

# 12th Plan strategy to boost MSME growth mooted

A working group constituted by the PM recommends an allocation of ₹64,790 crore

**T E NARASIMHAN**  
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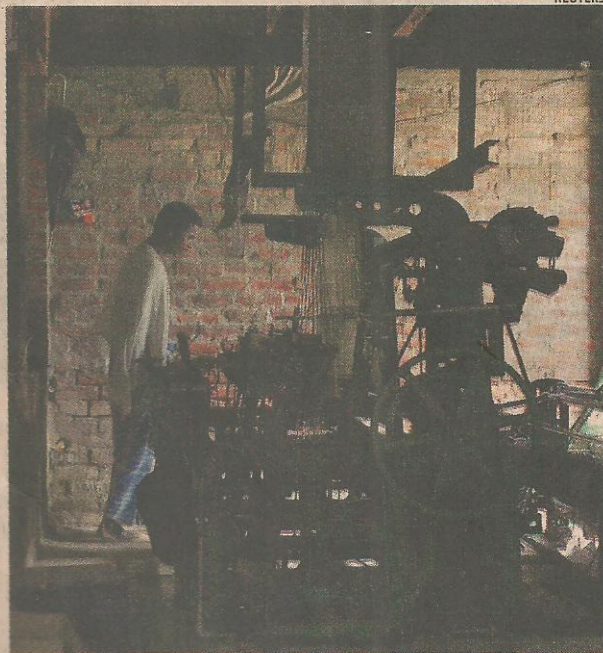
The working group on the growth of micro, small and medium enterprises (MSMEs) in the 12th Five-Year Plan (2012-2017) has said that if the sector has to grow, the focus should be on finance, including credit; infrastructure; technology; marketing and procurement; skill development and training; and strengthening institutional structures.

The working group was constituted by Prime Minister Manmohan Singh and has recommended allocations to the tune of ₹64,790 crore. The group also said that instead of launching a separate scheme for start-ups, it may be appropriate to address the issues listed above under their respective verticals.

The MSME sector is a blend of the traditional and the modern, with informal sector enterprises at the bottom of the pyramid. The process of liberalisation and global market integration has opened up wide opportunities for the sector, as also new challenges.

The new National Manufacturing Policy (NMP), which aims to make India a manufacturing hub and increase the sectoral share of manufacturing in GDP to 25 per cent in the next decade, from the present level of 15-16 per cent, requires substantial support from the MSME sector and a quantum jump in its growth rate from the existing level of 12-13 per cent per year.

This necessitates convergence of efforts and resources, the Group observed. The key issue, according to the working group, is build the capacity of small business service providers to become efficient



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## TO THE SMALL UNIT'S AID

Allocations recommended by a working group for micro, small and medium enterprises in the 12th Plan under major verticals

Vertical	Projected BE for 12th Plan (₹ crore)
Credit & finance	19,450
Technology upgradation	9,500
Infrastructure development	11,360
Marketing & procurement	2,110
Skill development & training	3,600
Institutional structure	3,100
Khadi & village industries sector	14,800
Coir sector	870
<b>Total</b>	<b>64,790</b>

and pro-active agents of change.

"This requires convergence of sound macro-economic policies, seamless institutional structures, outcome-based performance indicators, performance-based funding, good governance — transparency and accountability systems, independent monitoring and

evaluation, effective participation by target beneficiaries," the group has said.

Some of the issues that obstruct the rapid growth of MSMEs, according to the working group, include regulation, technology, credit and finance, orthodox marketing, skill deficits, a dated institutional framework, advocacy and

empowerment, and transparency.

The group has recommended that during the 12th Plan period, modular industrial estates with plug and play facilities may be launched as pilot projects.

"For starting capital, globally angel/venture funds are the prime source of funds to the start ups. While these funds finance a project on the basis of their own risk analysis and valuation, the Groups opines that Government can provide some comfort which could be in the form of a guarantee or by co-investment through a Government promoted venture fund. The venture capital fund launched by Sidbi can play major role in this regard".

Towards protecting the intellectual property (IP) generated by start-ups, the government should assist in filing of patents or alternative IP protection mechanisms. The IP facilitation centres set up under the IPR component of the NMP may be nodal points in guiding, handholding and subsidising start-up entrepreneurs in protecting their IPRs, the working group said.

"Instead of launching a separate scheme for start-ups, it may be appropriate to address the above issues under the respective verticals," it added.

Setting up of modular estates has been taken up under the infrastructure vertical and of financing mechanisms under the credit and finance vertical. IPR-related issues are to be taken up by the IP facilitation centres, which may be funded under the NMP component of the technology vertical. However, a cell in the office of development commissioner, MSME, may be formed to function as a single window for start-ups.