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# BOOSTING EXPORTS FROM MSMES

THIS ARTICLE COVERS 'DAILY CURRENT AFFAIRS' AND THE TOPIC DETAILS OF "BOOSTING EXPORTS FROM MSMES". THIS TOPIC IS RELEVANT IN THE "ECONOMY" SECTION OF THE UPSC CSE EXAM.

## WHY IN THE NEWS?

NITI Aayog's paper '**Boosting Exports from MSMEs**' advocates for a single information platform for exporters to increase e-commerce exports and enhance access to finance, particularly for micro, small, and medium-sized firms (MSMEs).

## KEY HIGHLIGHTS AND RECOMMENDATIONS FOR ENHANCING MSME EXPORTS

### ESTABLISHING AN INTEGRATED INFORMATION PORTAL

- Create a comprehensive information data portal **utilising AI technology** to serve as a one-stop destination for exporters.
- This portal will **address various exporter queries, including tariffs, paperwork requirements, sources of finance, available incentives, and potential customers.**
- Oversight of this portal could be **under the Ministry of Commerce**, managed by a competent external vendor.

### INTRODUCTION OF A NATIONAL TRADE NETWORK (NTN)

- Develop an end-to-end **national trade portal (NTN)** to streamline the export process for MSMEs.
- The NTN aims to **simplify document submissions, approvals, and payment processes, reducing administrative burdens and delays.**
- This initiative seeks to enhance the competitiveness of MSME exporters by providing a seamless experience.

### PROMOTION OF E-COMMERCE EXPORTS

- Encourage MSME participation in e-commerce exports to tap into global markets.
- Implement measures such as distinguishing between **Exporter on Record (EOR) and Seller on Record (SOR)**, reducing invoice value limitations, and facilitating financial reconciliation for e-commerce transactions.

- These initiatives aim to **bridge the gap between India and other countries in e-commerce exports**, leveraging its potential for MSMEs.

#### **FACILITATING EASE OF MERCHANDISE EXPORTS**

- Extend the Ease of Doing Business **reforms to export processes, particularly benefiting MSME exporters.**
- Provide relaxation from compliance requirements for a transitional period and ensure timely disbursement of incentives to prevent working capital constraints.

#### **ENHANCING ACCESS TO EXPORT FINANCE**

- Increase uptake of **Export Credit Guarantee (ECGC) schemes** to improve working capital availability for MSMEs.
- Create **incentives to raise participation** in ECGC schemes from the current 10% to 50% or higher.
- Explore the establishment of a centralised marketplace for export credit providers to promote competition and reduce costs for MSMEs.

#### **ENSURING ACCURATE MEASUREMENT OF EXPORTS**

- Address the lack of a reliable single data source for MSME exports by integrating data from multiple government agencies.
- Establish a **mechanism for accurate measurement and tracking of MSME exports** by integrating DGFT trade data with GST and income tax records.
- Form a committee comprising representatives from relevant ministries to facilitate data sharing while safeguarding individual firm's confidentiality.

#### **SIGNIFICANCE OF MSMEs IN INDIA'S ECONOMY**

- MSMEs play a crucial role in various aspects of India's economic landscape, including **employment, exports, and overall growth.**
- They contribute to more than **11 crore jobs**, representing approximately **23.0% of the Indian labour force.**
- These enterprises also account for about **27.0% of India's GDP**, illustrating their substantial economic impact.
- The sector comprises around **6.4 crore MSMEs**, with **1.5 crore registered on the Udyam portal.**
- In terms of manufacturing, MSMEs contribute **38.4% to the total output and are responsible for 45.03% of India's total exports.**

#### **THE CRUCIAL ROLE OF MSMEs IN DEVELOPING COUNTRIES**

- **Employment Generation:** MSMEs are major contributors to **employment creation**, particularly in developing countries where large-scale industries may be limited. By **providing livelihood opportunities** to a significant portion of the population, MSMEs play a vital role in poverty reduction and social stability.
- **Innovation and Entrepreneurship:** MSMEs are often **hubs of innovation and entrepreneurship**, as they have the flexibility and agility to adapt to changing market

conditions and consumer demands. In **developing countries**, where formal employment opportunities may be scarce, MSMEs serve as platforms for individuals to unleash their entrepreneurial spirit and transform innovative ideas into viable businesses.

- **Contribution to GDP:** Despite their size, MSMEs collectively make a **substantial contribution to the gross domestic product (GDP) of developing countries**. Their diverse activities span various sectors, including manufacturing, services, and agriculture, thereby enhancing economic diversification and resilience.
- **Regional Development:** MSMEs play a crucial role in **promoting balanced regional development by decentralising economic activities and fostering growth in rural and peri-urban areas**. They often serve as anchors for local economies, creating multiplier effects through linkages with suppliers, distributors, and service providers.
- **Inclusive Growth:** Empowering MSMEs is instrumental in **promoting inclusive growth** by ensuring that economic opportunities are accessible to all segments of society, including women, youth, and marginalised communities. **By fostering entrepreneurship and providing support to MSMEs** owned by these groups, developing countries can address inequalities and promote social cohesion.

### PRELIMS PRACTISE QUESTIONS

**Q1. Consider the following statements with reference to India : (UPSC Prelims-2023)**

1. According to the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, the 'medium enterprises' are those with investments in plant and machinery between `15 crore and `25 crore.
2. All bank loans to the Micro, Small and Medium Enterprises qualify under the priority sector.

**Which of the statements given above is/are correct?**

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

**Answer: B**

**Q2. Which of the following can aid in furthering the Government's objective of inclusive growth?**

1. Promoting Self-Help Groups
2. Promoting Micro, Small and Medium Enterprises
3. Implementing the Right to Education Act

**Select the correct answer using the codes given below:**

- (a) 1 only
- (b) 1 and 2 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

**Answer: D**

**MAINS PRACTICE QUESTIONS:**

**Q1. Evaluate the role of government policies and initiatives in fostering the growth and development of MSMEs. How effective have these policies been, and what improvements can be made?**

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**Yojna IAS**  
योजना है तो सफलता है