

**RAJYA SABHA**

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**\*SUPPLEMENT  
TO  
SYNOPSIS OF DEBATE**

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**(Proceedings other than Questions and Answers)**

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**Wednesday, March 18, 2020 / Phalguna 28, 1941 (Saka)**

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**Discussion on the Working of the Ministry of Micro, Small, and  
Medium Enterprises**

**SHRI T. K. S. ELANGO VAN, initiating the discussion, said:** The purpose of the MSMEs is to take economy to the rural areas, where we need economic activity beyond agriculture. But, today, this sector is being ignored by the Government. In the Revised Estimates of 2018-19, budget allocation for MSMEs has been reduced. MSMEs need funds for upgradation of technology, for marketing of the products and for training their workers. But, the banks are not willing to fund these MSMEs. Small industries should be supported by the Government. Banks should lend money to these industries, as they repay their loan to the bank. More than six crores people are employed in this sector. The contribution of this sector to the GDP was 45 per cent in 2010-11, which has now come down to 28 per cent, because support of the Government to this sector has reduced. This kind of treatment to this sector will increase unemployment. Reducing the Budget allocation is not a right policy.

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\* This Synopsis is not an authoritative record of the proceedings of the Rajya Sabha.

**SHRI ARUN SINGH:** Contribution of the MSME sector will be highest in achieving the target of 5 trillion dollar economy by 2024. The resolve to remove regional imbalances and to give opportunity for development to all sections can also be fulfilled only through the MSME sector. Mainly three things- innovation, technology and finance are require for its strengthen . Earlier governments were ignoring this sector, due to which there was not much development of this sector in 70 years. Now, 12 very important announcements have been made for this sector and through those announcements, there is continuous progress in this sector. In this way, this sector is getting stronger. The MSME sector contributes 29 per cent to GDP and a target of 50 per cent has been set for this in the coming times. It is the most employable sector after agriculture. Through this sector, 1 1.10 crore people are getting employment and self-employment and a target has been set to provide employment to 15 crore people. The sector also contributes 45 percent to exports. India is the second largest country in the world in terms of population and has immense possibilities of consumption. Keeping it in mind, it is the most important that this sector should be given more boost so that India can become self-reliant. Mass production is not required in this country but production by masses is required. Today, no collateral security is required for loans up to one million. Since the interest rate should be lower for the MSME sector, the government decided to give an interest subsidy of two percent in November. Our public sector undertakings purchases goods through GeM which have been made binding for them. Earlier, public sector undertakings used to procure 20 percent of goods through GeM, but now the government has increased it upto 25 percent. In addition to this, women can also become entrepreneurs, the arrangement has been made that if a public sector undertaking is procuring goods through GeM, then it will procure three percent goods through those units which are being run by women. Khadi is our glorious heritage. By promoting Khadi, Khadi has become fashionable today. Unique HS code has been established so that Khadi can reach all over the world, and get good prices of Khadi and people can get its benefits gradually. The government has come up with an SFURTI scheme. Clusters will be formed under that SFURTI Scheme. If there are more than 500 people in a cluster, they will be called Major Clusters. Many traditional artisans can gather through a cluster and promote their brand by

forming a group of their own. They can use the bank for raw material, develop skills and also use good technology. The government has also introduced the Credit Link Subsidy Scheme. If someone starts a self-employment venture project, then he gets a grant to set up a manufacturing unit costing up to 20 lakh rupees and someone establish his unit in the goods and services sector, then this government has given the benefit of 10 lakh rupees to them. Youth should be imparted training through technology and they learn about technology. Practical training is being imparted to rural youth by technology centres. The government has also allocated Rs. 200 crore for setting up technology centres so that the youth can start self-employment by getting training through these centres. Credit linked capital subsidy scheme has also been introduced. Existing units are in great need of technology. A provision of Rs. 800 crore has also been made for infrastructure development. An agreement has been signed with the Microsoft company for the data storage. Now SMEs sector will be able to keep their data on the cloud. Khadi handkerchiefs made by women affected by terrorism in Jammu and Kashmir will be sold on the platform of Paytm. This is a huge step taken towards women empowerment. A provision of Rs. 150 crore has also been made for Scheduled Tribes. In addition, Mission Solar Charkha was started through which we will achieve the goal of sustainable development and green economy. This will also create employment. Audit turnover has been increased to Rs five crore. Small and medium enterprises no longer need to be afraid of Inspector Raj. Now only one return will be filed. There is a spirit of MSME's in 'Make in India', 'Digital India', 'Start up India', 'Skill India' etc. This sector is developing well through a comprehensive plan.

**DR. AMEE YAJNIK:** The MSME sector is the growth driver of the economy. We need inputs to change the definition of micro, small and medium industry. It has to be either based on investment or on annual turnover or it has to be employment-based. The MSMEs sector is engaged in manufacturing activities and rendering of services. In manufacturing activities, it has value addition and we have more than 8,000 products that come out of this sector. Today we are talking about the budgetary allocation for this particular Ministry. As per the Ministry, there are about 634 lakh units in this particular sector. 99 per

cent of these units are in the micro sector, 0.52 per cent in the small sector and 0.01 per cent in the medium sector, that is where the definition needs to be changed. Twenty per cent of the MSMEs are in the rural areas and they constitute 40 per cent of our labour force. But, the Budget has completely shown cuts. In fact, the Marketing Assistance Scheme which was primarily set up to provide marketing assistance and increased competitiveness of SC/ST enterprises saw a sharp decline. This needs to be looked into when we are trying to promote this kind of budgetary allocations for a particular section and trying to bring them within the mainstream market. The ASPIRE was introduced with an aim to curb unemployment by creating new jobs in the traditional and agro-based industries. The scheme has seen only 20 per cent utilization of allocation of funds in 2019, and, despite the potential, has sidelined entrepreneurs from joining the economic value chain. There has been failing credit schemes for the MSMEs. The MSMEs look to the Ministry for allocations. They do not have the FDI route or major investments and they do not have access to the banks. The MSMEs accounted for only 1.23 per cent of the total outstanding bank credit in 2019, and with lack of alternatives, a slashed Budget and liquidity-crunch in the market, it has become increasingly difficult for businesses to find the line of credit. Availability of timely and low interest credit for the MSMEs is the biggest hurdle. Despite this, budgets have been slashed by a whopping 83.25 per cent. There are no social welfare schemes, social security and safety net for common citizens. You have cut down credit support programmes and schemes. One more scheme of the MSMEs which has been affected is the interest subvention scheme for incremental credit to the MSMEs. This scheme provides incentive to MSMEs. The scheme has seen a reduction by 43 per cent. These are schemes that have not lived up to expectations. So, let the people know where the fault line is. We may bring in e-commerce where it is required, but when you are talking of the MSMEs, I think, the e-commerce is practically hitting the backbone of the micro industries in the absence of any technological skill, technological innovation and skill development, because the ground reality shows that there has been a complete failure of the Make in India, the Skill India and the Digital India. We cannot show a rosy picture when we are staring at unemployment, which is facing us. These barriers have to be taken care of. Also, very small units face a

liquidity crunch and banks are asking for collaterals. These small units get money from their families, friends and savings. Their savings have gone because of the demonetization. The demonetization and the GST have killed the micro sector and the MSMEs sector. Almost 4.5 million jobs have been lost in a particular sector in the last four years. The small entrepreneurs cannot go to the banks to get liquid money. There should be a facility to see to it that loans are given easily. The bottlenecks in the regulatory mechanism have to be removed. We are talking about a large number of people employed in micro sectors. You have to look at the women entrepreneurs who come forward. They cannot get loans and they cannot have 'ease of doing business', which we are talking about everywhere, but we are unable to show the ground reality. The MSMEs sector is the primary sector and it should be given top priority. I would request the the Government to look into the budgetary allocations and to look at simplification of schemes so that it can reach the last person.

**SHRI A. VIJAYAKUMAR:** Tamil Nadu is a vibrant industrial state with a large base of big factories and small units. The State has an estimated seven lakh registered MSMEs. Presently, the MSME sector in Tamil Nadu is on the development plank. The Government is focused on trying to put money in the hands of people and thereby stimulating economic growth. Several proactive measures are taken by the Government at both the Centre and the State level to accelerate the growth of MSMEs and to boost investment. Labour-intensive sectors in MSME are critical for employment generation. Cheap and low-quality imports are an impediment to their growth. Keeping in view the need of this sector, I urge the Government to raise the customs duty for several items. Anti-dumping duty should be put on items. Development of khadi, village and coir industries needs a substantial rise in allocation. The flagship employment generation scheme of the Ministry, has got an all-time high allocation. The MSME sector is the backbone of our economy. Tamil Nadu is the leader in the MSME sector in the country. I urge upon the Government to allocate Rs.5,000 crore as the one-time special package to support the MSME sector in Tamil Nadu. I also urge to help these industries by renewing their works for another six months.

**SHRI RAVI PRAKASH VERMA:** The Reserve Bank has observed that from the year 2014 to 2016, about 19,60,324 MSME units have been found sick in the country. MSME units are the backbone and are growth drivers. The MSME sector needs an additional help. This is a very important sector. Its contribution to GDP is 29 percent. It employs about 11 million men. The six and a half million villages in India are potential assets. They can deliver goods all over the world by producing customized products. There is no required synergy between the State Governments and the Central Government regarding MSMEs. MSMEs is a sector of great potential, but there is no advisor. There is a need to map the natural resources of the district. The Mudra Loan Scheme is an ambitious scheme of the Prime Minister. In this scheme scams have occurred. There is a dire need for capital formation in rural areas. There may also be work on education, capacity building and herb processing. The MSME sector is a victim of apathy. Government should pay attention to budgetary allocation and should also increase it.

**DR. SASMIT PATRA:** The MSME sector in India holds a very important aspect for the economic growth as well as for employment. As per the Annual Report 2018 of the Ministry of Micro, Small and Medium Enterprises about 11 crore people of India are actually in the MSME sector. The budget of this important Ministry is 0.2% of the total budget. In 2018-19 share of export of MSME Sector is 48% and its share in Indian Manufacturing output is 33%. But the budget allocation for this Sector is 0.2% which is very unfortunate. As per some reports, we are not able to generate 286000 employment. There is an increase of 1.4% in PMEG Programme. This is not sufficient. There is decrease of 35% in Credit linked capital subsidy and 41% in Khadi Grant. Marketing assistance has come down from 10 crores to 4 lakhs. As per reports, MSME Sector will be affected by coronavirus . About 25% MSME would be shut down. Central Government has declared it as national disaster and the State Government has also declared it national disaster, under the circumstances we have to make provisions for this Sector. It has been decided by the Central Government and the Odisha Government to set up Tool Room cum Training Centre at Raurkela with Rs. 200 crores. There will be extension centres at Berhampur, Kalahandi, Keonjhar and

Balasore. Out of 226 clusters of MSME, 45 will be in Odisha. The Odisha Government would provide land as per commitment. It is requested to decide budget allocation and specific timeline. If the Government provide 7.5 thousand crores to those exporters who contribute 45% of export, it will not be justice with them.

**SHRI ELAMARAM KAREEM:** MSME Sector has emerged as a dynamic sector of Indian Economy over the last few decades. It provides employment at lower capital costs and also helps industrialisation of rural and backward areas thereby reduces regional imbalances. There are 6.34 crore enterprises in MSME. It provides employment to 11.1 crore workers and contributes around 28.9 per cent of GDP. The growth of MSME is concentrated mostly in few states. More than 50 per cent of its total units in the country belong to only four states. This Ministry should work in the direction of removing all the existing geographical imbalances and ensure presence of MSME in all the States. If MSME is nurtured properly it can provide sustainable growth. During demonetisation this Sector suffered much. Unscientific implementation of GST also affected this Sector. After outbreak of COVID-19, situation getting worsened. This is a crucial issue, study should be conducted over this. During 2020-21 out of the proposal of 13,429.01 crores only 7572.2 crores are allotted to this Ministry. It is just half the proposal. The Government has money for corporates and it helped them by reducing taxes but for this Ministry, Government have no money. This sector is providing employment to lakhs of rural workers. Due to the import of products which can be produced by the small-scale enterprises is also hitting severely this sector. All these aspects should be considered very seriously.

**SHRI ANIL DESAI:** Micro, Small and Medium Enterprises have always played an important role in the socio-economic development of India. MSMEs produce a diverse range of products and services and also provide large scale employment at low capital cost. The sector contributes handsomely towards the GDP of the country. In the State of Maharashtra, MSMEs account for more than 80 per cent of the total employment. The Maharashtra Government dreams of making the State a first \$1-trillion economy in the country. However, consumption slowdown and liquidity constraints have badly impacted the future of MSME sector. MSMEs are complementary to major auto

players. Lakhs of workers dependent on auto sector are fighting slowdown and fear of job loss. In the Marathwada region, the slowdown has spread to other sectors as well. Presently, similar is the condition of MSMEs in other parts of the country which needs a stimulus or boost from the Central Government. In a move to revive the perishing MSME sector, the Government had announced a slew of measures like GST refunds due to MSMEs to be paid within 30 days. Similarly, on the loan front, announcements were made regarding the facility for MSME to track loan applications online. In the current Union Budget 2020-21, allocation of Rs.7,572 crores has been made for MSMEs. The allocations made in the Budget and the measures declared to revive and boost the MSMEs should bring in positive changes with rise in production and services which would generate sizeable employment thereby contributing its plentiful share in the GDP.

**PROF. MANOJ KUMAR JHA:** When I look at the targets and achievements of the projects of the state of Bihar, the indication is clear that there is a big gap between the rhetoric and reality and the Government does not want to fill that gap. Demonetization and GST have major impact on MSMEs. At the same time, it has also been impacted by the recent overall economic slowdown. This sector needs protection. This sector does not have access to credit. Mid-sized MSMEs are in a much bigger crisis. The Government should consider what kind of relief can be provided to small traders and workers. Sir, the Chairman of Association of Maharashtra Industry and Trade representing thousands of MSMEs has said, "That bringing in new issues including investment facilitation and e-commerce, do not help small-scale entrepreneurs and consolidate the power of the big companies." We must also not forget that there has been a decline in the contribution to GDP from this sector. I have said it time and again. You are in Government; we are in Opposition. But, collectively, we can draw a blue print which is going to help this particular sector. Your Ministry responded to my question; and, the signals are worrisome.

**SHRI BINOY VISWAM:** MSME is a very promising sector and the Government always speaks about it. We call it the growth driver. We know the employment potential of this sector. There are 6.34 crores units and contributing 28.09 % to the GDP. 11.10 crores people are employed in it. It is very vital sector. But, the

Government is not supporting it. They have done only lip-service. If the Government is serious about MSME, the first thing they have to do is to make a study of the impact of the demonetization on the MSMEs. In fact, the Government was killing the growth driver. The Government has ruined the rural economy and the urban economy too by destroying the MSMEs. In the Budget also, the demand was for Rs.13,429 crores for the MSMEs. But, the Government gave only Rs.7,572 crores. In this way, neither MSME can be supported nor people can be employed. You promised employment to two crores of youth every year. You are only creating unemployment. You are the drivers of unemployment. You are the ruiners of the economy and you claim that you are going to build a five trillion dollar economy. What about the banks? No banks are being opened for the MSMEs. The banks' doors are closed for the small entrepreneurs. The Government has no care for the poor and the MSME units in the country. So, we should learn something from the Government of Kerala. Khadi was a part of the Freedom struggle in the real sense and even emotionally. The LDF Government in Kerala, supported the Khadi sector by doing them real help. The Government of Kerala has made special allotments for the Khadi sector. The uniforms in the schools are made from the Khadi clothes. For the exhibitions and the melas, people are invited to purchase Khadi products and rebate is given to Khadi sector. We believe that this Government is trying to support the MSME only by promises. This is a very, very disastrous path for the country's future.

**SHRI PRAFUL PATEL:** First demonetization took place. After that, GST came, causing the sector to suddenly prepare itself for a new system in terms of taxation. After that, there was an economic slowdown not only in India, but all over the world. Our MSME sector is not only confined to India, but also to the world. Let me give a small example, I am talking about after coming to Corona. Currently, a footwear manufacturing company supplied goods of 1 million Euros to Italy. The Italian company said that we cannot take the goods as the whole country is in shutdown right now. The automobile sector is currently down 20% year-on-year basis. Most of the the suppliers belong to MSME sector. Just now one of our colleagues was talking about budgetary support, it is not a question of budgetary support. The question is of the economic circle. How will we be able to fix it?

Today, not only millions, but crores of people's lives depend on this sector and we need to help them somehow. That's all I want to say. Thank you, Sir.

**SHRI SHIV PRATAP SHUKLA:** We had also seen the budget before 2014, even the allocated budget could not be spent. After the year 2014, MSME sought more than the allotted budget and obtained it and spent it. MSMEs contribute 29 percent of the total GDP. This sector contributes about 31% in the manufacturing sector, 30% in trade, 33% in services and 48% in exports. Currently, about 11.10 crore people in the country are getting employment from this sector. Under the Prime Minister Employment Guarantee Mission, 45,426 small scale units were provided assistance till 15 February 2020 and it created 3,047,000 jobs. Attention has been given to how people in MSMEs can get employment. Under the Pradhan Mantri Kaushal Vikas Yojana, 40.27 lakh people have been trained in till 17 January 2020. Sir, similarly under Stand-up India, a large number of people have got employment and more than 60 percent women, including SC / ST women got employment. We are discussing the NPAs of banks, but today, despite giving so many loans, overall this sector has less than three percent NPAs. In whichever sector this Government has worked to raise the condition of the people, the people of that sector have become the most honest and the honesty between the Government and them still persists. The last date for restructuring of 6 lakh industries in MSME sector was 31 March, which has been increased to 31 December to benefit them. By January 2020, 6 lakh accounts have been restructured. There is a loan of 25 thousand crores involved therein. This is the beauty of MSME. I would like to congratulate the Minister that he is always striving for the all round development of the MSME sector. The Prime Minister's goal is to increase the country's economy to five trillion dollars. Under this, MSME sector is the largest contributor to take up to two trillion dollars. There are small industries in MSME sector and PSUs do not pay them from time to time. If this payment keeps happening, then only the complete result of your sustained effort will be achieved. I request that attention should also be given to this. MSME sector consists of small-scale industries, which run on the basis of support. It is important to give them oxygen from time to time so that big industries may not swallow them. Without

support, we would not be able to encourage MSME sector. One problem of MSMEs is also the payment of loan. It has been the best thing that the Government has increased its duration from 90 days to 180 days. I would like to request the Minister that you should also pay attention to the amount of GST on MSMEs. We are happy that in the 2020-21 budget, the Minister has said to make 500 clusters. These clusters will play a very important role in MSMEs. For this, while there was Rs. 64.75 crore in 2019-20 budget, this Government has said to give Rs.1500 crore this time. This is very important for MSMEs.

**SHRI RIPUN BORA:** There is no doubt at all that the Honorable Minister, Shri Nitin Gadkari is a very able administrator and one of the few competent Ministers of this Government. But, under his leadership, the Micro, Small and Medium Enterprises Ministry have miserably failed in fulfilling the needs and aspirations of crores of unemployed youths of the rural areas. It is a gross injustice that this Ministry is going to revise the definition of the MSME on the basis of turnover, instead of cost and machinery. As a result, hardly two per cent units will attain the status of MSME. The definition of the MSME is not based on turnover only anywhere in the world. This Ministry has not taken any steps to do away the adverse effects of demonetization. Consequently, many units have been closed down. Moreover, the GST has also broken the backbone of the MSME. But, no steps have been taken to simplify the process of GST to save these small industries. Simply increasing the Budget of MSME would not reflect its performance. The MSMEs are facing the main challenge of availability of timely and low interest credit but this time, the credit support of MSMEs has been reduced from Rs. 597 crores to Rs. 100 crores. It is an injustice to the MSME sector. The Marketing Assistance Scheme was primarily introduced to increase the competitiveness of the SC and ST enterprises and entrepreneurs in both, domestic and international market. But in this Scheme, there has been a very sharp decline. For entrepreneurs joining economic value chain, the allocation is only Rs.30 crores. It is very insignificant. The Budget 2020-21 announced some technological interventions to tackle the problem of payments. But the promises on technological interventions have not been delivered. The dedicated portal of MSME Samadhan to register delayed payment cases saw a turnaround of only 24.5 per cent of all the

registered complaints. This is very horrible and disappointing. Normally, allocation should be increased year after year, but the allocation made for the Technology Upgradation and Quality Certification in 2019-20 stood at Rs.815.98 crores. But, this time, in the Budget, an allocation of Rs.683.91 crores only has been made. On the one hand, the Ministry is saying that the Government is giving top priority to the MSMEs, but on the other hand, there is such a drastic cut in the Budget. Thus, wrong working system of this Ministry has finished the dreams of survival, through MSMEs, of our crores of unemployed youths.

**SHRI SUSHIL KUMAR GUPTA:** Since demonetization, many owners of micro and small scale industries have started shutting down their industries and looking for jobs. Owing to the sealing by the Central Government, many industries in Delhi were shut down, many shops were closed and livelihood of their families has become difficult. Banks also made lending to micro and small industries very difficult. About 1.5 million industries closed between 2014 and 2016. The Government has started considering traders as thieves. This has shaken the confidence of the owners of micro, small and medium enterprises. In Delhi, the Delhi Government abolished the Business Department that looted traders' bases, but continuous loot by the GST Department of the Central Government is going on. Today, while the whole world is reeling under the economic downturn due to Corona virus, in such a time, entrepreneurs and businessmen should be helped immediately in every way and confidence should be instilled in them so that the economic downturn that has come after demonetization may not take a serious form. If we give priority to Micro and Small scale industry, create employment for youth, ensure equal participation of women, encourage entrepreneurs and businessmen, then our country can become a developed country. Today, after the closure of China's trade, an opportunity has also arisen in the country. We should encourage those entrepreneurs more so that we may send our goods to the rest of the world.

*Discussion not concluded.*

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*Secretary-General.*

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**ERRATA TO THE SUPPLEMENT TO SYNOPSIS OF DEBATE  
DATED 17<sup>th</sup> MARCH, 2020**

| <b>Page No.</b> | <b>Line No.</b> | <b>Correction</b>   |
|-----------------|-----------------|---|
| 417             | 21              | Delete "We gave it everywhere all along the State"<br>after "Kudineer". |