

## A PATH LEADING TOWARDS BRINGING ATMA NIRBHARTA IN MSME SECTOR

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### Abstract:

The AtmaNirbhar package will empower different sectors of Indian society, as much as it will help the pillars of the Indian economy to rise after the lockdown ends. It will also bestow advantages on those daily wage earners who work in the MSMEs (Micro, Small and Medium Enterprises), and build a self-reliant nation for the privileged Indians to take pride in. MSME has been redefined by increase the limits of Micro- 1cr-5 cr., Small - 10cr-50cr., Med- 20cr. - 100 cr. Further, the key announcement also made by the finance minister to empower the sector. Earlier some challenges faced by the entrepreneurs can be solved by adopting a new policy and technology. The sector is playing a pivotal role in the economy and its growth can give a new dimension.

**Key words:** Atma Nirbhar – MSME – Key Announcement To Atma Nirbhar – Challenges Which Can Be Curb By Amended Policy.

### Introduction

After World War II, Japan was completely devastated and its economy faced many difficulties. The Japanese students took turns writing notes during class. When one writes, another sharpens a pencil. Because in those days the quality of the Japanese pencil was inferior and the edge of the pencil would soon break. Other students advising these Japanese students say, why don't you use the best quality pencil made in England? It's not even expensive.

Hearing this brought tears to the eyes of both the Japanese students. And he replied that if we don't use the same thing that happens in our country then who will use it?? Today, even though we have failed the quality test, there will be one day when the whole world will use Japanese pencil. **It's time for us to think about this too.**

Prime Minister Modi is showing a path since 2014 for the Make in India but many have not yet taken it seriously but now the situation really and sincerely demands “Atma Nirbhar Bharat”, now we should very welcome this.

Atma Nirbharta means Self Reliance, Self-Dependence and Self-sufficient in all the sectors like Manufacturing,IT, Service sectors and many others. Now, we all are aware of the origin of Covid-19 and the worst part is that they have established their business roots and their need in every country. It is also being rumored that they want to rule the whole world and hence they have intentionally spread such a virus and still they have a lot of different viruses.

Many developed and developing countries have started boycotting Chinese products. India has also taken the same step, however the reality is completely different and it is next to impossible to completely boycott Chinese products. But, in order to reach our goal at the earliest it is necessary to at least take a step. For that we have to start producing in our own country and every Indian should understand the importance of Make in India, and go for only Indian products. The sad part of it is that we cannot even uninstall Zoom, TikTok and CamScanner from our phone as they are apparently an essential item for us.

Every Indian must understand that China is not only earning a huge income out of it but also gaining data about our needs, environment, etc. With the help of this data they develop products depending on the necessity of the region at a very cheap rate and eventually take over maximum market space of that product.

Waves have risen all over the world to shift the business from China to their home country or to another country. This Wave created a great opportunity for developing countries and definitely for us. Covid has thrown a lot of challenges our way which we are still trying to overcome, however like a ray of light in the darkness, it has given us opportunity to restructure a business of our own and even open heartedly invite and welcome other countries who want to shift their business from China.<sup>1</sup>

Luckily our country's leadership is very much understandable as well as supportive by creating a path and providing an economic package of Rs 20 lakh crore (equivalent to 10% of

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<sup>1</sup><https://www.msn.com/en-in/news/other/indo-china-conflict>

India's GDP) with the aim of making the country independent against the tough competition in the global supply chain and to help in empowering the poor, laborers, migrants who have been adversely affected by COVID. <sup>2</sup>

The package will empower different sectors of the Indian society, as much as it will help the pillars of the Indian economy to rise after the lockdown ends. PM alliterates saying "Rs. 20 lakhs crores in 2020". The package includes land, labor, liquidity and laws who will all be beneficiaries of the package.<sup>3</sup>

## Reforms

### Policy Highlights

- **Increase in borrowing limits:** The borrowing limits of state governments will be increased from 3% to 5% of Gross State Domestic Product (GSDP) for the year 2020-21. This is estimated to give states extra resources of Rs 4.28 lakh crore. There will be unconditional increase of up to 3.5% of GSDP followed by 0.25% increase linked to reforms on - universalization of 'One Nation One Ration card', Ease of Doing Business, power distribution and Urban Local Body revenues. Further, there will be an increase of 0.5% if three out of four reforms are achieved.<sup>4</sup>
- **Privatization of Public Sector Enterprise (PSEs):** A new PSE policy has been announced with plans to privatize PSEs, except the ones functioning in certain strategic sectors which will be notified by the government. In strategic sectors, at least one PSE will remain, but private sector will also be allowed. To minimize wasteful administrative costs, the number of enterprises in strategic sectors will ordinarily be only one to four; others will be privatized/ merged/ brought under holding companies.<sup>5</sup>

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<sup>2</sup>[https://www.business-standard.com/article/pti-stories/package-to-unleash-economic-growth-drive-post-pandemic-recovery-india-inc-120051201801\\_1.html](https://www.business-standard.com/article/pti-stories/package-to-unleash-economic-growth-drive-post-pandemic-recovery-india-inc-120051201801_1.html)

<sup>3</sup><https://www.prsindia.org/theprsblog/central-government>

<sup>4</sup><https://static.pib.gov.in/WriteReadData/userfiles/Aatma%20Nirbhar%20Bharat%20%20Presentation%20Part%205%2017-5-2020.pdf>

<sup>5</sup><https://static.pib.gov.in/WriteReadData/userfiles/Aatma%20Nirbhar%20Bharat%20Presentation%20Part-3%20Agriculture%2015-5-2020%20revised.pdf>

The MSMEs form the basis of the Atma Nirbhar Bharat Mission that the government aims to achieve. The economic package will bestow advantages on those daily wage earners who work in the MSMEs, and build a self-reliant nation for the privileged Indians to take pride in.

### **What is MSME?**

MSME stands for Micro, Small, and Medium Enterprises. In accordance with the Micro, Small, and Medium Enterprises Development (MSMED) Act in 2006,<sup>6</sup> the enterprises are classified into two divisions. As Finance Minister Nirmala Sitharaman defined the new by bringing about many benefits that will aid MSMEs to grow in size.

1. **Manufacturing enterprises** – engaged in the manufacturing or production of goods in any industry
2. **Service enterprises** – engaged in providing or rendering services<sup>7</sup>

### **Impact on MSMEs**

#### **Key announcements of Atma-Nirbhar Bharat Abhiyaan**

- ✓ Rs 3 lakh crore collateral free automatic loans for MSMEs
- ✓ Rs 50,000 crore equity infusion through MSME Fund of Funds
- ✓ Rs 20 crore subordinate debt for MSMEs
- ✓ Extension of registration and completion date of real estate projects under RERA<sup>8</sup>
- ✓ Immediate pending refunds issuance to all non-charitable trusts
- ✓ Extension of the due date for ITR for FY'19-20 to November 30, 2020
- ✓ **A hefty 50% subsidy on Patent registration** –  
Enterprises that have MSME Registration Certificate can avail 50% subsidy for patent registration by making an application to respective ministry.<sup>9</sup>

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<sup>6</sup><https://www.msmehelpline.com/msmed-act-2006.php>

<sup>7</sup><https://razorpay.com/learn/new-msme-definition-turnover-2020/>

<sup>8</sup><https://www.dhyeyaias.com/current-affairs/perfect-7-magazine/aatma-nirbhar-bharat-abhiyaan>

<sup>9</sup><https://ebizfiling.com/blog/benefits-of-ssi-or-msme-registration/>

- ✓ **1% exemption on interest rate on overdraft** - Enterprises that have MSME Registration can avail benefit of 1% exemption on interest rate on OD as mentioned in the scheme (this is bank dependent).<sup>10</sup>
- ✓ **Eligible for Industrial Promotion subsidy** - Enterprises that have MSME Registration are eligible for Industrial Promotion Subsidy as may be prescribed by the government on this behalf.<sup>11</sup>
- ✓ **Protection against delayed payments** - The Ministry of Micro, Small and Medium Enterprises gives protection to MSME Registered Business against delay in payments from Buyers and right of interest on delayed payment through conciliation and arbitration and settlement of dispute be done in minimum time. Buyer is payable if delayed the payment ,the penal interest chargeable for delayed payment to a MSME enterprise is three times of the bank rate notified by the Reserve Bank of India.<sup>12</sup>
- ✓ **Concession in electricity bills** - Enterprises that have MSME Registration Certificate can avail Concession on electricity bill by making application to electricity department along with MSME Registration Certificate.<sup>13</sup>
- ✓ **Reimbursement of ISO Certification charges** - Enterprises that have MSME Registration Certificate can claim reimbursement of ISO Certification expenses by making an application to their respective authority.<sup>14</sup>

Further, Atmanirbhar loan will cover the existing borrower with an outstanding credit limit of Rs 25 crore and turnover of less than Rs 100 crore as on 29th Feb 2020. It also covers borrowers with past dues of 60 days. Under the scheme Banks can charge up to 9.25% pa and NBFC can charge up to 14% pa. The credit line will be 100% guaranteed by CGTMSE with no guarantee fee. The Loans to have a 4-year tenor with a moratorium of 12 months on Principal repayment.<sup>15</sup>

However, the current situation is completely different, considering that we are certainly to have the first GDP contraction in 40 years. If incremental credit to numerous small business

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<sup>10</sup><https://www.mondaq.com/india/financial-services/956336/reliefs-announced-by-ministry-of-finance-13052020-qa-unveiled>

<sup>11</sup><https://www.news18.com/news/india/centre-raises-borrowing-limit-for-states-to-5-of-their-gdp-to-tide-over-covid-19-blues-but-puts-reforms-rider-2623783.html>

<sup>12</sup><https://www.firstpost.com/health/coronavirus-outbreak-live-updates-covid-19-india->

<sup>13</sup><https://www.mudrahome.com/blog/what-is-msme-its-importance-in-india/>

<sup>14</sup><https://zeenews.india.com/economy/highlights-of-finance-minister-nirmala-sitharamans-.html>

<sup>15</sup><https://www.ipaddress.com/search/ministry+of+micro%2C+small+and+medium+enterprises>

units (micro units) does not take place, disaster on an unprecedented level would happen. Existing GECL product, even though has good intention, needs certain tweaking to have the desired results. The start of the scheme is a welcome step. However, modification of the scheme is also the need of the hour if the Government wants to get desired benefits as intended from this scheme.<sup>16</sup>

### **Challenges to MSME**

#### **● PRODUCT RELATED CHALLENGES**

- Product and service range and usage differences.
- Complexity of trade documentation including packaging and labelling.
- Problems of storage, designing, packaging and Product display/Lack access to packaging technologies.

#### **● R&D/MANUFACTURING/DISTRIBUTION RELATED CHALLENGES**

- Low production capacity.
- R&D shortage
- Improper distribution system
- Poor delivery schedules and lack of proper distribution system.<sup>17</sup>

#### **● TECHNOLOGICAL /IPR RELATED CHALLENGES**

- Limited communication networks.
- Low levels of technology.
- Lack of accessibility to information and knowledge.
- Lack of accessibility to investment technology equipment and know-how.
- Low technology levels and lack of access to modern technology.
- Inadequate intellectual property protection.

#### **● GOVT.POLICY/ INFRASTRUCTURE RELATED CHALLENGES**

- Lack of government supply-supporting programs.
- Delay in getting power connection, water connection, permission of concerned authorities to discharge effluents, etc.

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<sup>16</sup><https://newagebanking.blogspot.com/>

<sup>17</sup><https://msme.gov.in/faq?page=3>

- Inadequate physical and economic infrastructure.
- The lack of infrastructure, logistics and marketing support.<sup>18</sup>

● **FINANCE RELATED CHALLENGES**

- Poor / non-availability of loan finance.
- Difficulties accessing financial resources/lack of capital.
- Lack of availability of adequate and timely credit.
- Limited access to equity capital.
- Limited capital and knowledge.
- Difficulties in accessing capital.
- Lack of sufficient finance at affordable interest rates.
- Highly inadequate credit flow.
- Diversion of working capital funds for acquisition of fixed assets

● **RAW MATERIAL RELATED CHALLENGES**

- Procurement of raw material at a competitive cost.
- Shortage of raw materials.
- Non-availability/ difficulty in procuring construction materials like cement steel etc.
- Non-availability of raw materials or increase in the price of raw materials without a corresponding increase in sale price of the products.

● **EXPORT RELATED CHALLENGES**

- Language barriers and cultural differences
- Risks in selling abroad
- Competition of indigenous SMEs in foreign markets
- Inadequate behaviors of multinational companies against domestic SMEs
- Lack of access to global markets
- Lack of government incentives for internationalization of SMEs
- Improper regulatory policies at the entry and exit stages
- Infrastructure issues like power tariff and lack of export infrastructure.

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<sup>18</sup><https://www.quora.com/What-is-MSME-and-what-are-the-benefits-of-MSME-registration>

## Discussions and Recommendations

The discussion shows that before the announcement of the package of Atma Nirbhar the situation and the definition was so different and now the picture has changed itself and the government has taken a wonderful initiative for ease of doing and establishing MSME as well as the COVID situation has changed every scenario in the world. MSME earlier shared 6% of our GDP but it might be even more now.

As our Finance Minister mentioned in early 2020, the expansion and growth in MSME will give a restart to the engine of economy and after the pandemic situation where there is a clear urge to be self-reliant the MSME Sector will play a very crucial role in growth of GDP as well as economy. The growth will lead to satisfy our other needs i.e. to be an atma nirbhar, local vocal etc.

- Earlier there was a **lack of adequate and timely access to finance** but after the introduction of the new schemes for MSME it seems like it's going to curb the mentioned issue. It will also enable easy availability of loans from institutions and also without collateral so it will give real push to any entrepreneur to start the business and be a global competitor. It will restructure the categories of MSME and will give it access to expansion and technologies, easy availability of raw material and also create interest in skill labor.
- **New Mechanism** was always an issue for the MSMEs. By introducing the scheme, employing more people with the qualification and equipped with new machinery will not be an issue. This would help to fall in steps with the global market. As a result the people will start understanding the need for local vocal ideas and start their own business and production in order to match with the quality and quantity of imports till date. Growth of the Sector will attract youth to be a part of this sector along with IT , Academicians and other Manufacturing Centers as well as training Centers, which will in turn help in solving the issue and get better results.
- MSMEs need a lot of **assistance** on several fronts. MSMEs are there all across the country but it faces the issue of the availability of support centers. So there is a need for increasing the number of support centers which can lead to extending the facility



for all the needs like material, guidance, marketing, and movement of goods and services, which is really a basic need of the business. In addition, the rural region lacks knowledge about safeguarding the Intellectual Property Rights of the entities. These centers can facilitate individuals and entities in obtaining patent in respect of new technologies / products / innovations, in a cost-effective manner.

- **Branding and Packaging, Marketing** always play an important role for a product. Of course the quality of the product is the most important thing but without branding and Marketing the product can't reach the world and will become only a local product. So all these factors are untouched by the small entrepreneurs hence there is a need to enlighten them about the importance of the same and after the COVID the sanitization and hygiene of the product and people are also very much important.
- **Duties & Taxes, Compliance** is the issue of any ease of business and new tax regime and more complicated compliances really become a nuisance for the entrepreneurs, so it must be easy and simple. After the Migration of Labors, issues related to labor, research, infrastructure are already existing for MSMEs.
- Government always introduces new schemes and benefits for the MSME but it pays attention only on the front end but on the ground reality is always different. Tax and compliance are easy but due lack of awareness at every point i.e. the assistant facility, technical knowhow, compliance benefits are not reaching the sector. There are important steps, however the initial step of making them aware of all benefits and simplicity of compliances and taxes and other benefits available for them is necessary and only then the sector can restructure and can become a global competitor.

The government seems to have taken MSME as a priority sector to become Atma Nirbhar and announced the schemes to help and also launch E-commerce portal 'Bharat Craft' that will act as a direct interface between sellers and buyers to boost employment opportunities. Further, MSME ministry has launched a scheme of 'second financial assistance' to help the PMEGP and Mudra units expand or upgrade, which is a very positive move for the future as MSME.

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