to small businesses, retailers, self-help groups and individuals. Under the aegis of Pradhan Mantri MUDRA Yojana, MUDRA has created its initial products / schemes. The interventions have been named 'Shishu', 'Kishor' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth to look forward to :

Shishu	: covering loans up to Rs.50,000/-
Kishor	: covering loans above Rs.50,000/- and up to Rs.5 lakh
Tarun	: covering loans above Rs.5 lakh and up to Rs.10 lakh

It has to be ensured that at least 60% of the credit flows to Shishu Category Units and the balance to Kishor and Tarun Categories.

6. MSME SECTOR IN MANIPUR

- i) **Industrial Estates** : The Government of Manipur is committed to set up Industrial Estates in 16 districts of Manipur with financial assistance from Ministry of Micro, Small & Medium Enterprises, Government of India and North Eastern Council (NEC). The fund matching share of MSME and NEC with that of the state share is 80:20 and 90:10. For development of MSME in Manipur, the State Government started

construction of Industrial Estates in the state. The Industrial Estate in Imphal West District at Takyelpat, the Industrial Estate at Tera Urak of Bishnupur District and Industrial Estate of Thoubal District at Kuraopokpi are running in full swing. Land is required for construction of Industrial Estate at Imphal East, Chandel, Senapati and Tamenglong. Construction of Industrial Estate at Khopibung, Churachandpur District and T.M.Kasom, Ukhrul District is in progress.

- ii) **Prime Minister`s Employment Generation Programme (PMEGP)** : The PMEGP was launched in Manipur since 2009-10. The PMEGP is implemented in place of the Rural Employment Generation Programme (REGP). During 2017-18, 5379 projects were targeted to provide employment to 16,137 persons.
- iii) **Make in Manipur** : With the objective of providing employment to unemployed youth in the state and generate additional income by promoting entrepreneurship in manufacturing and agro-based activities, the ‘ Make in Manipur ’ was launched on 2^{6th} November 2015 in Manipur. The Manipur Food Industries Corporation Limited (MFICL) is implementing the project in collaboration with the General Manager of District Industries Centre (DICs). Under the project, two gene banks which have been established at Bishnupur District will supply Lemon Grass Slips for cultivation in 800 acres and Stevia in 200 acres. Under the Scheme of Fund for Regeneration of Traditional Industries (SFURTI), project for carpentry, cane and bamboo and kauna craft at Thoubal, Chandel & Imphal East District respectively had been taken up to provide employment to about 1005 persons.
- iv) **Livelihood Business Incubators (LBI)** : Under the ASPIRE (A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship) of the Ministry of Small & Medium Enterprises, Government of India, 9 Livelihood Business Incubators were established in 9 districts of Manipur with the objective of lending support to entrepreneurs and promote start-ups for innovation and entrepreneurship in rural, agriculture based industry and products from forest, horticulture, fisheries and animal husbandry. Total number of persons trained under LBI was 5823.
- v) **Udyog Aadhar Memorandum (UAM)** : The UAM was launched in September 2015 by the Ministry of MSME, Government of India as part of `ease of doing business`. With the introduction of UAM, the EM-I & II filing system has been discontinued from September 2015. The Districtwise MSME with Udyog Aadhar Number registered in Manipur, since September 2015 is shown below.

Cumulative number of districtwise MSME with Udyog Aadhar Number in Manipur since September 2015					
Sl.No.	District	Udhyog Aadhar Regd.	Micro	Small	Medium
1	2	3	4	5	6
1	Senapati	621	588	32	1
2	Tamenglong	80	70	9	1
3	Churachandpur	635	587	48	0
4	Chandel	370	305	65	0
5	Ukhrul	125	90	35	0
6	Imphal West	4817	3827	977	13
7	Imphal East	3813	3297	509	7
8	Bishnupur	1324	1162	160	2
9	Thoubal	1726	1535	190	1
	TOTAL	13511	11461	2025	25
	Source : Directorate of Trade, Commerce and Industries, Govt.of Manipur, Annual Administrative Report, 2017-18				

- vi) **SC/ST Hub Scheme** : The National Scheduled Caste Scheduled Tribe Hub (NSSH)

was launched by the Hon`ble Prime Minister on 18th October 2016 with the objective to provide professional support to Scheduled Caste and Scheduled Tribe Entrepreneurs to fulfil the obligations under the Central Government Public Procurement Policy Order 2012, adopt applicable business practices and leverage the Stand Up India Initiative. Under this scheme, an amount of Rs.100 lakhs has been approved to be transferred by Ministry of MSME in respect of the State of Manipur.

- vii) **Industries other than Village and Small Enterprise** : The black rock and yellowish clay which are the raw material for production of special type of pottery are readily available at Nungbi, Ukhrul District. In view of the availability of the said material, the project was taken up under North Eastern Council (NEC) funding.
- viii) **New Industrial Policy** : The Industrial & Investment Policy of Manipur was introduced in November 2017 . It will be in force till 31 March 2022.
- ix) **Single Window Agency** : The State Government will facilitate setting-up of micro, small and medium industrial units as well as facilitate and expedite grant of licences, permits and mandatory provision requirements through a single agency for providing Single Window Clearance. This facility will be made available under Business Reform Action Plan evolved for Ease of Doing Business. This Single Window Agency shall be facilitated by an empowered State Level Committee comprising of the Administrative Secretaries of Textiles, Commerce & Industry, Finance, Planning, Revenue, Forest & Environment, Labour & Employment, Works, Power, Transport, Public Health Engineering, Health, Consumer Affairs, Food & Public Distribution, MAHUD, Fire Services, Law Departments, etc. including Manipur Pollution Control Board, etc. as may be notified by the State Government from time to time. Considering the crucial necessity of this aspect in industrial development, the Government will provide statutory provisions to enable the Single Window Agency to perform its task effectively. The empowered State Level Committee facilitating the Single Window Agency shall also facilitate vetting of all claims for grant of incentives submitted by industrial units under this Policy for examination and clearance.
- x) **Manipur Start Up Scheme** : With the introduction of Manipur Start Up Scheme by the State Government, Manipur has now secured the top spot for having the largest number of registered Micro, Small and Medium enterprises in the North East Region. Annual Report of the Ministry of MSME for the year 2018-19 showed that from 2015 to 2019, Manipur had business registration of around 12438 out of the total 68.25 lakh registration done in the country under Udyog Aadhar Memorandum (UAM).

STATUS OF FINANCE OF MSME IN MANIPUR

The total credit outstanding to the MSME sector was Rs.1211.48 crore as on 31 March 2020. Also, on a year-on-year basis, the total credit outstanding to MSME sector increased by 15.42% as compared to the year ended March 2019. Micro enterprises contribute to maximum share in terms of disbursement and total outstanding amount during the year ended 31 March 2020 followed by small and Medium enterprises.

As per the Annual Credit Plan of Manipur for FY 2019-20, scheduled commercial banks (excluding cooperative banks) were set a total annual target of Rs.424.32 crore for lending to MSME sector. As on 31 March 2020, banks had disbursed a total of Rs.379.87 crore (81%).

Performance of the banks that were allocated ACP target of Rs.5.00 crore and above is given in the table below :

Sr.No.	Name of the bank	ACP 2019-20 Target (in Rs.crore)	Achievement as on 31.03.2020 (in Rs.crore)	In %
1	State Bank of India	174.23	23.61	124.44%
2	United Bank of India	73.22	32.23	46.77%
3	Manipur Rural Bank	22.80	25.05	130.64%

4	Axis Bank	24.96	11.46	22.73%
5	UCO Bank	17.26	22.34	88.09%
6	Bank of Baroda	20.35	3.09	162.28%
7	HDFC Bank	17.58	65.19	570.04%
8	Central Bank of India	10.68	1.43	0%
9	Punjab & Sind Bank	9.05	3.65	55.64%
10	Allahabad Bank	7.12	17.73	188.91%
11	Punjab National Bank	6.28	0.32	40.90%
12	Bank of India	6.32	6.72	456.11%
13	Indian Overseas Bank	5.57	17.64	13.48%

7. ASSESSMENT OF POTENTIAL FOR THE YEAR 2021-22

- The handloom industry accounts for a good number of female workers in the working population. The products are in great demand within the state and also even in the national and international markets.
- The Service sector in the form of automobile repairs and servicing units, computer training institutes, electric and electronic repairs, agro service centres etc., offer good scope for development through institutional financing.

8. AVAILABILITY OF INFRASTRUCTURE, CRITICAL GAPS AND INTERVENTIONS REQUIRED, ACTION POINTS / ISSUES TO BE DISCUSSED

- Suitable training institutions may be set up to help the industry in designing new products.
- Augmenting flow of credit to rural non-farm sector and small entrepreneurs especially under the Swarojgar Credit Card scheme and Government Sponsored programmes like PMEGP, SGSY & KVIC Margin Money Scheme.
- Skill up-gradation of artisans, quality control measures along with escort services are required to be provided to entrepreneurs.
- Joint Liability Groups may be promoted by banks to enhance the credit flow to small traders, business groups and SRTO.
- Cluster approach to development of MSME sector and Proactive action from both government and banks.
- Infrastructural facilities like roads, power, communication and transport need to be improved substantially.
- Conducive recovery climate and stable environment need to be created to encourage financial institutions to extend credit support to this sector.
- Banks to extend finance under PMMY and Stand Up India Scheme.

