

SCHEME FOR PROMOTION OF MSMEs IN DEFENCE

1) Introduction

One of the key objectives of the Make in India initiative of the Government of India is to bring Micro, Small and Medium Enterprises (MSMEs) into the defence supply chain and thereby boost the self-reliance of the country in defence, and also contribute towards the burgeoning defence exports market. MSMEs are a key component of every economy. Studies show the importance of MSMEs as employment generators. MSMEs include innovators and mediators in the supply chains of larger enterprises, and are important contributors to GDP. MSMEs are relevant in developed and developing countries alike, bearing in mind that definitions of MSMEs differ by the size of the economy.

India had 13 million SMEs in 2008, equivalent to 80% of the country's business, which has now doubled in a decade. MSMEs already contribute significantly to defence manufacturing with thousands of quality products, mainly at sub-system and component level. As much as 50% of the manpower engaged in manufacturing in India is engaged in MSMEs.

However, the MSME units within the country are not fully integrated like the chambers in developed nations. Further, the Indian labour laws are not in sync with our competitors in China and ASEAN countries. The value addition by the MSMEs in India is also comparably low. Therefore, despite having immense potential, in terms of know-how and technical expertise, lack of clear policy and organised hand-holding has prevented the full exploitation of MSMEs.

It is high time that such measures be adopted that help create an enabling environment to milk the potential of MSMEs vis-à-vis the defence sector to the maximum. To this end, it is proposed to create a scheme for promotion of MSMEs. The MSMEs will be educated about the requirements & expectations of the defence sector, and the enabling provisions & avenues introduced by the Government to incentivise them, through various events viz. conclaves, workshops, vendor development meets, seminars, exhibitions and on-site visits to the prominent defence sector establishments in the public and private sector. In Tier II and Tier III cities across the country with strong industrial and MSME presence, with the support of the Department of Defence Production (DDP), MoD. The conclaves will be co-hosted by partner agencies and the local industry associations. Speakers and resource persons will be selected from experienced defence sector professionals and representatives nominated by the MoD, Service HQs and Indian/ foreign OEMs.

2) **Objectives**

The primary objectives of the proposed events are as follows:

- i. To unlock the potential of the non-defence sector MSMEs located in Tier II and Tier III cities across India by providing them with relevant information about the Government of India's 'Make in India' programme in defence.
- ii. To give a new impetus to the development of defence production in the country both for its domestic needs and also for exporting to friendly countries, by involving the MSMEs in larger numbers.
- iii. To provide know-how to Indian MSMEs active in non-defence sectors for their entry in the defence sector through workshops and conclaves.
- iv. To tutor the MSMEs about the prospective market and business opportunities around the world.
- v. To enable institutionalisation of the interaction of foreign OEMs with MSMEs to encourage wider participation in the offset business industry.

3) **Scope**

- i. MSME vendors will be imparted awareness and information about opportunities emanating out of the Defence Procurement Procedure, and more specifically out of the new Make II procedure.
- ii. MSMEs from non-defence sectors to be connected with OEMs, DPSUs and OFB to help them avail the opportunities under Make in India programme in the defence sector.
- iii. MSMEs to be educated about the relaxations in the procurement process.
- iv. MSMEs will be familiarised with the various funding mechanisms established specifically for facilitating capable entrepreneurs low on capital, or for capital intensive projects.
- v. Explore the possibility of establishing common testing and allied facilities at select centers.

4) **Coverage**

The proposal envisages the following deliverables:

- i. Boost Make in India, consolidate existing defence manufacturing ecosystem and induction of competent MSMEs of other sectors to defence sector.
- ii. Identification of location specific problems that need to be addressed by MoD, particularly, DDP.
- iii. Identification of MSMEs with strong potential to meet technology requirements of the armed forces.
- iv. Promote defence exports.

- v. Boost MoD outreach.

5) **Operationalisation of the Proposal**

The organisation of the proposed events could be conducted either through the government route or the private sector. In the former scenario, Defence Exhibition Organisation (DEO) will take the lead role in the conduct of the above events. In the latter scenario, private establishments which extend a proposal for organizing such MSME promotion events may be asked to submit a plan. Based on the evaluation of this plan, DDP will work out the support / funding for the event.

6) **Eligible Agencies**

Under this proposal, the management of the proposed events can be through DEO / Leading Think Tanks / Industry Associations / Local Industry Chambers / NSIC / Any agency or any entity as may be recommended by Department of MSMEs.

7) **Criteria for Sanction**

The criteria for sanction will be the impact assessment of any proposal. The factors to be considered for the assessment include proposed coverage in terms of Catchment Area, number of MSME units, range of defence items/ equipment targeted, potential outreach of the proposing agency, geo-demographic potential of the region and extant Infrastructural facilities.

8) **Funding**

- A) The Scheme will be funded by Government of India. The following norms will be adopted for providing financial support for the events:
 - i. For National level events, DDP will provide annual sponsorship subject to a maximum limit of Rs **2 Lakhs/event** along with permission to use logo of MoD.
 - ii. For State level events, DDP will provide annual sponsorship subject to a maximum limit of Rs 1 Lakh/event along with permission to use logo of MoD.
- B) Since Finance has approved 01 National level and 03 State level conclaves in pilot mode, fund requirement upto Sept'2019 will be Rs 5 lakhs.

Funds for MSMEs Conclaves, exhibitions, seminars, etc will be provided under Major Head 2076, Minor Head 109- Inspection organization, SubHead C- Misc Expenses, Code Head 382/30.

9) Governance

An Empowered Committee (EC) as below will be set up to evaluate & clear all such proposals based on the criteria as laid out in Para 7:

The Composition of the Empowered Committee shall be as under:

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| 1. Additional Secretary (DP) | - Chairman |
| 2. Addl Financial Advisor | - Member |
| 3. Joint Secretary (DIP) | - Convenor |

10) Validity

The arrangement will in pilot mode. The scheme will be reviewed in Sept'2019.