



## **AIMA's 10<sup>th</sup> MSMEs Convention**

***"Innovative Solutions for MSMEs: Challenges and Opportunities"***

Thursday, December 10, 2020: (Virtual Convention in Online mode)

### **Summary & Recommendations**

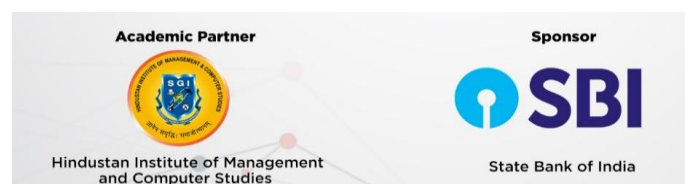
Mr Harsh Pati Singhania, President AIMA and Vice Chairman & Managing Director, J K Paper Ltd welcomed Mr Nitin Gadkari, Hon'ble Minister of Micro, Small and Medium Enterprises, Govt. of India. He thanked the Hon'ble Minister for agreeing to deliver the inaugural address.

The Hon'ble Minister Congratulated to All India Management Association for organizing the 10th MSME Convention and focusing on innovative solutions for MSMEs during the Corona pandemic. In his address, highlighted the importance of innovative approach and need for upgradation of technology in MSME sector to compete not only in the domestic market but globally. We require a dynamic and self-sustaining culture of innovation for the development of MSMEs. Today's economies have been characterized as "Knowledge-Based Economy" with knowledge being the most important resource and learning being the most important process.

Competitive advantage is less derived from access to physical resources and more from the ability of organizations and societies to generate ideas and to translate them into economic and social value. In the fast moving global order, knowledge and intellectual skills are critical to create and improve products and services, develop more efficient distribution and marketing methods and ensure customer satisfaction.

New ways of information management and application are used to improve competitiveness. A knowledge economy is not about accumulating information, but using knowledge to improve performance. And that performance can be enhanced with innovation.

Innovation is thus regarded as one of the most important factor in the Knowledge-Based Economy. This has become the driving force behind expanding global commerce and the rise in living standards.



It is, therefore essential for India to foster innovation, especially at the firm level, since firms, not countries, are the ones that have to that have to compete internationally.

He further elaborated that the government's interventions to revive the economy are working and reforms will continue with a strong focus on MSMEs and infrastructure sector.

The Indian Micro, Small and Medium Enterprises (MSME) Sector is the bedrock of India Economy. This vibrant and illustrious sector contributes about 29% towards GDP through its National and International trade. This sector generates employment for about 110 million people.

The major advantage of the sector is its employment potential at low capital cost. Indian MSME sector has seen many challenges in the past, but the unsavoury scenario presented by the pandemic has widely affected the sector. It is because of the massive efforts of Government of India that the sector is resurging steadily with new vigour.

He cited examples of positive impact of use of innovative approaches in Handloom and other sectors of MSMEs, particularly the growing popularity of innovative Khadi Denim products in USA and other western countries. There is the initiative of KVIC which has ventured into online marketing with the launch of portal, This portal has given a Pan-India reach to the Khadi products of village-based artisans, who can now sell their products to the remotest parts of the country. This online portal was launched with just Khadi Face Masks. It has now evolved into a full-fledged E-market platform with over 180 products at present. Indeed an impressive opening

The time ahead is brimming with opportunities. Scores of provisions have been made by the government to give the industry much-needed impetus to grow and realize their potential.

The manufacturing and services start-ups can now be registered as MSME and start availing the financial and the other benefits. We know that the Indian market is slowly but surely shifting its focus from imported products to Indian goods, which despite being of better quality sometimes loose to cheaper imports, the local holds a bright future.

He also mentioned that Indian MSMEs, the backbone of Indian Industry and economy should collaborate with international organizations to exploit the business opportunities beyond the national boundaries and integrate research, new technologies and innovation in every aspect of their business.

He further emphasized the need of converting knowledge into business processes and products offered by MSMEs.

The Hon'ble Minister released the Convention Souvenir and expressed his best wishes to AIMA.

### **Plenary Session 1: Innovation Readiness of Indian MSMEs: Issues and Challenges**

The session, chaired by Dr. Praveen Arora, Advisor/Head of Innovations, DST, Ministry of Science and Technology. Other speakers were Vipin Tyagi, CTO and EVP Strategic Relationship PGI, Dr. Arun Kumar Sarma, DG North East Centre for Technology Application & Reach, NECTOR, IIT Delhi and Trilok Kumar Jain, Director and Ecosystem for Innovation and Entrepreneurship (EIE).

They very effectively deliberated on innovation readiness of Indian MSMEs and the challenges lying ahead in terms of Capital, Technology adaptation- particularly Digital technology, Branding, Infrastructure, Research and Innovation.

They emphasized that MSMEs should take advantage of digital world to be innovative and competitiveness. Innovation should be core function of MSMEs. Firms, as production units where innovations are to happen, have been the focus. Overall status of innovative activities in the production system of a region is the result of the dynamics of the production system itself in one side and the technological and non-technological support available to the enterprises on the other. Together they create innovation eco-system. The system is constituted of demand and supply side. An innovative production dynamics creates demand on the state for appropriate technological and non-technological support to facilitate and augment its own initiatives towards innovation. Such types and nature of demands depend on the overall economic status of the region/state, industrial policy, historical pattern of growth of different sectors (path dependence of technological development), entrepreneurship development etc. Institutional arrangements for addressing such demands are done at the national level as well as at the regional/state

levels. Speakers are suggested that there is need to do innovation by focussing on following challenges:-

- Taking advantage of digital world,
- Need to focus on quality and transparency for global competitiveness
- Innovation in core functions
- Developing mechanism to convert the knowledge and recent research outcomes into business

## **Plenary Session 2: Emerging Opportunities for MSMEs**

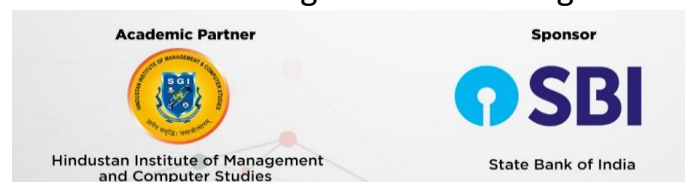
The second plenary session, chaired by Dr Rene' Van Berkel, UNIDO, India Representative and other distinguished speakers were Vinod Kumar Wuthoo President India SME Forum and Pradeep Sharma, DGM, SBI.

They articulated very well on roadmap for MSMEs as where to focus and how to grow their business by taking advantage of emerging business opportunities.

They highlighted the technology has transformed not only the way businesses work today but also changed lives of the people in business. Productivity has increased and so is the income levels of the work force. In addition, Technology has played a crucial role in improving the delivery of essential services and thus impacting the common man's lives. It has also made the environment very competitive. It is evident that the technology landscape of India is undergoing a rapid transformation with start-ups and incubators are bringing a big impact and enabling innovative thinking, thus helping to solve real-world needs and derive revenue streams by exploring new business opportunities.

New technologies such as artificial intelligence, block-chain and augmented reality (AR) have taken the sector by storm. Organisations both large and small across the world are today exploring different emerging technologies that can help them disrupt their market and change the way they look at business operations. Technology can provide lot of new opportunities to Indian MSMEs. Indian MSMEs can consider at exploring emerging and disrupting technologies and at adopting them and thus bringing them to mainstream operations.

At present, the Indian manufacturing sector is still in the post-electrification phase with use of technology limited to systems that function independently of each other. The integration of physical systems on cyber platforms may provide to the Indian manufacturing sector including MSMEs a much needed



boost. Furthermore, the Micro, Small & Medium Enterprises (MSME) segment has very little access to technology due to the high cost and associated barriers.

Furthermore, with the government's focus on manufacturing through programmes such as 'Make in India' and policies such as the 'National Policy for Advanced Manufacturing', MSMEs could play a key role in boosting the manufacturing sector's share in the country's GDP to 25 per cent by 2025.

The esteemed panelists highlighted the need for MSMEs to re-think and re-invent the production strategies, differentiators and geographical reach including overseas market by exploiting e-commerce and identifying the shift in consumer preferences.

### **Plenary Session 3: Innovative Financing for MSMEs**

The third session on 'Innovative Financing for MSMEs' was chaired by Mr. M Nagaraj, Director, Corporate Planning, HUDCO. Other distinguished panelists in session were Mehnaz S. Safavian, World Bank, Bangkok, Rahul Priyadarshi, General Manager SIDBI Ltd and Shamz Terbez from State Bank of India

The panelists shares critical information on innovative ways of addressing the MSME's need for finance including, managing cash flows, paperless banking using online banking platforms, control on cash flow, term lending and innovative financing by organizations like SIDBI.

They reiterated that SME finance is the funding of small and medium-sized enterprises, and represents a major function of the general business finance market – in which capital for different types of firms are supplied, acquired, and priced. Capital is supplied through the business finance market in the form of bank loans and overdrafts; leasing and hire-purchase arrangements; equity/corporate bond issues; venture capital or private equity; asset-based finance such as factoring and invoice discounting, and government funding in the form of grants or loans.

They emphasised that recent R technological innovations have transformed the entire financial services value chain. Additionally, the use of behavioural and psychometric information & social media traces has equipped several non-banking financial institutions (NBFCs) in bridging the funding gap for Micro,

Small and Medium Enterprises in the country. Having targeted niches in the SME lending sector, fintech has paved a hassle-free route to flexible and customised credit products.

The market appears to be positively predisposed towards fintech lending. The digitization also increasing in Indian MSMEs

They highlighted that around 40% to 65% of MSMEs in emerging markets are either underfunded or not funded in the first place, by the formal financial sector. There have been various efforts and policy measures across developing economies and emerging markets, particularly focused on establishing robust financial infrastructure, and innovative financing mechanisms for MSMEs. Credit Guarantee Scheme for Micro and Small Enterprises (CGS) was launched by the Government of India (GoI) and Small Industries Development Bank of India (SIDBI) to make available collateral-free credit to the micro and small enterprises.

There are several innovative financing schemes are launched and are in implementation process by various institutions involved in development of MSMEs sector. These are Performance and Credit Rating Scheme, Innovative Coir Products Coir Udyami Yojana, T Coir Vikas Yojana, Mahila Coir Yojana, Debt Equity Advisory Training and Credit Linked Capital Subsidy Scheme (CLCSS).

The government has also launched Emergency Credit Line Guarantee Scheme in Aatma Nirbhar Bharat. Guaranteed credit support for 26 stressed sectors identified by the Kamath Committee. Original ECLGS had one year of moratorium and 4 years of repayment, the new scheme will have 1-year moratorium and 5 years of repayment

#### **Plenary Session 4: Branding & IP – Challenges for MSMEs**

The session, chaired by Mr. Prahalad Kakkar, Indian Ad Film Director and Chairman, India SME Forum and other distinguished speakers were Gurbandini Kaur Associate Professor, CME, AIMA and Amit Raj Sinha, Managing Director & CEO ,Sigachi Industries Pvt. Ltd

They highlighted the importance of branding for MSMEs for increasing their footprint not only in the country but across the world. The need to increase the amount of effort in branding by MSMEs and transparency in business



processes with a long term focus was emphasized. Also, the session deliberated on the need for MSMEs to focus and invest more in People, Systems, Product, Market Development and improving relationships with stakeholders.

They further elaborated that entrepreneurs should know that branding can provide SMEs a Competitive Edge. A sound deliberated brand is, therefore, an advantage that adds worth to your product or services to urge sales and business presentation. A brand name locates your venture in the consumer's intelligence. Once the product is recognized, it will not only assist the firm to keep long-term clientele but will also draw the consideration of a huge number of possible clients. This will effectively improve the competitiveness of the enterprise in local, local and international markets.

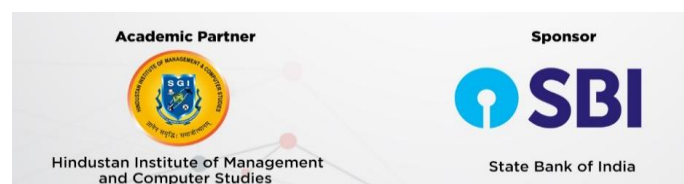
They also explained that there is now developing recognition among Indian SMEs showing a powerful entrepreneurial soul, that promoting and a viable branding methodology can be an effective way to create long-term value. A dependable brand system will enable SMEs to make advances in the psyches of their clients and will guarantee that all items and administrations have a visual personality and great situated in the division that SMEs work in. A decent branding technique can enable SMEs to make their very own specialty and empower their intended interest group to recognize and separate their image in the jumbled commercial centre

AIMA study findings also added that a process brand esteem and successfully manufacturing brands and administrations has creating awareness and started for Indian SMEs. In the context of brand promotion, it is important to point out that all MSMEs, of any trade or industrial segment, are capable of having one or more kinds of IPRs (Intellectual Property Rights) in their portfolios.

#### **Plenary Session 5: Digital & Social Media Marketing Strategies for MSMEs**

The fifth session on 'Digital & Social Marketing Strategies for MSMEs' was chaired by Mr. Kartik, CEO, Agnitio. Other distinguished panelists in session were Rajesh Kumar Pandey, CEO, Omniscient Computers Pvt Limited and Arup Majumdar Chief Executive Officer, Trariti Consulting Group

They shared that ongoing developments in digital & social media technologies have created a major paradigm shift in business-to-customer relationships leading to a shift in information control. Customers are no longer passive



'receivers' of company and brand-related marketing messages. Instead, they are engaged in initiating conversations with and providing feedback to businesses, as well as in creating and sharing content among themselves. Digital Marketing and Social media allow users to create and share personal profiles, establish and develop new connections, and provide and acquire information in an interactive manner. Open access to other members' contacts provides consumers unprecedented opportunities to control the process of marketing communications by exponentially spreading viral messages about products, brands, and/or customer service that can be either detrimental or beneficial to any business. Digital Marketing & social media are acquiring strategic significance for companies that appreciate their capacity for targeting, promotion, public relations, and market research.

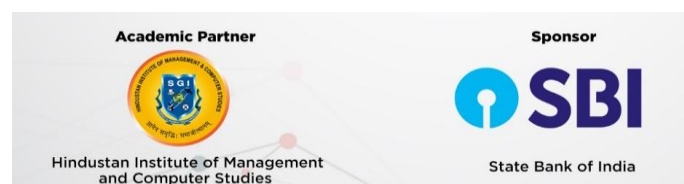
They suggested that Social and Digital marketing strategies are an important part of the overall marketing strategy of a business. It is true whether or not a company is doing business online. It is also true for a small, medium, or large size company but especially true for a small company.

Small business marketing for a local company can include many offline local advertising methods but needs to include a healthy portion of digital marketing strategies to be successful and maximize sales in today's economy. A small & medium enterprises business that is doing most or all of its business online needs to embrace a digital and social marketing strategies that helps online users see it.

Currently both Social and Digital Marketing can be done by Indian MSMEs by focussing on Search Engine Marketing, Local Search Marketing, Content Marketing, Social Media Marketing and email Marketing. There is need for MSMEs to develop their strategies in accordance to need of their products and services. Some of them are more important to local, offline businesses, while others are more effective with online businesses.

## Recommendations

- Innovations are needed for the growth of Indian MSMEs. Prabhat Kumar committee recommended Rs. 1000 crore fund for innovation in this sector. The need of government intervention was also suggested to assume the role of a critical stakeholder for significant push in terms of funds, infrastructure, technical knowhow and exposure — areas where





the government's intervention can make a significant impact and make the benefits of innovation accessible to the bottom of the pyramid. The Government should initiate the process of allocating fund as suggested in Prabhat Kumar committee

- Building Linkages between the MSMEs and Global e- commerce companies have provided lot of opportunities to MSMEs to market their products domestically as well as globally. There should be promotion and announcement of targeted policy the Government for MSMEs to link their products with e- commerce companies globally.
- Many MSMEs have struggled financially since the lockdowns and have been unable to sustain jobs despite the government's credit relief package. The government should consider giving direct assistance to the MSMEs specifically manufacturing MSMEs.
- The government has announced an extension of the Emergency Credit Line Guarantee Scheme till March 31, 2021. Indian MSMEs are badly affected by COVID-19 therefore we recommend that it should continue up to March 31, 2022 to provide relief to MSMEs .
- There is need to increase procurement from the MSMEs on Government e- Market Place( GeM). The government should come out with sector specific targeted plan to increase procurement from the MSMEs
- The Government should focus on increasing the digital content of MSMEs businesses by enhancing the use of digital services, skills and digital technologies. The policy should include building digital infrastructure for MSMEs i.e., enhancing digital connectivity, promoting digital skills, developing data infrasturure for MSMEs exports, fostering digital start-ups; encouraging use of digital technologies and digital services in traditional MSMEs; and promoting national digital platform
- Most Indian MSMEs do not appreciate branding and intellectual property rights, and they struggle to move up the value chain because of that. There is need specific policy by the Government to promote IPR culture among India's MSMEs.

- Indian MSMEs need to have their own Smart Phone App to protect their customers to App based businesses. MSMEs need to be trained on Smart Phone App to acquire the benefit of first provider advantage.