

**SPEECH BY THE PRESIDENT OF INDIA, SHRI PRANAB
MUKHERJEE ON THE OCCASION OF THE PRESENTATION OF
NATIONAL MICRO, SMALL AND MEDIUM ENTERPRISES
AWARDS**

Vigyan Bhavan, New Delhi: 03-04-2013

1. It is indeed a pleasant occasion for me to be here today for the presentation of the National Awards for Micro, Small and Medium Enterprises (MSMEs), which is an important event in the calendar of business awards in India. These Awards, instituted 30 years back, denote excellence in entrepreneurship by recognizing outstanding performers in the MSME sector, including khadi and village industries, as well as banks that have encouraged its development.
2. I applaud the efforts of the Ministry of Micro, Small and Medium Enterprises for having provided fillip to greater entrepreneurial effort, culture of innovation, and continuous improvement in product quality in this important industrial sector. I congratulate all the winners of this year's National MSME Awards, who have set benchmarks of excellence for other entrepreneurs.
3. Ladies and Gentlemen, the micro, small and medium enterprises is perhaps the most crucial link between India's economic growth and socio-economic transformation. This sector contributes about 8 per cent of the country's GDP, 45 per cent of the manufactured output and 40 per cent of the total exports. This is a key driver of our country's industrial growth as it comprises about 36 million enterprises that generate over 6,000 products and employ over 80 million persons.
4. The MSME sector is characterized by its heterogeneity. It is diverse in terms of size, technology level, location, and product range that spans from grass-root village industries to sophisticated units producing auto components, micro-processors, electronic components and electro-medical devices. As MSME units have a high degree of geographic dispersion, their development assumes great significance for an equitable and inclusive growth which is the ultimate objective of our economy.

5. Ladies and Gentlemen, the challenges to the MSME sector in India are many. This sector has great potential to be a true agent of socio-economic change. But for that, we must direct our efforts at increasing the competitiveness of this sector by enhancing the availability of institutional credit, promoting innovation and technology, providing adequate industrial infrastructure, meeting the demands for skill development and capacity building, and strengthening market support.
6. To extend an enabling infrastructure for MSME units, reliance on industrial clusters has been found prudent in many countries. By providing shared access to amenities like testing centres, utilities, roads, security, effluent treatment, training of workers, and marketing, clusters can provide substantial benefits in terms of technology absorption, efficiency enhancement and growth for these units.
7. I am told that the Cluster Development Programme of the Government has been active in building capacity, upgrading infrastructure and setting up common facility centres. I am confident of this scheme fulfilling its objective of bringing sustainable growth to this sector.
8. The National Manufacturing Policy, 2011 has envisaged the setting up of dedicated National Investment and Manufacturing Zones to bring together modern infrastructure, technology, skill development centres, and state-of-the-art connectivity to become the nuclei of manufacturing growth. I expect the manufacturing MSME units to take full advantage of this initiative.
9. The growth potential of the MSME units should not be impeded by lack of access to financial resources. There is a need to increase the reach and coverage of financial institutions by expanding branch network to locations near industrial clusters.
10. Our Capital Market is an important resource-raising medium for our business. The Small and Medium Enterprises Exchange platform launched by the National Stock Exchange and the BSE would allow small and medium enterprises to access the capital market to raise

necessary resources. This will also help diversify risk in these enterprises by widening the investor base.

11. The potential of knowledge-based industries in India is very high. To facilitate their growth, increased access to alternative sources of capital like private equity, venture capital and angel funds should be made possible.
12. It is gratifying to note that our efforts at easing the flow of credit to the MSME sector have continued unabated. The Union Budget 2013-14 has envisaged doubling the refinance capacity of the Small Industries Development Bank of India to Rs. 10,000 crore per year, and setting up a Rs. 500 crore corpus with the Bank to facilitate up-scaling of factoring services. I am also happy to note that the India Microfinance Equity Fund, which was set up in 2011-12 with a budgetary support of Rs. 100 crore to assist micro finance institutions by provision of equity, is being allocated an additional amount of Rs. 100 crore.
13. Ladies and Gentlemen, our future progress will be determined largely by the level of technology that will drive our economy. Innovation and technology provides the competitive edge that our industrial sector at large and the MSME sector in particular should not be deprived of.
14. We must aim at developing relevant technologies to re-engineer manufacturing processes, reduce costs, improve turnaround time and enhance product quality. For that, the industry and academic and research institutions should collaborate to identify and find solutions to existing technology gaps.
15. Tool Rooms and Technology Development Centres have been found useful in providing technology and design support to MSME units. There is a need to replicate such efforts. I am therefore pleased to note that 15 such centres are being set up during the Twelfth Plan period at a cost of Rs. 2,200 crore.
16. This decade is the decade of innovation. Our drive towards innovation must benefit the bottom of the socio-economic pyramid. There are many

cutting edge innovations that, due to lack of technological and commercial support, remain denied of development into marketable products.

17. Institutional mentoring of grass root innovators would go a long way in taking the benefits of technology closer to the people. I am hopeful that the 'India Inclusive Innovation Fund' being envisaged would create a new class of entrepreneurs by building an economic model around the needs and problems of the poor.
18. Ladies and Gentlemen, the demographic profile of our nation is likely to change in the times to come. By 2025, two-third Indians will be in the working age bracket. This is both a challenge and an opportunity. We have to gainfully employ our working population to ensure that their contribution to national progress is unearthed to the fullest extent.
19. To stimulate employment creation, healthy industrial relations and capacity building mechanisms are a must. Our strategies must focus on up-gradation of our technical institutes, both in terms of quality and quantity, setting up of more technical institutes to cater to the increasing demand, and skill development of our manpower to equip them with the relevant expertise and knowhow.
20. The legal entitlements for our country's workforce must be aimed at greater employment generation. Our labour laws should be able to address the contemporary business models and reflect the pragmatic rights and obligations of the employer and the employee.
21. Our MSME units can prosper only if there is a concerted effort at widening the market for their products. On account of the scale of operation, most of these units are not capable of individual initiative in marketing, brand building and promotion.
22. The Public Procurement Policy for Micro and Small Enterprises 2012, which mandates Central Government Ministries and Public Sector Undertakings to procure at least 20 per cent of their annual purchases from the micro and small enterprises, would address the marketing

concerns of this sector to a great extent. But more importantly, market development assistance - trade fairs, packaging technology, bar coding and standardization- should be strengthened through the joint efforts of the Government and industry associations.

23. Ladies and Gentlemen, close to 95 per cent of the MSME units are micro enterprises that employ around 69 per cent of the total MSME workforce. Most of the micro enterprises operate in the unorganized sector and require substantive support for their growth.
24. The categorization of MSME units on the single criteria of investment in plant and machinery or equipment – ceiling of Rs. 10 crore, Rs. 5 crore and Rs. 25 lakh for medium, small and micro enterprises respectively in manufacturing sector and Rs. 5 crore, Rs. 2 crore and Rs. 10 lakh for these classes of units in services sector - is perhaps necessary to channelize the requisite dose of incentives. But we must be watchful that this does not disincentivize firms from growing beyond the threshold.
25. Growth of firms is best achieved if allowed to grow unfettered. Perhaps, a calibrated approach to the growth of our MSME units may be prudent for the long term.
26. The private sector must be active participants in the process of rejuvenating the MSME sector. Their partnership in creating a friendly business environment, especially by skill development, product promotion, and technology development, will pave the way for our MSME units to compete successfully with the best in the world.
27. I once again take this opportunity of congratulating all the award winners and hope that their success would inspire millions of small entrepreneurs working diligently through the length and breadth of the country. I conclude by reminding of the famous observation that Abraham Lincoln once made: *“Always bear in mind that your own resolution to succeed is more important than any one thing.”*

Thank you.

Jai Hind.
