5. MSME Sector Convergence of Schemes- Economy

NITI Aayog releases report on "Achieving Efficiencies in MSME Sector through Convergence of Scheme the NITI Aayog has released a report advocating for the convergence of 18 disparate MSME schemes into a unified framework to eliminate duplication and enhance efficiency. Key recommendations include a centralized AI-powered portal, merging cluster development schemes (SFURTI with MSE-CDP), and creating a dedicated marketing wing, while preserving strategic initiatives like PMEGP and PM Vishwakarma.

Introduction

The NITI Aayog has released a comprehensive report titled 'Achieving Efficiencies in MSME Sector through Convergence of Schemes'. This report proposes a strategic framework to overhaul government interventions in the MSME sector, aiming to eliminate fragmentation and enhance the overall impact of support mechanisms for India's vast network of small enterprises.

1. Need for Convergence of Schemes

The report identifies critical inefficiencies in the current ecosystem that necessitate a unified approach.

Avoiding Duplication and Inefficiency- Currently, the Ministry of MSME oversees 18 different schemes that often have overlapping objectives. This fragmentation leads to disjointed implementation, confusion among beneficiaries, and reduced outreach.

Enhancing Efficiency and Outcomes- Convergence aims to simplify access for beneficiaries. It reduces administrative complexity (red tape) and ensures that financial and technical resources translate into measurable economic results.

2. Framework for Convergence- The Two-Pronged Model

The NITI Aayog proposes a dual approach to integration, focusing on both data and operational structure.

A. Information Convergence

Integration of data across central and state levels to create a unified information ecosystem.

Informed Policy Decisions- Data-driven insights to guide future policies.

Inter-Ministerial Coordination- Breaking silos between different ministries handling MSME-related issues.

Strengthened Governance- Enhanced monitoring and accountability mechanisms.

B. Process Convergence

Streamlining the actual structure and delivery of schemes.

Merging Programmes- Combining schemes that have similar goals or target groups.

Combining Operations- Unifying common operational components like application portals or evaluation committees.

Collaboration- Encouraging active cooperation across various ministries and state governments.

3. Key Recommendations of the Report

The report outlines specific actionable reforms to restructure the support system.

Centralized Digital Portal

Concept- An **AI-powered MSME portal** acting as a "one-stop shop" for all government interactions.

Features - Integration of all schemes, compliance mechanisms, finance options, and market intelligence.

a. AI Chatbots & Dashboards- For real-time guidance and navigation.
b. Mobile Accessibility- Ensuring outreach to remote areas.
c. Decision Support**-** Data-driven tools for entrepreneurs.

Cluster Development Scheme Integration

Proposal- Merge the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) with the Micro and Small Enterprises – Cluster Development Programme (MSE-CDP**)**.

Structure

a. Unified governance under the MSE-CDP umbrella.
b. A dedicated sub-scheme specifically for traditional industries.
c. Consolidated funding to achieve economies of scale and efficiency.

Skill Development Convergence

Rationalisation- Consolidating various skill programmes into a three-tier structure

1. Entrepreneurship and Business Management (High-level strategic skills).
2. MSME Technical and Digital Skills (Operational and technological proficiency).
3. Training for Rural and Women Artisans (Focused inclusion).

Objective- To enhance coordination while retaining inclusivity and promoting local crafts.

Dedicated Marketing Assistance Wing- Creation of a specialized Marketing Wing with two distinct divisions

Domestic Wing- Facilitates participation in trade fairs, buyer-seller meets, and national exhibitions.

International Wing- Supports global market access through overseas trade fairs and B2B networking events.

Integration of Innovation and ASPIRE Schemes

Proposal- Integrate ASPIRE (A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship) into the broader MSME Innovative scheme.

Goal- To form a unified innovation framework specifically for agro-rural enterprises.

Funding- Existing ASPIRE funds will continue, with future budgets earmarking specific portions for rural incubation.

Safeguarding Targeted Initiatives- The report explicitly recommends preserving certain focused programmes due to their scale and strategic importance. These include-

a. National SC/ST Hub
b. Promotion of MSMEs in the North Eastern Region (NER)
c. PMEGP (Prime Minister's Employment Generation Programme)
d. PM Vishwakarma

4. Implementation Strategy and Governance

The report advocates for a balanced transition rather than an abrupt overhaul.

Cautious Phased Approach- Merging overlapping schemes while strictly maintaining the identity of flagship and targeted initiatives.

Alternative Measures (Where mergers are not feasible)

a. Conducting joint workshops for better inter-ministerial coordination.
b. Shared capacity-building initiatives to optimize training resources.
c. Continuous tracking of outcomes to ensure sustained impact.

Overarching Goal- To improve governance efficiency, reduce the administrative burden on small businesses, and maximize the economic contribution of India's MSMEs.

5. MSME Landscape- India & The World

This section highlights the critical economic weight of the MSME sector.

Global Context (World Bank Data)

Business Count- MSMEs account for around 90% of formal businesses globally.

Employment- They provide nearly 50% of global employment.

Role- Essential for shaping resilient and diversified economies.

Indian Context

Scale- One of the world's largest MSME sectors with over 74 million registered enterprises.

Inclusion- Includes 29 million women-led businesses.

Employment- Provides jobs to over 320 million people.

Economic Contribution

a. GDP- Approx. 30%
b. Manufacturing Output- Approx. 45%

c. Exports- Approx. 40**%**

Classification of MSMEs (Revised in 2020)

The classification is based on composite criteria of Investment in Plant & Machinery/Equipment and Annual Turnover.

Classification	Investment Limit	Turnover Limit
Micro	≤ ₹1 Crore	≤ ₹5 Crore
Small	≤ ₹10 Crore	≤ ₹50 Crore
Medium	≤ ₹50 Crore	≤ ₹250 Crore

Note- This revised classification (2020) aims to provide a more inclusive and growth-oriented framework, removing the fear of losing benefits upon expansion.

Source- https-//www.pib.gov.in/PressReleasePage.aspx?PRID=2214899&reg=3&lang=1