

Modi Govt's MSME Team Scheme: Hope Or Trouble?



Indian micro, small and medium enterprises (MSMEs) will be a key force in the movement towards Atmanirbhar (self-reliant) and Viksit Bharat (developed nation), said newly appointed MSME minister Jitan Ram Manjhi on 27 June. In a fast-changing industrial landscape, MSMEs need to align themselves with adopting digital and technological solutions, he stated while addressing the day-long event of International MSME Day.

Manjhi further stated that legal reforms in the MSME sector will work as a force multiplier as part of the ongoing reforms of the government. Notably, the minister dedicated the MSME Trade Enablement and Marketing (Team) initiative and Yashasvini Campaign to the MSMEs on the same day.

The MSME Team scheme, a Rs 277.35 crore initiative slated to operate from 2024 to 2027, aims at facilitating five lakh micro and small enterprises for onboarding onto the Open Network for Digital Commerce (ONDC) by providing financial assistance for onboarding, cataloguing, account management, logistics, packaging material and design.

The government informed that this will enable the MSMEs to widen their customer base, increase their income and also strengthen the trustworthiness and credibility of MSMEs by establishing their digital

presence and transaction history. Half of these beneficiary MSEs will be women-owned enterprises.

Experts have stated that increased market access and heightened competition are pivotal outcomes of the Team scheme. Sectors such as food and beverages, fashion, non-edible utilities, decor and handicrafts are poised to benefit significantly from enhanced visibility and accessibility facilitated by the initiative.

Under the TEAM scheme, MSEs stand to benefit in several ways. Firstly, they can significantly reduce commission costs, as ONDC offers a seller-oriented and economically viable alternative to traditional e-commerce platforms, which typically charge commissions ranging from 30 to 40 per cent.

Additionally, MSEs will receive subsidies through Seller Network Participants (SNPs) for critical services such as catalogue creation, account management, payments, packaging and logistics. Moreover, this initiative is expected to foster growth not only among Indian MSEs but also among Seller Network Participants, who will play a pivotal role in aggregating value-added services for platform sellers.

Bhuvnesh Gupta, Co-founder, Poshn told BW Businessworld, "However, certain challenges may arise, including limited digital access, financial constraints, payment failures, delays in deliveries, issues with quality assurance, and managing returns and refunds." To address these challenges effectively, the government must plan to organise workshops to enhance their digital literacy and proficiency. Additionally, implementing efficient supply chain systems will ensure timely deliveries and streamline logistics. Empowering Non-Banking Financial Companies (NBFCs) and neobanks will capitalise on new credit opportunities arising from expanded market access for MSEs, he added.

Gupta mentioned that building efficient systems through technology and attracting skilled professionals will enhance ONDC's operational effectiveness. Promoting women's entrepreneurship and employment is

also crucial, recognising the growing need in this area. Also, Vinod Kumar, President, India SME Forum and Trustee and President, First India noted, "We are very excited about the prospects, we would also like to have the Government extend the same provisions to micro-enterprises for onboarding on all the other marketplaces too."

Notably, Rumki Majumdar, Economist, Deloitte India in a budget expectations booklet stated that the digitisation wave is yet to be seen on the digital commerce front. The initiation of ONDC seeks to address that part of the economy. The government will continue to invest in digital public infrastructure to drive digitisation in the Indian economy, she added. By 2030, India's digital consumption could jump fivefold to USD 340 billion, with 500 million people making digital transactions.

"With 8 to 10 per cent digital penetration across B2B companies, the network could be large. It could emerge as a more inclusive network with the potential to connect 80 to 90 million self-employed workers with demand and integrate six to seven times more MSMEs into a buzzing, diverse ecosystem," Majumdar added.

In India, B2B sellers lag the global average digital penetration of 20 per cent. Of the 165 to 190 million consumers who already use digital commerce, 10 to 15 million are power users who typically live in urban areas and shop across sectors. Only 6 per cent of MSMEs actively sell on ecommerce platforms.

"To boost digital commerce, the government must create an ecosystem that eliminates or resolves challenges for stakeholders. Therefore, a continued and significant investment in ONDC and digital infrastructure building is required to open new growth avenues in the Indian economy," the economist stated.

Yashasvini Campaign For Women Entrepreneurs

On 19 July 2024, minister Manjhi called upon women entrepreneurs to seek empowerment by establishing sustainable businesses. While addressing the first Yashasvini awareness campaign in Jaipur, he added

that financial institutions should develop women entrepreneurs-friendly credit products to increase access to credit for women entrepreneurs.

In India, women have been limited to the home for ages. They often do unpaid and unrecognised work. Today, nearly 20 per cent of all MSMEs in the country are run by women, totalling around 13.5 to 15.7 million businesses. They are constrained by various challenges, principally access to finance at different stages of the business. A large body of evidence has documented the disparities in access to finance between men- and women-run enterprises.

Women entrepreneurs seeking financing from potential investors often face a higher chance of rejection. A 2022 survey by Indifi Technologies, a lending platform for MSMEs revealed that women-led MSMEs face a finance gap of USD 158 billion. Alarming, the disparity between male and female labour force participation has a huge impact on India's growth, according to the International Monetary Fund (IMF) and Goldman Sachs.

While talking about potential challenges, Prerna Kalra, Co-founder and Chief Executive Officer (CEO), Daalchini Technologies said that one is addressing implementation Gaps, ensuring that the benefits reach women in remote and underserved areas. Another is awareness and outreach, raising awareness about the campaign among potential women entrepreneurs who may not have access to information. Finally, there is the need for Sustaining long-term support, providing continuous support and follow-up to ensure sustained business growth and development.

"To address these challenges, the government can focus on robust monitoring and evaluation mechanisms, increasing the involvement of local communities and organisations in the outreach efforts, and creating feedback loops to continuously improve the campaign based on real-time data and experiences from the ground," Kalra added.

To further enhance the effectiveness and reach of the Yashasvini campaign, localized support can be provided by tailoring programs to address the specific needs and challenges of women entrepreneurs in

different regions, taking into account the local socio-economic conditions. Additionally, technology integration can be leveraged to provide training, mentorship, and market access, especially for women in remote areas, through digital platforms, experts added.

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