

Sushree Shobha Karandlaje

Date: 21.08.2024

Hon'ble Minister Of State Government of India
Ministry Micro, Small and Medium Enterprises (MSME)
Udyog Bhawan, Rafi Marg, New Delhi - 110011
Email: mos-msme@gov.in

Sub: **Challenges of MSME in Electronic Sector in India**

Hon'ble Minister Madam Shobha Karandlajeji

Confederation of Indian MSME in ESDM & IT(CIMEI) is a PAN India Trade Association of entrepreneurs from ESDM, Information Technology segment of MSME across the nation.

We appreciate all the initiatives of Government of India to make India 3rd largest economy with "**Mission Make in India**" thereby making India "**Viksit Bharat**" by 2047. CIMEI and its members are truly committed to take the mission to the logical end. We also agree with vision that growth of economy to 5 Trillion by 2027 is not possible without the growth and participation of MSME.

Even though ministry of MSME has been taking proactive measures for growth and protection of MSME the executive at various Govt Department is not following the mandate of MSME ministry and hampering the desired results. We are making few suggestions which will provide the desired growth.

1. Implementation of existing policies

Govt of India, MSME ministry rolled out an order no SO.581(E) dated 23-3-2024 which was also approved by the Parliament, wherein important guidelines are as follows:

1. MSME units will get 25% reservation in all Govt purchases if the price quoted by them is in variation of 15% and they are ready to match L1 price in BID
2. 3% reservation will be given to women entrepreneurs with the overall quota of 25% as stated above.
3. Setting up of Grievance Cell for redressal of problems faced by MSME towards unreasonable conditions in tenders floated by Govt Departments & agencies.
4. Development of MSME vendors by organising buyer and seller meet.

Above order issued in 2012 is still valid and FAQ issued on 25th March 2022 rely on same.

It is unfortunate that most of the Central Govt Department and PSU are not following the above GO and not allowing desired preference to MSME. Concerns have been raised about the quality of products manufactured by MSME under MII program, organising buyer seller meets by MSME ministry on regular basis shall bridge the gap and also create better understanding between buyer and seller.

On 10-3-2016 vide OM no 1(2)(1)/2014-MA Part, MSME ministry directed that Prior Experience and Turnover clauses will not apply to MSME, but in most of tenders this condition is flouted and tenders are being allotted to large foreign enterprises.

2. Upgrading MSME To The Next Level

There's roughly 63 million of MSME in India and contributing about 30% to India's GDP. MSME are considered the backbone of India's economy. MSME has employed 21,08,40,065 as on 18.08.2024 people across the country. We have to upgrade MSME to the next level? Government can do so by following measures:

1. Working on hurdles towards the fund management and licencing rules: Shortage of capital is a major concern and as announced by Hon'ble Finance in budget speech of 2024 credit appraisal process by banks needs to be looked upon and funding of loans through CGTMSE schemes be monitored by MSME department.

Performance Guarantee in tenders be waived for MSME units registered on GeM for 5 years and having experience of supply.

SIDBI should be encouraged for direct funding of MSME units.

Credit Rating mechanism based on experience and profitability of existing MSME be evolved.

2. There is severe shortage of Skilled manpower in Electronic sector. Our Associations can set-up skill training centers for Secondary School level, diploma level. Currently under **NSDC**, skill training is provided based on the demand under **PMKVY**. We suggest government to help us create Industry-Academia collaboration to provide skill trainings and reduce the skill gap.

3. Enhancing the Capacity for Growth (Capacity building).

4. Markets for Efficiency and Inclusion.

5. Technology and Innovation including technology upgradation through IIT and other research institutions.

For above Strategy Challenges, the MSME Ministry has substantive role to play. CIMEI is committed to move forward mission "Make in India" in line with Government policies.

3. 45-day MSME payment rule

To ensure timely payments to the Micro, Small and Medium Enterprises (MSME) sector, a new regulation was implemented from April 1, 2024. This regulation requires companies to settle their dues with MSMEs within 45 days. Non-compliance will lead to a tax liability on the overdue amount. The Finance Act 2023 introduced an amendment to the Income Tax Act by adding clause (h) to Section 43B. This clause stipulates that any payments owed to MSMEs, not resolved within 45 days, will not qualify for tax deductions until the payment is made. The aim is to motivate larger entities to prioritise their settlements with MSME counterparts, thereby promoting a more robust economic environment for these smaller businesses. Section 43B(h) is applicable to transactions that involve the purchase of goods or services from enterprises registered under the MSME Act, 2006. We suggest that this rule may be made mandatory for all buyers from Central Government, CPSU, Subordinate Offices & Corporations. This rule may also be extended to all State Government bodies.

4. Alignment with State Govts:

Efforts should be made for signing MOU with all State Govt so that the State Govt departments and State Govt Corporations may adopt the Public Procurement Order so that growth of MSME is in line with national vision.

Just for example and better understanding, we have attached an excel sheet showing Tender Number/Department/ Type of policy violation to prove our point. The tenders from the state violating MSME Norms is also attached for reference.

Madam, the existing policy is absolutely fine and we just want the policy to be implemented without any diversions.

Our suggestion:

We seek your intervention and issue an OMNI-Circular to all concerned departments asking them to follow the guidelines issued in the policy and achieve a more efficient, effective, and transparent public procurement procedure.

Looking forward for a prompt response.

Sincerely yours



Jairaj Srinivas
Director General
Confederation of Indian MSME in ESDM & IT
Mobile: +916364836168
URL: www.connectcimei.com