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From

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To

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Sir/Madam,

Sub : Submission of Karnataka State Strategic Investment Plan under
RAMP programme

Ref : Email communication dated 27.07.2023 received from RAMP
Division, Ministry of MSME, GoI on Submission of SIPs by 15th
August 2023

* * * * *

This is with reference to an initiative launched by Ministry of MSME, Government of India, a World Bank supported scheme called “**Raising and Accelerating MSME performance (RAMP)**” which aims at improving market access, access to credit,

strengthening institutions and governance of MSMEs at the centre and state, improving centre and state linkage partnership, addressing of delayed payments and greening of MSMEs.

In view of the communication received from Ministry of MSME on 27.07.2023 vide ref (1), Department of Industries and Commerce, Government of Karnataka is submitting the State Strategic Investment Plan (SIP) comprising of a detailed diagnostic assessment of the State MSME ecosystem consisting of the main gaps, priorities for interventions and use of existing national and state schemes, and critical interventions that need financial support through the RAMP Programme.

The State of Karnataka encourages the efforts put in by Ministry of Micro, Small & Medium Enterprises, Government of India to improve the MSME ecosystem in the country and looks forward to your continued support in strengthening Karnataka's MSME ecosystem.

Yours faithfully,



(Dr. Richard Vincent D'souza)

Secretary to Government

(MSME & Mines),

Commerce and Industries Department,



Karnataka Strategic Investment Plan (SIP) under RAMP

Submitted to Ministry of Micro,
Small and Medium Enterprises
(MoMSME)

Government of India

14th August 2023

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List of Acronyms and Abbreviations

ANTTF	Advanced Machine Tool Testing Facility
ADA	Aeronautical Development Agency
ADE	Aeronautical Development Establishment
A&D	Aerospace and Defence
APMC	Agricultural Produce Market Committee
AGMARK	Agriculture Marketing
ASDP	Anchor Supplier Development Programs
ACP	Annual Credit Plan
AGM	Annual General Meeting
API	Application Programming Interface
AI	Artificial Intelligence
ADP	Aspirational Districts Programme
AWAKE	Association of Women Entrepreneurs of Karnataka
BCIC	Bangalore Chamber of Industry and Commerce
BFSI	Banking, Financial Services, and Insurance
BBC	Bengaluru Bio-Innovation Centre
BEML	Bharat Earth Movers Limited
BHEL	Bharat Heavy Electricals Limited
BDSP	Business Development Service Providers
B2G	Business to Government
B2B	Business-to-Business
B2C	Business-to-Consumer
CFTRI	Central Food Technological Research Institute
CIPET	Central Institute of Petrochemicals Engineering and Technology
CMTI	Central Manufacturing Technology Institution
CPSU	Central Public Sector Undertakings
CEDOK	Centre for Entrepreneurship Development of Karnataka
COE	Centre of Excellence
CMKKY	Chief Minister's Kaushalya Karnataka Yojana
CFC	Common Facility Centers
CAGR	Compound Annual Growth Rate
CDP	Comprehensive Development Plan
CNC	Computerized Numerical Control
CII	Confederation of Indian Industry
CIMSME	Confederation of Indian Micro, Small and Medium Enterprises
CGTMSE	Credit Guarantee Trust Fund for Micro & Small Enterprises
CLCS-TUS	Credit Linked Capital Subsidy - Technology Upgradation Scheme
CRISIL	Credit Rating Information Services of India Limited
CRM	customer relationship management

DPR	Daily Progress Report
DDU-GKY	Deen Dayal Upadhyaya Grameena Kaushalya Yojana
DRDO	Defence Research and Development Organization
DPIIT	Department for Promotion of Industry and Internal Trade
DoA	Department of Agriculture
DoH	Department of Horticulture
DST	Department of Science and Technology
DoT	Department of Tourism
DFO	Development and Facilitation Office
D2C	Direct-to-Consumer
DIC	District Industries Centre
DLSWCC	District level single window clearance committee
EoDB	Ease of Doing Business
ETP	Effluent Treatment Plant
EV	Electric Vehicle
ESCOM	Electricity Supply Companies
ESDM	Electronic System Design and Manufacturing
ELCIA	Electronics City Industries' Association
EMC	Electronics Manufacturing Clusters
ECLGS	Emergency Credit Line Guaranteed Scheme
ISO	Emergency Credit Line Guaranteed Scheme
ERP	Enterprise Resource Planning
eBiz	Entrepreneurship and Business Incubation Zone
ESG	Environmental, Social, and Governance
EPC	Extended Producers Responsibility
FPO	Farmers Producers Organization
FICCI	Federation of Indian Chambers of Commerce and Industry
FKCCI	Federation of Karnataka Chambers of Commerce & Industry
FI	Financial Institutions
FDA	Food and Drug Administration
FSSAI	Food Safety and Standards Authority of India
FDI	Foreign Direct Investment
FoWE	Forum of Women Entrepreneurs
GRE	Gas Turbine Research Establishment
GI	Geographical Indication
GIZ-IS	German International Services
GAME	Global Alliance for Mass Entrepreneurship
GVC	Global Value Chains
GST	Goods and Service Tax
GeM	Government e-Marketplace
GoI	Government of India
GOK	Government of Karnataka
GTTC	Government Tool Room and Training Centre

GDP	Gross Domestic Product
GSDP	Gross State Domestic Product
GSVA	Gross State Value Added
GVA	Gross Value Added
GoE	Group of Enterprises
GECL	Guaranteed Emergency Credit Line
HMC	Horizontal Machining Center
HOPCOMS	Horticulture Producers' Cooperative Marketing Society
ICRIER	Indian Council for Research on International Economic Relations
IIS	Indian Institute of Science
IMI	Indian Manufacturing Innovation Index
INR	Indian Rupee
ISRO	Indian Space Research Organization
ISI	Indian Standards Institute
IDSI	Industrial Design Society of India
ITI	Industrial Training Institutes
ICT	Information and Communication Technology
ITBT	Information Technology and Business Transformation
IT/ITeS	Information Technology and Information Technology-enabled Services
IEC	Information, Education & Communication
IPR	Intellectual property rights
IoT	Internet of Things
JD	Joint Director
KCCI	Karnataka Chamber of Commerce and Industry
KCTU	Karnataka Council for Technological Upgradation
KDEM	Karnataka Digital Economy Mission
KEA	Karnataka Examination Authority
KFSSSI	Karnataka Federation of Small-Scale Industries
KGMSDC	Karnataka German Multi Skill Development Centre
KGTTI	Karnataka German Technical Training Institute
KHWA	Karnataka Handloom Weavers' Association
KIADB	Karnataka Industrial Areas Development Board
KPSC	Karnataka Public Service Commission
KSDC	Karnataka Skill Development Corporation
KSSIDC	Karnataka Small Scale Industrial Development Corporation
KASSIA	Karnataka Small Scale Industries Association
KAPPEC	Karnataka State Agricultural Produce Processing and Export Corporation Limited
KSCDCL	Karnataka State Coir Development Corporation Limited
KSCCFL	Karnataka State Co-op Credit Societies Federation Limited
KEONICS	Karnataka State Electronics Development Corporation Limited
KSFC	Karnataka State Financial Corporation

KSHDCL	Karnataka State Handicrafts Development Corporation
KSIIDC	Karnataka State Industrial & Infrastructure Dev. Corp. Ltd
KVIIB	Karnataka State Khadi and Village Industries Board
KSPCB	Karnataka State Pollution Control Board
KSRLM	Karnataka State Rural Livelihood Mission
KSRLPS	Karnataka State Rural Livelihood Promotion Society
KSWDC	Karnataka State Women Development Corporation
KTTP	Karnataka Transparency in Public Procurements Act
KPI	Key Performance Indicator
KVIC	Khadi and Village Industries Commission
LM	Linear Motion
MRO	Maintenance, Repair and Operations
MIS	Management Information System
MDA	Market Development Assistance
MoU	Memorandums of Understanding
MSE	Micro & Small Enterprises
MSE-CDP	Micro & Small Enterprises - Cluster Development Programme
MSEFC	Micro and Small Enterprise Facilitation Council
MSME	Micro, Small and Medium Enterprise
MSMED	Micro, Small, and Medium Enterprises Development
MoMSME	Ministry of Micro, Small & Medium Enterprises
M&E	Monitoring and Evaluation
MSME-DI	MSME-Development Institutes
NAL	National Aerospace Laboratories
NABARD	National Bank for Agriculture and Rural Development
NABL	National Accreditation Board for Testing & Calibration Laboratories
NIC	National Industrial Classification
NIDHI	National Initiative for Development and Harnessing Innovations
NIMSME	National Institute for Micro, Small and Medium Enterprises
NID	National Institute of Design
NPC	National Productivity Council
NRETP	National Rural Economic Transformation Project
NSS	National Sample Survey
NSQF	National Skills Qualification Framework
NSIC	National Small Industries Corporation
NBFC	Non-Banking Financial Corporations
NER	Northeastern Region
ODOP	One District One Product
ODR	Online Dispute Resolution
ONDC	Open Network for Digital Commerce
OEM	Original Equipment Manufacturers
PMFME	Pradhan Mantri Formalization of Micro Food Processing Enterprises
PMMY	Pradhan Mantri MUDRA Yojana

PMSVANidhi	Pradhan Mantri SVANidhi Yojana
PMEGP	Prime Minister's Employment Generation Programme
PLI	Production Linked Incentive
PPP	Public Private Partnerships
PSE	Public Sector Enterprises
PSU	Public Sector Units
QCI	Quality Council of India
RAMP	Raising and Accelerating MSME Performance
RXIL	Receivables Exchange of India Ltd
R&D	Research and Development
RECP	Resource Efficient and Cleaner Production
RSETI	Rural Self Employment Training Institute
ASPIRE	Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship
SFURTI	Scheme of Fund for Regeneration of Traditional Industries
SEO	Search Engine Optimization
SHGs	Self-Help Groups
SMED	Single-Minute Exchange of Die
SDEL	Skill Development, Entrepreneurship and Livelihood
SME	Small & Medium Enterprises
SIDBI	Small Industries Development Bank of India
SSI	Small Scale Industries
SMB	Small, Medium, Businesses
SAAS	Software as a Service
SEZ	Special Economic Zone
SUI	Stand Up India Scheme
SOP	Standard Operating Procedures
SVEP	Start-up Village Entrepreneurship Program
SFCs	State Facilitation Councils
SFC	State Finance Corporation
SLBC	State Level Bankers' Committee
SLSWCC	State Level Single Window Clearance Committee
SPUs	State Public Sector Enterprise
SPSU	State Public Sector Units
SPeX	Sustainability Perception Index
SDG	Sustainable Development Goal
SIP	Systematic Investment Plan
TECSOK	Technical Consulting Services Organization of Karnataka
TBI	Technology Business Incubators
TBIC	Technology Business Incubation Centre
TReDS	Trade Receivables Discounting System
ToT	Training to Trainees

TRIFED	Tribal Cooperative Marketing Development Federation of India
TSP	Tribal Sub Plan Scheme
UAM	Udyog Aadhaar Memorandum
UT	Union Territories
UNIDO	United Nations Industrial Development Organization
USD	United State Dollar
VSM	Value Stream Mapping
VTPC	Visvesvaraya Trade Promotion Centre
WICCI	Women's Indian Chamber of Commerce and Industry
ZED	Zero Defect Zero Effect

Executive Summary

Against the backdrop of strong robust economic growth benefiting from ongoing structural reforms and a favorable demographic dividend, the Indian economy is expected to grow at an average rate of 6.7 per cent between fiscal 2023-24 to 2030-31. India is likely to emerge as one of the leading economies in the world, poised to become a USD 6.7 trillion economy by 2030-31 from USD 3.4 trillion in 2022-23.¹ The Micro, Small and Medium Enterprises (MSMEs) sector growing with continued momentum will play a pivotal role in India's growth trajectory. Government of India's continuous efforts to boost MSMEs and entrepreneurship through key initiatives such as: Udyam registration, MSME RAMP, MSME Champion scheme, SAMADHAAN Portal, TReDS, MSME SAMPARK, etc. lays down the growth path needed in achieving the long-term vision of a self-reliant India by 2047.

With an aim at reorienting the MSME sector for an enhanced level of economic activity, Government of India has launched a World Bank supported Scheme called "Raising and Accelerating MSME Performance (RAMP)", which aims at improving market access, access to credit, strengthening institutions and governance at the Centre and State, improving Centre-State linkages and partnerships, addressing issues of delayed payments, and greening of MSMEs.

A. Unleashing Karnataka's MSME Potential under the RAMP program

In the new paradigm, Karnataka's MSME ecosystem has emerged as a critical growth integrator for scaling the State economy's growth and competitiveness. Karnataka's burgeoning MSME ecosystem has evolved dynamically over the last two decades. It contributes significantly to the economic and social development by fostering entrepreneurship and generating large scale employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are growing exponentially in the State, home to ~10.22 lakh registered MSMEs as per the Udyam portal² and in terms of composition, MSMEs are dominated by micro enterprises with a share ~96 per cent in the total number of registered enterprises and more than 80 per cent share in the total employment of the MSME sector. This is followed by small and medium enterprises, with ~4 per cent and 0.32 per cent of share in the total number of registered MSMEs.

The Government of Karnataka is determined in its vision and effort towards rightly positioning Karnataka's MSME sector as the leader on the global stage. For FY 2023-24, Government of Karnataka has sanctioned an budget outlay of INR 434 crore for supporting the development of the MSME ecosystem with critical growth enablers such as: access to finance, access to market, greening MSMEs, promoting Women-led/Owned MSMEs, access to technology; wide spectra of support to entrepreneurship and skill development of MSMEs; promotion and marketing assistance and such other ancillary objectives so as to create a complete holistic and thriving ecosystem. The Industrial Policy of the State has always aimed at giving a greater thrust towards strengthening and promoting the MSME sector. To encourage and support the MSME sector, the policy provides a bouquet of incentives and concessions such as: investment subsidy, interest subsidy, reimbursement of land conversion fee, subsidy for setting up effluent treatment plant (ETP), stamp duty exemption, concessional registration charges, power subsidy, etc. During the last five



¹ "Look Forward, India Moment", S&P Global, August 2023

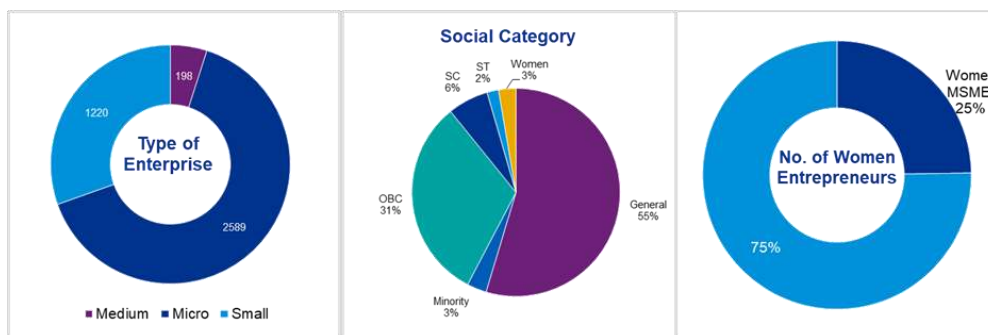
² State MSME Udyam Dashboard as on 07.08.2023

years, a total of 4934 units have availed incentives and concessions amounting to INR 651.02 crore under the industrial policy.

B. Key highlights from Market Study

For preparation of Karnataka Strategic Investment Plan (SIP), a market study comprising of 4007 MSMEs across 28 sectors (manufacturing, services, and trading) in 16 districts across Karnataka was carried out to identify key sector specific and geography specific constraints and challenges to MSME growth in the state including women led MSMEs. The market study comprised of both quantitative and qualitative aspects comprising of structured questionnaires, 12 focus group discussions (FGD) and 32 in-depth interviews with key stakeholders MSME ecosystem players comprising of Directorate of MSME, State level Departments, District Industries Centers, Industry Associations at the Sector and Cluster level, Women Industry Associations, MSME Clusters implemented in the State under MSE Cluster Development Program (MSE CDP), Financial Institutions, Anchor Buyers, Technical & Business Service Providers, concerned stakeholders from CGTMSE, TReDS platform, ONDC, GeM, SIDBI, NBFCs, etc. to get a contextual understanding of the MSME sector in the State.

The composition of the survey sample included micro, small, medium and women units with a percentage share of 65 (2589 units), 30 (1220 units), 5 (198 units) and 25 (992 units) respectively. Within this 56 per cent of the respondents were classified under general category, and enterprises led by SC and ST individuals constituted 6 and 2 per cent of the respondents respectively.



The survey data indicates that, 58 per cent of MSMEs employ less than 10 workers, 24 per cent employ less than 20 workers and 13 per cent employ less than 50 workers. A meagre 5 per cent employ workers between the range of 50 to 99, 100 to 499 and above 500. The average proportion of male employees in an enterprise is 77 per cent and the average proportion of female employees in an enterprise is 23 per cent. No women are employed in 1249 of the surveyed MSMEs. The findings from the market study covered key areas such as: market access, access to credit, technology upgradation, skilling, digitalization, infrastructure, business service providers, experience and awareness about centre state schemes, regulatory compliance, addressing of delayed payments and greening of MSMEs.

- Around 38 per cent of the respondents face challenges in **access to market**, 28 per cent of the respondents face challenges in access to credit, 23 per cent of the respondents face challenges in access to technology, and 21 per cent of the respondents face challenges in access to infrastructure.
- Only 20 per cent of the MSME units surveyed in the market study engage in **exporting their products**. 40 per cent of the respondents stated that they use third party channels to export their products, and 53 per cent of the exporting units export directly without any third party.
- **Market access** challenges, 65 per cent of the respondents feel that there is a lack of knowledge and awareness on potential markets, 49 per cent of the respondents are unable to procure raw material at

competitive prices and face high logistic cost, 46 per cent of the respondents feel there is limited adoption of quality control standards and certifications, 32 per cent lack in awareness on digital marketing channels for brand promotion.

- **Access to credit**, 9 per cent of the respondents still source their debt capital through informal money lenders, 44 per cent of the respondents require financial assistance for the purpose of adoption of technology including digitization, 56 per cent of the MSMEs are not aware of the TReDs platform, 89 per cent of the MSMEs have less than 50 per cent or no buyers registered in TReDs, 74 per cent of the respondents face challenges in providing collateral for MSME loans.
- 70 per cent of the respondents who are aware of the **GeM Portal**, only 36 per cent have registered on the portal. 32 per cent of the respondents are unaware of the **ONDC platform**, and only 23 per cent have registered on the platform. 28 per cent of the MSMEs are empaneled with OEM.
- Around 55 per cent of the units who responded to the survey were unaware of the **technology upgradation** scheme and 57 per cent of the respondents lack the knowledge and awareness of sector specific and digital technologies for production.
- On the availability of **industrial infrastructure**, 76 per cent of the respondents indicated a limited availability of serviced industrial land and core public infrastructure accessed by MSMEs, 21 per cent of the respondents rated the industrial infrastructure available on KSSIDC industrial estates at average or below average levels, and 22 per cent of the respondents rated the industrial infrastructure available on KIADB industrial areas at average or below average levels.
- On the **business environment** and ease of doing business, 65 per cent of the respondents feel that procedures pertaining to application submission, payments, inspections, final approval certificates are too complex and cumbersome and 39 per cent of the respondents are not aware about the single window mechanism.
- On an average, 18 per cent of the MSMEs rated their experience with **business service providers** at average or below average levels.
- 76 per cent of the MSMEs lack of awareness and information about an institutional mechanism for online resolution in instances of delayed or non-payment of dues, such as **MSME SAMADHAAN Portal** and 46 per cent of the cases filed by the surveyed MSMEs on the SAMADHAAN portal took more than 60 days to resolve, and 32 per cent of the cases filed by the surveyed MSMEs took 4-7 hearings to resolve. 51 per cent the MSMEs do not have the relevant expertise to implement sustainability measures.

By addressing these challenges and capacity gaps providing the necessary support under the RAMP program would create a thriving ecosystem for a vibrant MSME industry, thereby contributing significantly to the overall economic growth of the state.

C. Strategic Investment Plan- Key Interventions

The State Government realizes transformation of Karnataka rests on the transformation of the MSME segment. Under the RAMP program, State Government through a comprehensive set of new interventions will develop an enabling and strong ecosystem for the MSME sector in Karnataka that will drive sustainable economic growth and generate large scale employment opportunities. The interventions to support MSMEs will address traditional and systemic challenges across key areas of regulation, infrastructure, skill development, technology, availability of finance, and other pertinent factors related to the growth of the sector. Under the RAMP program, Karnataka will herald a visionary approach for

capitalizing opportunities under the aegis of ‘Make in India’ and ‘Make in Karnataka’ campaign and provide a plethora of lucrative emerging business opportunities for State MSMEs in a wide range of sectors which can be leveraged to create global value chain linkages.

Within the RAMP framework, State Government will focus on the various mechanisms on how to empower the MSMEs through strengthening MSME consortiums within clusters, up-gradation of technologies and adoption of best practices, revitalization and scaling up of MSMEs in Karnataka through transformation programmes and ICT interventions focusing on vendor development, quality & labor management and access to finance, market, and knowledge.

Government of Karnataka is committed towards formalizing informal enterprises by bringing the MSMEs into the formal economy through various interventions and initiatives. Under the RAMP program, **Government will aim to formalize ~30,00,000 MSMEs across the State over a period of four years.** Recognizing the potential of the MSME sector, the government aims to provide support and resources to enable these enterprises to operate within the formal framework. To achieve this, a comprehensive ‘Enterprise Facilitation Network’ would be established at the taluk and district level. This network would provide essential handholding support to entrepreneurs throughout the entire business cycle, from pre-investment stages to post-implementation stages. By establishing this Enterprise Facilitation Network, the government aims to provide entrepreneurs with comprehensive support, simplifying processes, and fostering a favorable business environment. Additionally, **MSME Expert Desks** would be established in all 31 District Industries Centre to



give support to those enterprises requiring consultancy where entrepreneurs could interact with the already empaneled experts in each sector (Law, Marketing, DPR preparation, Export, GST, Technology, Consents, Licenses and Banking) in a pre-assigned date and time and clear their queries/doubts. The network will play a crucial role in guiding entrepreneurs through the formalization process, assisting them with the necessary applications, and facilitating coordination with relevant stakeholders. This approach ensures that entrepreneurs have access to the resources, expertise, and guidance they need to formalize their enterprises successfully and thrive in the formal economy.

i. Competitiveness Support

The State Government believes that **MSME Champion scheme** can play a vital role in the growth and development of the MSME sector in the State. By providing strategic and technical support, the scheme can help MSMEs to improve their productivity, profitability, and competitiveness. The State Government of Karnataka realizes the imperative need to raise the global competitiveness of Karnataka’s MSME sector to achieve a high growth trajectory. With an aim to position Karnataka’s MSME sector as a global manufacturing hub, State is determined to build the ecosystem around zero-defect, zero-effect (ZED) and LEAN manufacturing practices to enable MSMEs to compete in the national as well as international markets. The State of Karnataka is keen on positioning its MSME sector as a global manufacturing hub and encourages MSMEs to adopt ZED and LEAN practices. **Government envisages to create a ‘ZED Scaling Up Strategy’ for facilitating 45,000 MSMEs for attaining ZED Bronze certification (of which 9000 women-headed), 6750 MSMEs (of which 1350 women-headed) for attaining ZED Silver certification, 675 MSMEs (of which 120 women-headed) for attaining ZED Gold certification during**

the program implementation period. It also aims to increase the number of LEAN pledges and facilitate ~600 MSMEs to attain Basic, Intermediate, and Advanced LEAN levels.

To achieve these goals, the State plans a **ZED Scaling Up Strategy** with consultants for handholding, e-modules on the State MSME Portal, and incentives for ZED certification. Awareness workshops and capacity-building programs for officials are also part of the strategy. Similarly, for the MSME Competitive (LEAN) Scheme, the State envisions the **Karnataka MSME LEAN Enterprise Program**, focusing on training, consultants for handholding, e-modules, and awareness programs to increase the number of LEAN pledges and attain Basic LEAN levels. Additionally, the State Government runs the MSME-Innovative Scheme to promote innovation among MSMEs, providing funding, support, and facilities for research, prototyping, intellectual property protection, and commercialization.

Overall, these interventions seek to bolster the MSME sector's competitiveness, quality, and innovative capabilities, positioning it for growth and success in national and global markets. The proposed interventions for the MSME Innovative (Incubation) scheme include strengthening outreach and awareness, collaboration with industry bodies, tailored incubation programs, virtual incubation and mentorship platform, and international linkages. For the MSME Innovation (Design) scheme, the interventions entail **strengthening the two Design Clinic Centres located in Indian Institute of Science, Bengaluru and NIT Surathkal, Dakshina Kannada**, conducting design awareness workshops, providing design support and consultancy, organizing a design festival for MSMEs, and exposure to global best practices through study tours. Additionally, under the program, Government aims to leverage existing private and public service providers for business and technical services to MSMEs through partnerships with technical training institutes, periodic meets, and knowledge transfer sessions, MSME Booster Kit, and a common pool of empaneled market and business service providers. Furthermore, the program seeks to bridge the gap between MSME vendors and anchor units by creating a digital directory at district level, conducting regional vendor meets, and facilitating connections with state public sector enterprises and business development organizations.

ii. Market Access

Karnataka's exports and integration into global value chains are vital for its economic growth. The state has attracted significant foreign direct investment (FDI) and ranks high in software and service exports. With targeted development programs like Aspirational Districts and One District One Product, Karnataka aims to foster balanced regional development and boost employment and income levels. However, one of the greatest challenges faced by MSMEs is poor market access. Other than cluster linked and ancillary MSMEs that have natural linkages with large enterprises, most of the MSMEs have limited market access viz. brand promotion solutions, marketing support, quality standardization and certification, logistics and sales support, and information and communication technology (ICT) support which stalls their growth and competitiveness at the national and international level. Therefore, it becomes imperative to leverage the state's existing brand value and create a substantial impact in the global market by launching **"Brand Karnataka."** This initiative would aim to capitalize on the strengths of MSMEs, showcase their products' uniqueness, and promote them in the international market effectively. By doing so, MSMEs can unlock new



case projects are part of this initiative. Furthermore, **Government of Karnataka aims to register ~15,000 MSMEs on TReDS** by conducting sensitization workshops and would also be releasing a Government Order instructing all SPSUs and all companies with a turnover of INR 500 Cr. to get on-boarded onto the Trade Receivables Discounting System (TReDS) platform.

To support digitalization efforts, Government would drive the e-commerce initiative in mission mode and would collaborate with ONDC for the "**ONDC Karnataka Elevate**" program, emphasizing e-commerce democratization. **Through the onboarding ONDC workshops approximately ~15,000 MSMEs would be sensitized on the ONDC platform and would be provided with cataloguing support.** Government in collaboration with ONDC would also run pilot use case projects with Government entities. Additionally, sensitization workshops on Government e-Marketplace (GeM) would be conducted to raise awareness among MSMEs. Through these efforts, the government seeks to empower MSMEs in Karnataka by leveraging digital platforms, fostering economic growth, and creating sustainable and inclusive business models.

v. Cluster Development

With a vision to boost industrialization, clusters are recognized as pivotal drivers of economic growth in the state. The government recognizes the immense economic potential of industrial clusters and aims to propel and support cluster development through various interventions. The government is keen on enhancing the competitiveness of these clusters by adopting a mix of soft and hard interventions. Soft interventions, such as awareness workshops, capacity building activities, and strengthening linkages with Business Development Services (BDS) providers, are identified as having a significant impact on positive spill-over effects, leading to job and enterprise creation. These interventions have been carefully proposed based on diagnostic studies and focus group discussions with cluster stakeholders, aiming to address the identified gaps effectively. Among the proposed interventions are conducting technology clinics to **sensitize ~ 25,000 MSMEs** on the latest manufacturing practices and technologies that will improve productivity and competitiveness. These clinics would also emphasize on the adoption of greener and sustainable technologies. Moreover, the government aims to focus on sector-specific interventions for clusters in textile, apparel & leather; electronics; food processing; machinery; and automotive and auto components sectors by providing upskilling/re-skilling courses and exposure learning visits to **1173 MSMEs**.

Acknowledging the significance of the central government's MSE-CDP scheme, the government aims to capitalize on opportunities by establishing common facility centers (CFCs) and enhancing infrastructure development projects in the Kalyana Karnataka region. While there are currently two implemented clusters in this region (Auto cluster in Bidar district and Food cluster in Kalaburagi), the government envisions expanding the cluster development initiatives further across all the seven districts. With an aim at making Kalyana Karnataka region (KKR) more active on Karnataka's growth map and with a focus on developing a ready ecosystem for a vibrant MSME industry in Kalyana Karnataka region strategic plans to set up focused industries and clusters aligning to Kalyana Karnataka's goals and aspirational districts programme will help boost MSME growth from districts in the northern part of the state that have a lower share in the number of MSMEs. Government would carry out detailed diagnostic study to estimate the financial and commercial viability of setting up clusters in the 7 districts of KKR by mapping the business processes of the cluster units viz. manufacturing processes, technology, marketing, quality control, testing, purchase, outsourcing, etc. to identify sectors which are compatible/strategically aligned with the development needs and ecology of the district/cluster. The Detailed Project Report (DPR) would focus on enhancing competitiveness and technology improvement across the 7 districts in Kalyana Karnataka region.

vi. Partnership with Financial Institutions (FIs) including on-boarding with TReDs

The Government is aware of the crucial role that access to finance plays in empowering MSMEs and fostering economic resilience, inclusive growth, and sustainable development. The Government takes pride in its efforts to facilitate credit access for MSMEs and has exhibited remarkable growth in MSME credit targets, outpacing other states like Gujarat, Uttar Pradesh, and Telangana. Further, to address the credit gap faced by MSMEs, the Government aims to strengthen partnerships with Financial Institutions (FIs) and implement pilot interventions to enhance credit access for MSMEs, including women-led MSMEs, particularly in specific sectors and clusters. The goal is to enable MSMEs to seize growth opportunities, invest in modern technologies, and enhance their competitiveness in domestic and international markets. The Government intends to partner with CGTMSE, aiming to **extend additional coverage** and support new enterprises and first-time borrowers. This initiative would create an enabling environment for **more than 70,000 MSME borrowers, generate 2 lakh employment opportunities, and back over 35,000 greenfield projects and new-to-bank MSME borrowers in the State. Also, Government would issue a notification instructing all SPSUs and all companies with a turnover of INR 500 Cr.** to get on-boarded onto the TReDS platform.

Additionally, the Government would **facilitate 7050 additional women owned enterprises brought under guarantees (CGTMSE) in the State and 450 enterprises brought under green guarantees (CGTMSE)** during the RAMP program implementation period (FY 2023-24- FY 2026-27) by implementing a series of interventions such as **MSME Funding Melas (744 melas of which 148 MSME Funding Melas would be specific for women-owned/led MSMEs), Institutional Strengthening of ~550 MSME Branches in the State, framework for convergence of Central & State sponsored MSME schemes, MSME Green Financing Committee and Financial Literacy Camp for MSMEs (~496).** By executing these well-considered interventions and leveraging strategic partnerships, the Karnataka government is committed to facilitating an ecosystem that empowers MSMEs through enhanced access to finance, leading to sustainable growth and economic prosperity.

vii. Strengthening markets for service provision to MSMEs in the State

The Government aims to create a blueprint for strengthening markets and enhancing technical services for MSMEs in the state by linking MSMEs with market and credit services, improve their competitiveness, and integrate them into global value chains. In order to execute this in an efficient manner, there is a pressing need to strengthen the existing institutions through capacity building. Capacity building of key technical institutions, including MSME Development and Facilitation Office (MSME-DFO Bengaluru), Centre of Entrepreneurship Development of Karnataka (CEDOK), Technical Consulting Services Organization of Karnataka (TECSOK), Government Tool Room and Training Centre (GTTC), and Karnataka Council for Technological Upgradation (KCTU) will be conducted through key interventions such as hiring external consultants to assess and improve the institutions' services, conducting entrepreneurship development programs encompassing residential training program, and arranging exposure visits to renowned innovation hubs at the national and international level.

The Government aims to launch the **MSME Booster Kit** to provide a gamut of pro bono services to further assist the MSMEs in their growth journey. The Booster Kit will supplement and complement the scaling up of the MSMEs in the value chain and will contain a power-packed collection of tools and services tailor made to cater to the needs of MSMEs. A common pool of service providers will be empaneled by the Government to provide market-related services to MSMEs including market research, product development, and marketing. The common pool will also act as a repository/database of service providers that offer services to MSMEs and information on the empaneled service providers would be available at the district level on the State MSME Portal.

viii. Support to Women-headed MSMEs

One of the key priorities of the Government is to establish a flourishing ecosystem for women entrepreneurs of Karnataka. Unleashing the economic power of millions of women who are currently locked out of the labor market has the potential to be a significant game changer. By empowering women to become active participants in the MSME sector, it not only enhances their individual financial independence and self-reliance but also contributes to the growth and development of the state's economy. However, it is essential to address the barriers and challenges that currently hinder women's participation in the labor market. Government of Karnataka is already a frontier state in aiding women MSME growth. With a relatively high percentage of women MSMEs ~ 7.56 per cent share among All MSMEs with Female Owners (73rd NSS Survey), the Government of Karnataka is committed to scale up and assist women led MSME growth. Government is committed towards focusing on providing women with targeted support, such as access to affordable credit, business development training, incubation and acceleration programs, mentorship programs, and networking opportunities.

The Karnataka government recognizes the pressing need for an incubation program specifically designed for women micro-enterprises in Bengaluru as well as other Tier II and Tier III cities. **The incubation program for 800 Women micro enterprises (40 cohorts) in the State under the RAMP program implementation** will provide mentorship opportunities, business development guidance, peer learning, market analysis, customer analysis, investor connect and knowledge dissemination on crucial aspects such as financial management and legal compliance. **The dedicated acceleration program for Women MSEs will aim to accelerate 560 existing women micro and small businesses (28 cohorts) that are at the growth and scale up stage and will focus on the business growth, capacity building, mentorship, networking, and collaboration. Additionally, a total of 750 women MSMEs will be positively impacted through the 15 workshops/Capacity building sessions/knowledge sessions per year under the RAMP program.** By embracing diversity, equity, and inclusion, the **1st State MSME Policy will position Karnataka as a hub for MSMEs and create a supportive ecosystem for women entrepreneurs** to access resources and grow their businesses. Through these concerted efforts, the government seeks to unlock the economic potential of women-led businesses and drive inclusive economic development in the state.

Government is committed and focused in putting forth a robust agenda to shift gears on promoting the cause of women empowerment and entrepreneurship in the State. Government of Karnataka taking inspiration from the hackathon hosted by the central government (MSME IDEA HACKATHON for Women Innovators) would host **Karnataka Women MSME Idea Hackathon** for women owned/led MSMEs of the State with an aim to create an environment that supports and empowers women, thereby promoting gender equality and women empowerment in the state. By providing the necessary support, women MSMEs would thrive and contribute to job creation, economic growth, and social progress in Karnataka.

ix. Access to Finance

To enhance the ease of access to credit facilities, Government of Karnataka would launch the **'Elevate MSE'** grant-in-aid scheme with an aim at elevating and transitioning 400 unique MSEs i.e. (micro units to small units and small units to medium units) over a period of four years. Out of the **400 MSEs, target would be to benefit 100 women-owned/led MSEs.** Government of Karnataka would identify and nurture innovative MSEs and provide them the necessary support for technology adoption/upgradation, skilling and market access through funding and mentoring. A grant/subsidy of up to INR 1 crore would be given to encourage MSEs who may need funding for technology and product development and scale-up. Karnataka is poised for the next phase of growth in the MSME sector by leveraging the existing ecosystem in Bengaluru and of Beyond Bengaluru ecosystem. Beyond Bengaluru region is emerging as one of the preferred and attractive destination for domestic and global investments across several

industry verticals driven by a combination of strategic location, robust industrial infrastructure, logistic support, connectivity, availability of skilled and talented workforce and access to research and technology institutions. Government would launch the Beyond Bengaluru MSE Fund with an objective to support innovative new MSEs with a grant/subsidy of up to INR 50 lakh to support innovative new MSEs operating outside Bengaluru Urban and Bengaluru Rural district engaged in 9 focus sectors viz. *(textiles & apparel; food processing; aerospace and defence; engineering and machine tools; handicrafts; automotive and auto-components including EV; electronics; pharmaceuticals & medical devices and logistics)* having commercially viable products/services/ solutions. **The fund would provide grant/subsidy to about 200 unique new MSEs, having a potential to create employment for technology upgradation, market access and skilling. Around 25 per cent of the fund would be earmarked to fund women MSEs.**

x. Skilling Support

The State has the 4th largest skilled workforce in India and is home to several premier institutions. Karnataka's demographic dividend offers a great opportunity with 2.12 crore persons in the age group of 16-35 years. The State aspires to skill 1.88 crore youth during the period 2017-2030, with an annual skill target of 13.4 lakh existing workforce and new entrants. The demographic advantage gives the state a developmental edge with a potential to leverage as a global leader, provided this large youth population is channelized, skilled and equipped adequately. Skill development in MSME sector is a crucial aspect of promoting entrepreneurship, enhancing productivity, and fostering economic growth. The government has actively worked on ensuring the institutions in the state provide industry-relevant skills that meet the demand of the professional world improving the employability of the individuals and enhancing the productivity and growth of the sector. The Government intends to enhance the employability of the workforce, upgrade existing skills, and promote entrepreneurship by addressing the skill gaps in the state through key initiatives such as developing a **Vocational Training Program for Micro Enterprises with an aim to enhance the competitiveness of ~ 2 lakh employees of micro enterprises across the State**. The program shall facilitate organization of short-term up-skilling courses across manufacturing sub-sectors such as food processing, automobile, textiles, apparel, jewelry, furniture, chemicals, plumbing, capital goods, etc. at the affiliated Industrial Training Institutes (ITI)s- Technology Hubs established under UDYOGA program of the State. **Every year under the RAMP program ~ 50,000 employees of micro enterprises would be trained in batches.** Karnataka Skill Development Corporation has set up Industry Linkage Cell to provide a green channel to industries for onboarding them as accredited Chief Minister's Kaushalya Karnataka Yojane (CMKKY) training partners to provide quality skilling and facilitate captive placement. To strengthen MSME skilling, the Directorate of MSME in collaboration with KSDC will create awareness of this opportunity among industry and cluster associations to onboard them as CMKKY training partners. These efforts seek to equip micro-enterprises with technical, vocational, and soft skills, promoting innovation and enhancing their overall competitiveness.

xi. Focus Sectors

Karnataka ranks among the top 5 industrially developed States in India. On an average, there are 5,029 industrial units per 1,000 sq km geographical area of the state. The State's several exemplary initiatives such as the Karnataka Industrial Policy 2020 has resulted in Karnataka emerging as an attractive investment destination. The industrial sector GDP has increased to INR. 4,28,721 crores with a growth rate of 10.8 per cent in 2022-23. Karnataka's industrial sector has the second highest share in GSDP at 21 per cent after the services sector⁴. As per the Karnataka Economic Survey 2022-23, it is projected

⁴ Karnataka Economic Survey 2022-23

that the growth in industry will increase from 9.1 per cent to 17.6 per cent and GDP is forecasted to grow from 4.29 lakh crores to 21.4 lakh crores by 2032. The manufacturing sector in Karnataka constitutes 13.28 per cent of the State's GSDP (at current prices 2022-23 AE). Karnataka ranked highest on the Indian Manufacturing Innovation Index (IMI) 2022 with a score of 33.41. Out of the total MSME units registered on Udyam, about 25 per cent of the units are related to manufacturing. Based on the number of MSME units registered on the UDYAM portal in Karnataka, the four largest industries in the manufacturing sector of Karnataka are food processing (55,066), apparel & leather products (32,078), textiles (31,067) and machinery & equipment (26,774). Together they contribute to ~65 per cent of the total MSME units of the manufacturing sector in Karnataka. Based on the competitive strengths and potential for growth 9 core sectors have been identified viz. Food Processing, Textile, Apparel & Leather, Automotive, Auto Component & EV, Pharmaceuticals & Medical Devices; Engineering & Machine Tools; Aerospace & Defence; Handicrafts; Logistics and Electronics to boost MSMEs' growth potential.

The State Government of Karnataka realizes the imperative need to raise the global competitiveness of the MSME sector to achieve long term sustainable and balanced growth. To enhance the capabilities of MSMEs and with an aim to showcase the strengths and industrial prowess of the State, Directorate of MSME in collaboration with line departments, industry associations would be organizing a **series of sector specific symposiums across the 9 focus sectors (Textile & Apparel, Aerospace & Defence, Food Processing, Engineering & Machine Tools, Pharmaceuticals & Medical Devices, Handicrafts, Automotive and Auto-components including EV, Electronics and Logistics)** providing an excellent opportunity for entrepreneurs to showcase their products and services to international and national OEMs/Anchor buyers.



The sector symposium would serve as an imperative platform for invigorating discussions by bringing under one roof the right mix of central, state, and local governments, agencies, associations, renowned speakers with unbounded experience and expertise, and various national and international SME stakeholders for fostering global SME growth through synergies and partnerships. It will be a crucial platform for disseminating knowhow on assessing the export potential of the products and services of Karnataka MSMEs, identifying suitable markets, developing strategies to penetrate new markets, and singling out avenues for joint ventures, franchising, cross-marketing, co-manufacturing, etc. Additionally, sector-specific interventions comprising of skilling courses and exposure learning visits would be implemented at **cluster level for ~ 1973 MSMEs**. An **accelerator program** is proposed across the 9 focus sectors (Textile & Apparel, Aerospace & Defence, Food Processing, Engineering & Machine Tools, Pharmaceuticals & Medical Devices, Handicraft, Automotive and Auto-components including EV, Electronics and Logistics). The **program would run over a duration of 6 months. ~ 2160 MSMEs**

across 9 sectors through 108 cohorts would be benefited from the accelerator program during the implementation of the program.

For promoting and strengthening MSMEs it is important to organize a dedicated event by providing MSMEs the opportunity for collaborating on sourcing, distribution, technology, and finance. The Directorate of MSME in collaboration with MSME Industry Associations would organize a two-day MSME Conclave in Bengaluru. The Conclave shall be held once in two years during the four years implementation of the RAMP program. The '**MSME Conclave**' will act as a platform in showcasing the strengths of the State and opportunities available in the State and will also help in revitalization and scaling up of MSMEs through transformation programmes and Information and communications technology (ICT) interventions focusing on vendor development, quality & labor management and access to finance, market, and knowledge. Given the importance of this segment, the MSME Conclave has the potential to be a special moment for collective action to showcase the strengths and industrial prowess of Karnataka and will bring in a large number of MSMEs under a single umbrella, thereby making it an active forum for dialogue with the potential partners in the development of the MSME sector. It will also serve as a platform for disseminating knowhow on assessing the export potential of the products and services of MSMEs, identifying suitable markets, developing strategies to penetrate new markets, and singling out avenues for joint ventures, franchising, cross-marketing, co-manufacturing, etc. It will also aim at encouraging and providing a platform for MSMEs to showcase their capabilities to various Original Equipment Manufacturers (OEMs) in the country, thereby enabling OEMs to identify suitable vendors among the MSME sector. It will also provide numerous networking opportunities and business to business (B2B) meetings.



The Government recognizes the imperative importance of a comprehensive partnership and outreach strategy for MSMEs in the state. Such a program would significantly enhance the performance and competitiveness of MSMEs in Karnataka. The strategy includes branding, targeted marketing, clear messaging, and the use of multiple channels such as social media and print media for communication. Partnerships with industry associations, chambers of commerce, and financial institutions are emphasized to widen the program's reach. Testimonials and personal stories from successful MSMEs would be used strategically, in order to persuade others to participate. The proposed interventions that aim to enhance the MSME performance in Karnataka with targeted strategies and partnerships include the following.

xii. Partnership & Outreach

The Karnataka government will further strive to develop the branding, outreach, and communication strategy for MSMEs, with a focus on digital marketing, conducting of outreach and partnership development programs (With a greater thrust on women specific programs) in collaboration with Industry Associations gov departments and other key stakeholders in the MSME landscape.

Overall, the interventions such as plans for targeted outreach to women headed MSMEs, partnerships with government departments and institutions for wider dissemination of information, and the establishment of an **MSME Promotion Division** to execute and monitor the promotion plans and events would immensely aid MSMEs in achieving their goals and significantly boost their performance, fostering economic growth in the state.

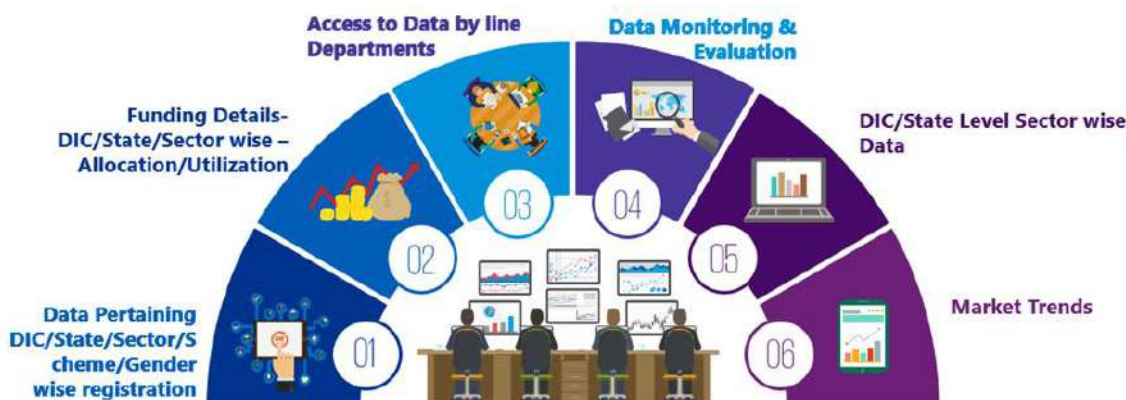
xiii. Strengthening State Portal and Integration with National Portal

The Government recognizes the pressing need to strengthen its capacity for the development and delivery of an effective MSME Support Programme. As a forward-thinking state, **Karnataka envisions a dedicated MSME portal, exclusively designed to cater to the needs of local entrepreneurs. With a focus on being "Udyam" friendly, the portal** will serve as a valuable resource hub, providing essential information regarding government schemes, policies, incentives, and available support programs. The state-of-the-art MSME portal would aim at further strengthening the MSME ecosystem in the State and would be designed with the sole objective of bringing the entire ecosystem under one platform and be a one-stop-shop for the entire MSME ecosystem. The portal would entail a user-friendly, inclusive, and supportive online platform that empowers MSMEs and contributes to their growth and development.

Through the portal, entrepreneurs will be able to easily access details about financial assistance, subsidies, tax benefits, and more, fostering a business-friendly environment. In alignment with the national vision, Karnataka aims to integrate its state online portals with the national MoMSME unified portal, ensuring seamless data and reporting standards integration. The key modules proposed under the State MSME Portal include Registration and Enrollment, Schemes and Incentives, Financial Institutions, Technology and Skill Development, Grievance Redressal, Regulatory Compliances, MSME Enterprise Facilitation Network, Procurement, Product Quality and Certifications, Marketing and outreach events, Market Service Providers, etc. With an aim at formalizing the informal enterprises, the integrated MSME portal would play a vital role in providing seamless registration and integration with the national Udyam portal and other line department portal of the State. The proposed State MSME Portal would aim at creating a **unified MSME database** at district level wherein the entrepreneurs registering on the State MSME portal would obtain a unique ID. The unique ID will act as an identification to the entrepreneurs, and this would be integrated with other line departments. This would result in facilitating the State to have unified database of MSMEs.

To ensure effective monitoring and evaluation, the government of Karnataka envisions the creation of a unified MSME Dashboard, named "**Udyama Maahiti**." This dashboard will act as a centralized platform, offering real-time insights into the performance of MSMEs across sectors and regions. By harnessing the power of data and technology, Karnataka seeks to make well-informed decisions and formulate policies that drive the growth and sustainability of the MSME ecosystem.

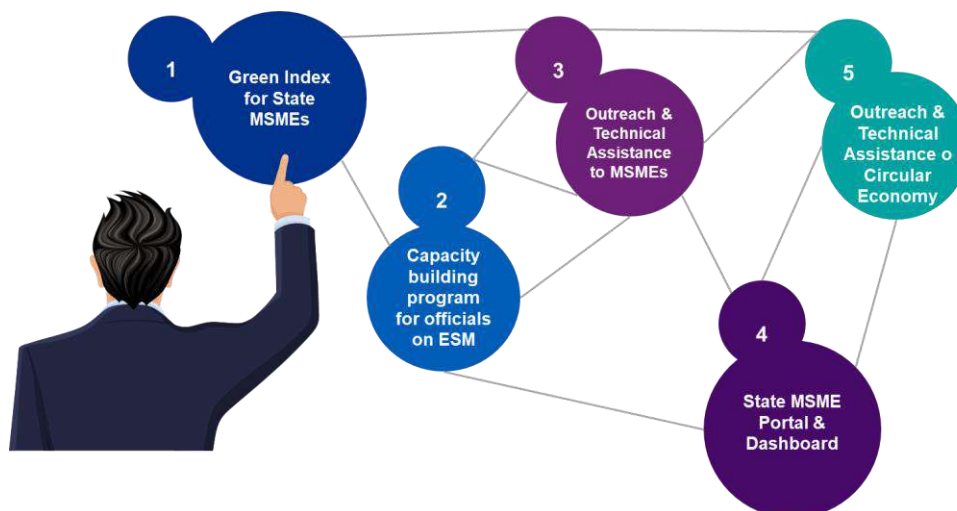
Developing an enabling and strong ecosystem for the promotion of MSMEs in the State that will drive sustainable economic growth through a secure, scalable, and sustainable one stop business portal shall be the most important lever to raise the competitiveness and achieve a high growth trajectory. Government of Karnataka in collaboration with industry association would aim at developing an ICT-enabled access to a one stop business portal providing B2B platform for all the services required by MSMEs. The **'Karnataka One Stop B2B Portal'** would act as an **integrated market promotion B2B platform** envisaged to provide a common platform for all services required by MSMEs to boost their growth, enhance productivity, ensure competitiveness, and create more sustainable business enterprises. **The introduction of the State MSME Portal, and the MSME Dashboard, "Udyama Maahiti," reflects Government's commitment to empower its MSMEs and facilitate their access to essential resources.**



xiv. Environment and Social Management Support for MSMEs

The MSME sector is a greenhouse gas (GHG) intensive sector because of its dependence on fossil fuels and the informal nature of functioning of the MSMEs. Of the total energy consumed by the industrial sector in India, the MSMEs account for about 25 per cent (15 and 85 per cent towards electricity and thermal energy respectively)⁵. Government of Karnataka aims to formulate a ‘**Strategy to strengthen Environmental and Social Management (ESM) of MSMEs**’ with an aim to support the MSMEs to manage the environmental and social risks that arise during their industrial operations and recommend actions to address the gaps. For this, Directorate of MSME would develop an action plan to institute a screening, assessment, and monitoring mechanism by conducting environmental due diligence of MSMEs at district level. Along this, Directorate through outreach activities would be creating awareness, communication, behavior change and capacity building amongst MSMEs around environment and social risks and on adopting greener and sustainable practices in their business models. The proposed ‘**Green Index for MSMEs**’ in the State would measure the environmental performance of the MSMEs by carrying out due diligence of the existing facilities of the MSMEs at district level and perception regarding the dimensions of sustainability. The Green Index will use indicators and sub-indicators to reflect various environmental concerns, such as energy efficiency, renewable energy adoption, water conservation, waste treatment and recycling, air pollution control, biodiversity conservation, carbon dioxide emission reduction or sequestration, and adaptation to disasters and climate change. It will also incorporate an ESM screening and monitoring criteria to assess MSMEs’ compliance status with different environmental parameters and valid permits/licenses/certificates.

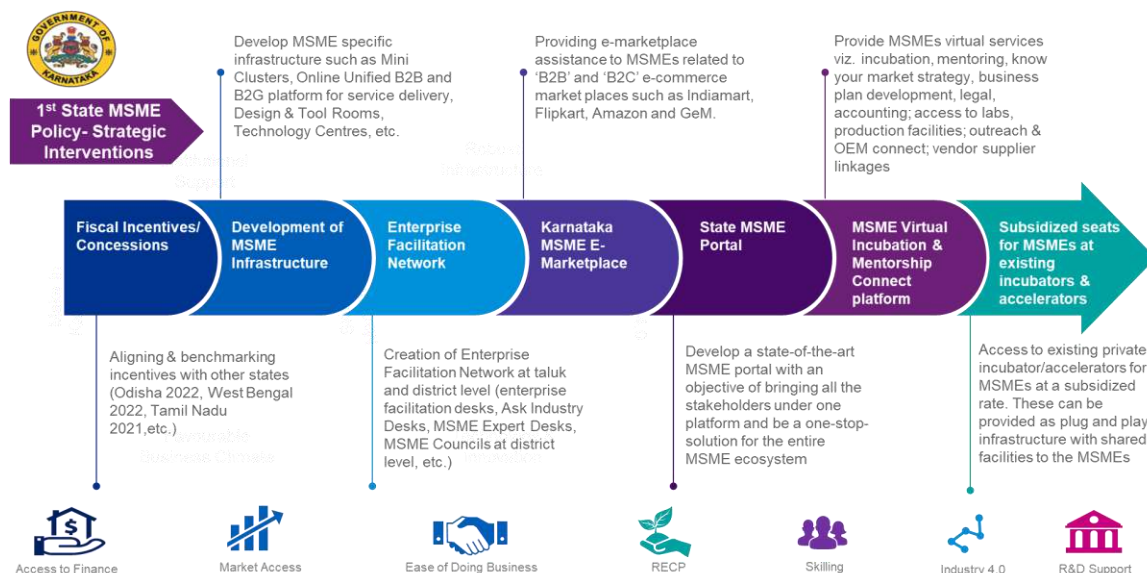
⁵ FMC and GIZ 2018



Additionally, outreach and technical assistance will be extended to MSMEs for greening and on circular economy practices. The goal would be to promote circular business models that aim to reuse, refurbish, re-manufacture, or recycle goods and services, thereby reducing waste generation and maximizing resource efficiency. Awareness workshops will be organized to sensitize MSMEs about greening and circular economy practices, state-specific credit/financial assistance for greening and circular economy initiatives, and the benefits of transitioning to such models. Overall, these interventions are part of the State Strategy to Strengthen Environment and Social Management of MSMEs in Karnataka. They seek to encourage MSMEs to embrace environmentally and socially responsible practices, reduce their environmental impact, and enhance their competitiveness in the market. The estimated costs for implementing these initiatives will be supported by the Government of India under the RAMP scheme.

xv. Strengthening Coordination on MSME agenda in the State

Strengthening the coordination mechanism among Government departments, agencies and private sector and implementation partners to implement MSME support Programme is crucial towards creating an enabling ecosystem for MSMEs to thrive and contribute to sustainable economic development. For strengthening of the MSME ecosystem there is a need for a collaborative and well-coordinated approach between different stakeholders. Karnataka would adopt a robust coordination mechanism which facilitates effective communication, information sharing, and decision-making, leading to a more supportive environment for MSMEs. Government of Karnataka would be launching the **1st State MSME Policy** with a vision to propel the growth of MSMEs in the State by fostering a conducive climate for entrepreneurship, innovation, competitiveness. The policy would aim at tapping the full growth potential of the MSMEs in the State by creating a robust policy environment by incentivizing the industry and by creating economic opportunities and significant trickle-down effects (multiplier effects), in supporting economic activity in allied industries/services through forward and backward linkages.



xvi. Capacity Building of Key players to deliver on the MSME agenda, including coordination mechanisms

With an aim at supporting and building a strong MSME sector in the State, capacity enhancement of the State level department personnel would need to be strengthened. Government in collaboration with public and private training institutions would develop a dedicated capacity building program for officials of the Department of Industries and Commerce and other concerned State Departments/ institutions and agencies identified as key to SIP implementation under RAMP program. The capacity building framework would aim at streamlining the human capital and increasing the internal efficiency, managing change, and developing training and skill development plans for the officials.

Under the capacity building framework, the **Directorate of MSME would be curating three specific capacity building training programs** based on a need assessment carried out across the 31 District Industries Centres, where the Joint Director (JD) of the DIC was the key respondent for the assessment. Approximately 84 per cent of the respondents (~ 25 districts) have stated that training for skilling, re-skilling and upskilling of officers/staff need to be conducted at regular intervals. In consideration of this, **the Directorate of MSME intends to implement three capacity building training programs in collaboration with public and private training institutions comprising of a combination of training sessions, case studies, demonstrations, interactive discussions, exposure visits and experiential learning.** These programs include the **'Advanced Management Development Program' (185 officials) for enhancing competitiveness, technical and interpersonal skills**, the **'Executive Development Program' (331 officials) for refining leadership abilities**, and a **'Know your MSME Ecosystem' workshop to sensitize 990 officials on the MSME ecosystem of Karnataka and India.** These initiatives will strive to create a skilled workforce, foster collaboration, and strengthen coordination among line departments, contributing to the growth and development of the MSME sector in Karnataka.



xvii. Monitoring & Evaluation framework for MSME Support

An effective M&E plan plays a crucial role in determining the success or failure of any intervention. The Directorate of MSME in Karnataka is committed to strengthening the Monitoring and Evaluation (M&E) framework for MSME support. It ensures the scalability of best practices and allows for necessary policy revisions. The M&E framework will focus on tracking and reporting data on various MSME interventions, the RAMP Program, and overall MSME support in the state. The M&E framework will be divided into three stages: M&E Plan, Executing M&E, and Data Review & Dissemination. The M&E Plan will outline the strategy for monitoring performance and achievements of interventions, along with baseline and target values of indicators. The framework will identify measurable indicators to track outputs, outcomes, and impact, considering key performance indicators and defined results. Executing M&E will involve the establishment of review committees at the state and district levels. Dedicated personnel will monitor M&E activities and conduct impact evaluations during the program's life. Regular review meetings will be held at different levels to assess progress, outcomes, and challenges. Overall, the Directorate of MSME aims to create a robust M&E framework that will facilitate informed decision-making, improve strategies and policies, and ensure the achievement of desired outcomes for MSME support in Karnataka.

D. SIP Budget Summary

The total estimated budget for the proposed interventions under the State Strategic Investment Plan is estimated to be INR 1365.72 crore during the RAMP program implementation period (FY 2023-24- FY 2026-27). The detailed interventions are provided in Chapter 6, 7 and 8 of this document and the budget summary is provided in the Table below and in Chapter 9.

Estimated Budget for Karnataka SIP			
SN	Component	Yearly Estimated Budget per annum (INR Crore)	Total Budget for 4 years (INR Crore)
1. a	Competitiveness Support	16.08	64.34
1.b	Market Access	42.89	171.57
2	Dispute Resolution for Delayed Payments:	5.86	23.42
3	Increased digitalization of MSMEs, including use of TReDS portal	5.54	22.14
4	Identification of potential Cluster level technical interventions	2.45	9.80
5	Partnership with Financial Institutions (FIs) including on-boarding with TReDs	4.34	17.36
6	Strengthening markets for service provision to MSMEs in the State	4.18	16.73
7	Support to Women-headed MSMEs	8.40	33.60
9	Funding Support to MSEs	100.00	400.00
10	Skills development	13.94	55.74
13	Sector specific intervention	33.98	135.90
14	Enterprise Facilitation Network	40.52	162.06
15	Partnership and Outreach Strategy	3.66	14.64
16	Strengthening State Portals and Integration with National portal	3.75	15.00
17	Strengthening M&E Framework for MSME Support:	4.10	16.39
18	Environmental and Social Management for MSME support:	2.80	11.20
19	Strengthening Coordination on MSME agenda in the State	0.25	1.00
20	Capacity Building of Key players to deliver on the MSME agenda, including coordination Mechanism	2.23	8.93
21	Strengthening of DICs	1.94	7.75
SUB TOTAL		296.89	1187.58

Estimated Budget for Karnataka SIP			
SN	Component	Yearly Estimated Budget per annum (INR Crore)	Total Budget for 4 years (INR Crore)
	Administration Cost @ 15%	44.53	178.14
	GRAND TOTAL	341.43	1365.72

E. Source of Funding

The total estimated budget for the proposed interventions under the State Strategic Investment Plan is estimated to be INR 1365.72 crore during the RAMP program implementation period (FY 2023-24- FY 2026-27). The contribution from Government of India and State Government is given in the table below.

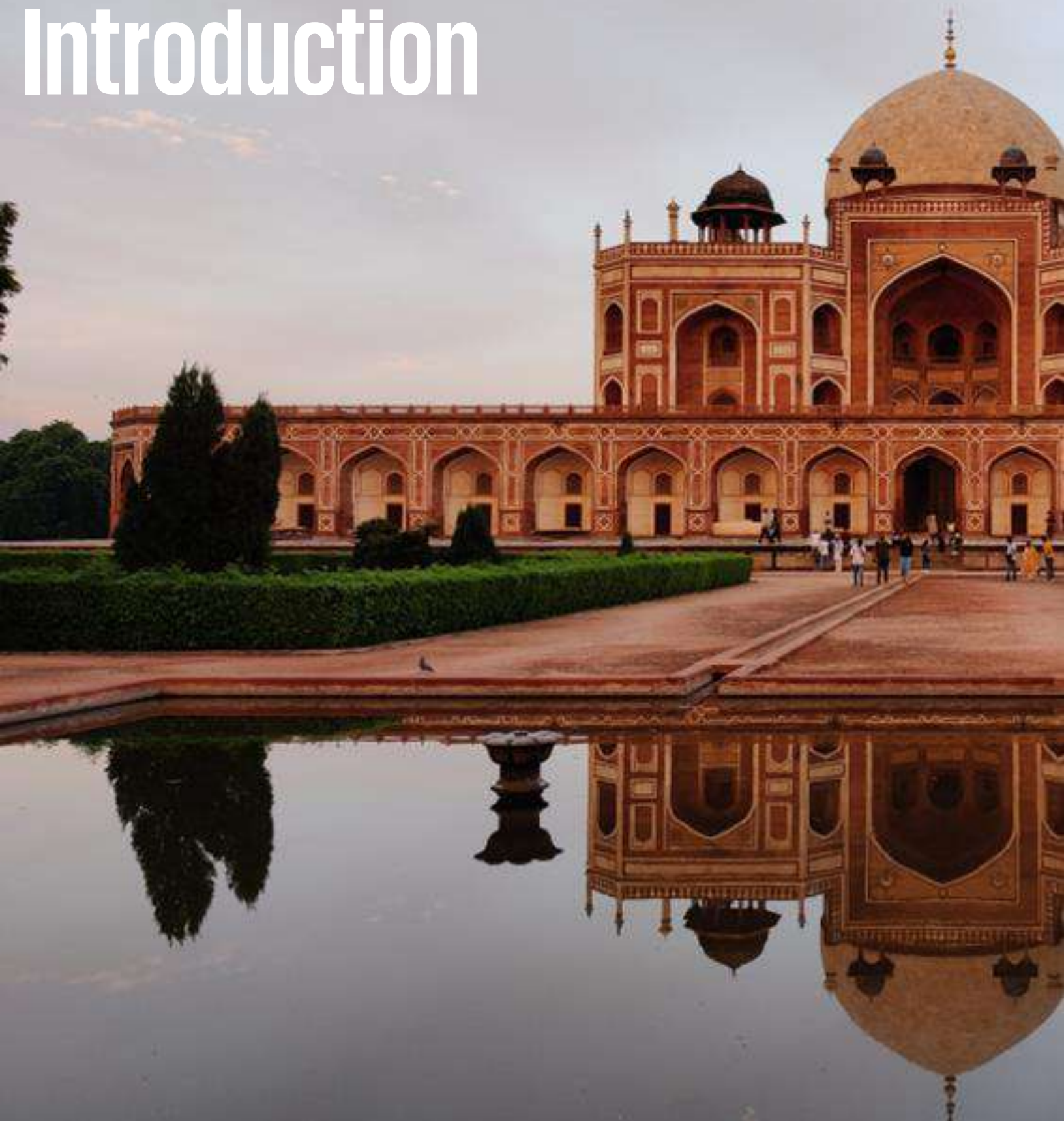
SN	Source	Contribution (INR Crore)	Contribution %
1.	Government of India	1254.72	91.87%
2.	Government of Karnataka*	111.00	8.12%
TOTAL		1365.72	100%

* GoK funding for 3 new initiatives viz. Brand Karnataka under Market Access and Elevate MSE scheme and Beyond Bengaluru MSE Fund under Access to Finance.

Karnataka is on the path to achieve sustainable, equitable and inclusive growth through policies across all relevant sectors with a greater focus on the MSME sector that improve productivity and wages, employment opportunities and outcomes. Government has been instrumental in facilitating innovation and entrepreneurship by embracing diversity, equity, and inclusion. The Government of Karnataka is determined in its vision and effort towards rightly positioning Karnataka as the leader on the global stage as the largest connected economy in the world, bringing coherence into digital governance, simplifying rules and legislations for technology, and focusing on building Karnataka's MSME sector across Tier II and Tier III cities. Under the RAMP program, the great transition for the MSME sector will see profound changes to the sources of economic growth. Hence, shifting the dial on MSME growth through structural reform under RAMP is critical in setting the right foundation to guide the next few years.

01

Introduction



1. Introduction

1.1. MSME Landscape in India

India is paving its way towards 'AatmaNirbhar Bharat Abhiyan', propelled by positive developments around policies, domestic capabilities, and digital transformation. Manufacturing remains a core focus, and is expected to drive collaboration with other countries, prompted by India's cost advantage and geographical benefits. The Micro, Small and Medium Enterprise (MSME) sector can play a critical role in achieving the long-term vision of AatmaNirbhar (Self-reliant) India by 2047.

The Micro, Small & Medium Enterprises (MSME) considered as a growth engine contributes towards reducing regional imbalances, poverty alleviation and assuring more equitable distribution of national income and wealth. The sector plays a pivotal role in the overall growth of industrial economy. With a contribution of 30 per cent to India's GDP, MSME sector accounted to around 48 per cent of total exports. Being a source of employment for around 110 million people, MSME sector ranks second after agriculture sector, which is the largest employer. With approximately 63.4 million units, MSMEs contribute about 33.4 per cent of India's manufacturing output.

The contribution of the MSME sector to overall GVA rose from 29.3 per cent in FY18 to 30.5 per cent in FY20, and to the economic impact of the pandemic caused the sector's share to fall to 26.8 per cent in FY21. Also, MSME contribution to the manufacturing sector's GVA also fell to 36.0 per cent in FY 21 from ~37.5 per cent in FY21.⁶

The sector witnessed a double-digit credit growth of 30.6 per cent, on average during January-November 2022, supported by the extended Emergency Credit Linked Guarantee Scheme (ECLGS) of the Union government. Further, the MSME sector is showing signs of financial resilience as seen from the GST data of MSME which reveals that GST paid by MSMEs after declining in FY21 has been rising since and now has crossed the pre-pandemic level of FY20.⁷

As per the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Program Implementation during the period 2015-16, there were 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities (196.64 lakh in Manufacturing, 230.35 lakh in Trade, 206.84 lakh in Other Services, and 0.03 lakh in Non-captive Electricity Generation and Transmission).

Out of the 633.88 lakh estimated number of MSMEs, 324.88 lakh MSMEs (51.25%) are in rural areas and 309 lakh MSMEs (48.75%) are in the urban areas, being a lever for equitable distribution of national income and inclusive economic growth.



Source: Economic Survey 2022, GoI and Annual Report of MoMSME, GoI

Figure 1: MSME Growth Indicators

⁶ Economic Survey, Government of India, 2022-23

⁷ Economic Survey, Government of India, 2022-23

Key Indicators of MSMEs as per the 73rd NSS Survey, 2015-16

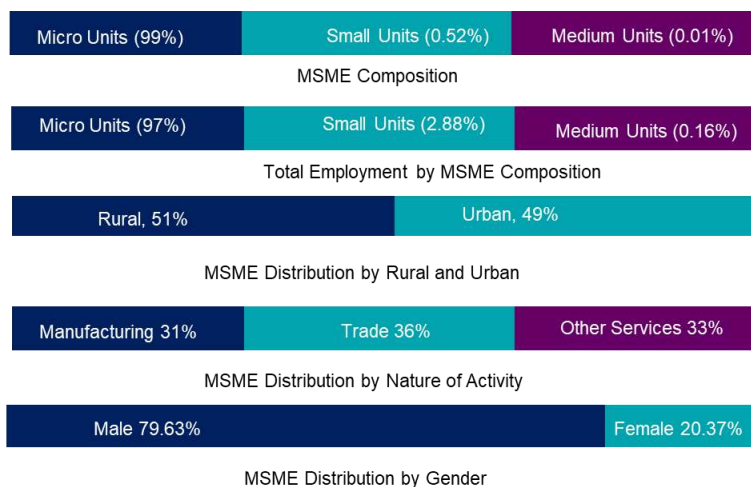


Figure 3: Key Indicators of MSMEs in India

The government has launched many initiatives and taken steps to reorient the sector for an enhanced level of economic activity. These include implementation of Udyam Registration Portal, Digital Payments, MSME SAMPARK, MSME SAMADHAAN Portal to address delayed payments to MSMEs, Public Procurement Policy, MSME SAMBANDH Portal, CHAMPIONS Portal, measures under AatmaNirbhar Bharat Abhiyaan, Emergency Credit Line Guaranteed Scheme (ECLGS) / Guaranteed Emergency Credit Line (GECL), Raising and Accelerating MSME Performance (RAMP) Scheme and Open Network for Digital Commerce. The new 'future-ready' national policy on micro, small and medium enterprises (MSMEs) will be released shortly which envisages to scale the growth of MSMEs in the country and will have a specific action plan on how to increase the competitiveness of the MSMEs with a special focus on the challenges faced with regard to integration into the global value chain; technological upgradation and access to capital where innovative modes of funding including green financing for MSMEs will be looked into.

Some of the policy measures introduced by the government have aided the resilience of the MSME sector, which include:

- **Development of MSME clusters:** Cluster Development approach has been adopted as a key strategy for enhancing the productivity and competitiveness as well as capacity building of MSMEs and their collectives.
- **Access to capital:** Schemes such as Credit Guarantee Trust Fund for Micro & Small Enterprises (CGTMSE), Credit Linked Capital Subsidy for Technology Upgradation (CLCSS), Micro & Small Enterprises Cluster Development (MSE-CDP), Scheme of Fund for Regeneration of Traditional Industries (SFURTI), and Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE) provide institutional finance and have been specifically targeted towards MSME sector.
- **Production linked Incentives Scheme:** Rigorous initiatives to promote domestic manufacturing, by rolling out Production-linked incentive (PLI) scheme in many focus sectors.
- **Augmenting ease of doing business:** Simplification of compliances through self-certification and easy approvals.

1.2. Comparative Analysis with Frontier States

In this section, we will analyze the performance of the state of Karnataka with frontier states (Uttar Pradesh, West Bengal, Tamil Nadu, and Maharashtra) vis-à-vis:

- ✓ Number of MSME units in the respective states,
- ✓ Percentage share in terms total units India-wide,
- ✓ Employment provided by the MSME sector in the respective states,
- ✓ Percentage share of employment created by MSME sector of that state,
- ✓ Distribution of proprietary MSMEs by gender and percentage share, and
- ✓ Distribution of employees by gender and percentage share

As per NSS 73rd round data, the state of Uttar Pradesh leads the chart with approximately 90 lakhs MSME units, which forms 14 per cent of total MSME units in the country. Uttar Pradesh (14%) is being closely followed by the states of West Bengal (88.7 lakh units, ~14%), Tamil Nadu (49.5 lakh units, ~8%), & Maharashtra (47.8 lakh units, ~8%). State of Karnataka ranks 5th with 38.34 lakh MSME units (6%).

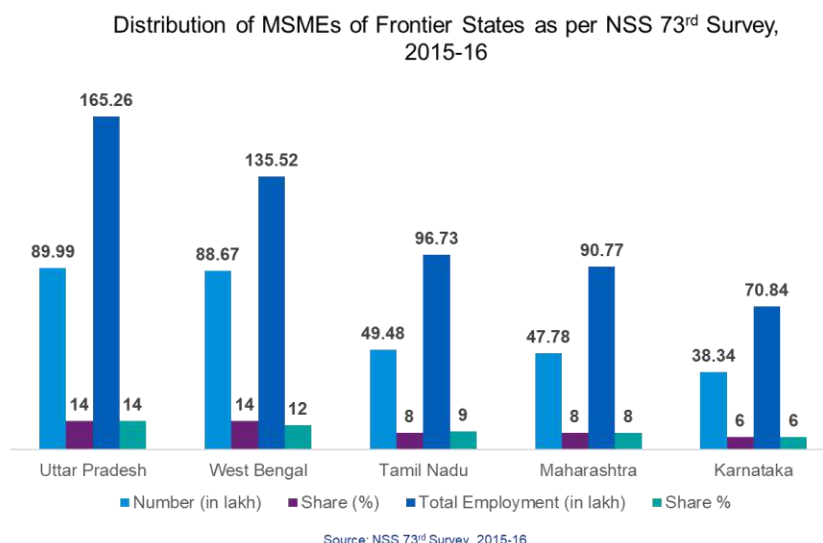


Figure 4: State wise Comparative Assessment of Total Number of MSMEs and Employment

The 73rd Round of the National Sample Survey data also reveals that 195 proprietary MSMEs per 1000 MSMEs are owned by women in the entire country⁹. Of the 2.65 crore women employed in MSMEs, Karnataka contributes 6.05 per cent to the total female workforce. States of West Bengal (~16%) & Tamil Nadu (~12%) have been top performers when it comes to the contribution of female employees to overall India's female employees in MSME sector. Karnataka ranks 6th in terms of contribution of share of male MSME owners to overall India's male MSME owners and ranks 4th in terms of contribution of share of female MSME owners to overall India's female MSME owners.

⁹ <https://pib.gov.in/PressReleaseFramePage.aspx?PRID=1514859>

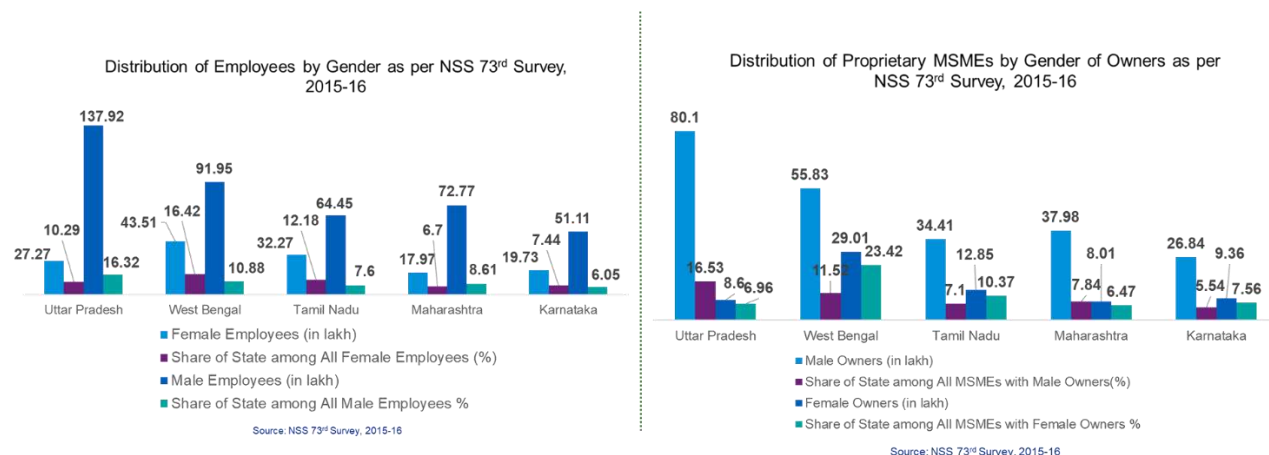


Figure 5: State wise Comparative assessment of state of Karnataka with frontier states on MSME's proprietorship by Gender and employees by Gender

With an aim at scaling MSMEs and providing an umbrella of benefits to MSME businesses in India, a new online system of MSME Udyam Registration was launched by the Ministry of Micro, Small and Medium Enterprises, Government of India, in 2020. Udyam Registration is a free, paperless online government registration for MSMEs providing them with a unique identity number and a recognition certificate, to certify them as a micro/small/medium enterprise. As per data from the Ministry of Micro, Small & Medium Enterprises, as of 6th August 2023, the Udyam Registration portal registered 1.80 crore MSMEs, replacing the former process of filing for a Udyog Aadhaar Memorandum (UAM). Figure 6 highlights that as of 06th August 2023, registered micro-enterprises stood at 1.74 crore (96.59%), followed by small enterprises at 5.62 lakh (3.11%) and mid-sized enterprises at 0.52 lakh (0.29%)¹⁰

Distribution of Micro Small & Medium Enterprises as per UDYAM registrations as on 8th August 2023

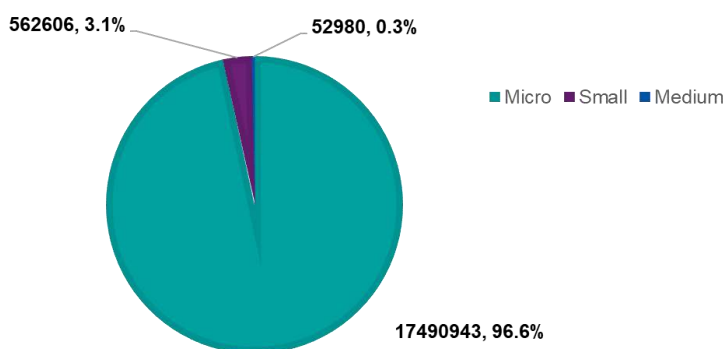


Figure 6: Composition of MSMEs based on Udyam 06.08.2023.

¹⁰ <https://www.ibef.org/industry/msme>

The comparative assessment of registrations done under the Udyam portal by enterprises, is illustrated in Figure 7. It can be noted that there has been ~100 per cent increase in the number of registrations from 0.6 crore in 2021 to 1.3 crore in 2022. Also, the share of registration of manufacturing enterprises has shot up drastically from 32 per cent in 2021 to 72 per cent in 2022. This implies that enterprises are registering on the portal to avail the bucket of incentives linked with the registration.

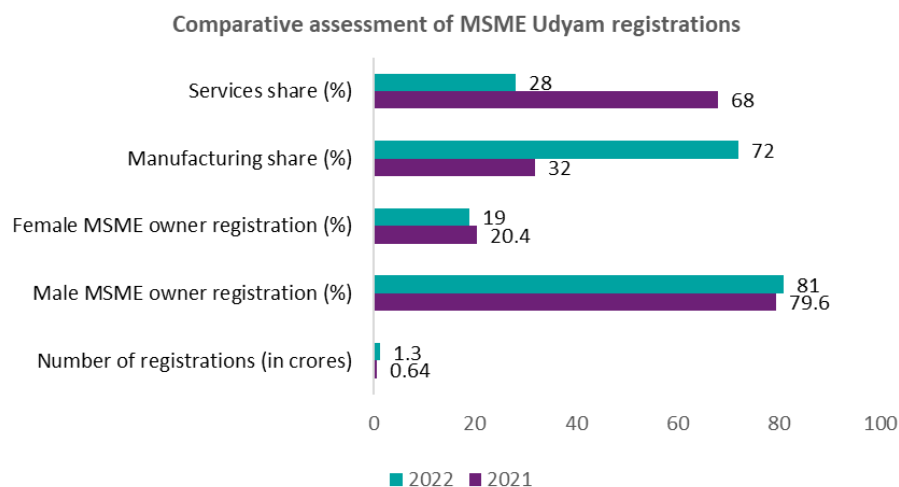


Figure 7: Comparative Assessment of MSME Registration (activity and gender wise)

Diving deeper into state wise analysis of enterprise registrations made at the Udyam portal, Figure 8 illustrates the State of Maharashtra with the largest number of registrations (30.5 lakhs ~18%) followed by Tamil Nadu (17.32 lakhs ~ 10%), Uttar Pradesh (15 lakhs ~9%), Gujarat (12.69 lakhs ~8%), Rajasthan (12.58 lakhs ~8%) and Karnataka 9.65 lakhs with 6% respectively.

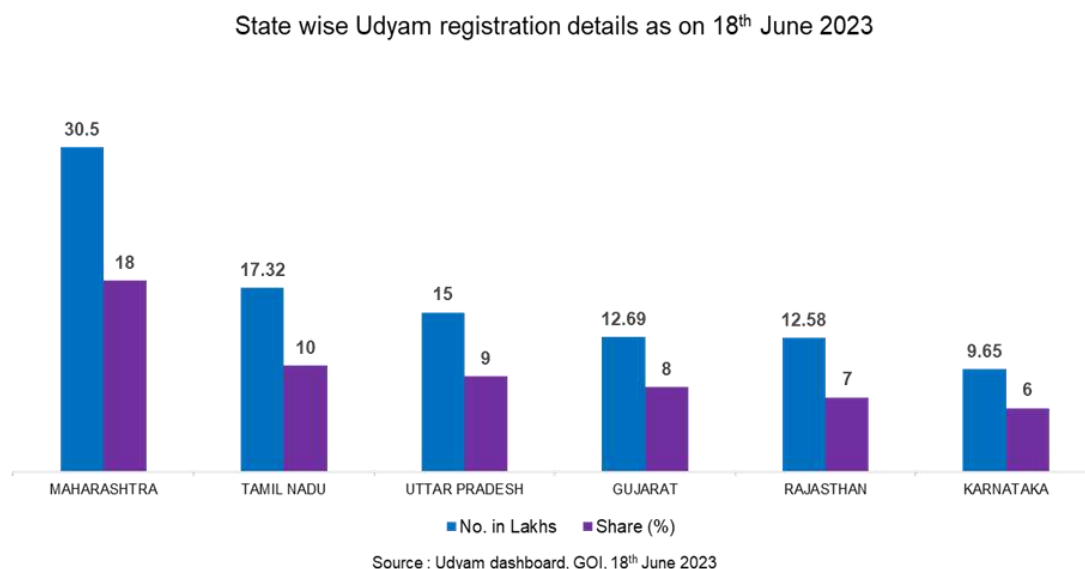


Figure 8: State wise Comparative Analysis based on Udyam registration as on 18.06.2023.

1.3. Repositioning MSME sector for better growth- RAMP

With an aim at repositioning MSME sector for better growth, Government of India has launched a World Bank supported Scheme called “Raising and Accelerating MSME Performance (RAMP)”, which supports the overall Covid Resilience and Recovery Programme of MoMSME and aims at improving market access, access to credit, strengthening institutions and governance at the Centre and State, improving Centre-State linkages and partnerships, addressing issues of delayed payments, and greening of MSMEs. In addition to building the MoMSME’s capacity at the National level, the RAMP Programme will seek to scale up implementation capacity and firm coverage in States. The total outlay approved under RAMP is for INR 6062.45 crore out of which INR 3750 Crore is a loan from the World Bank and the remaining INR 2312.45 Crore is the counterpart funding by the Government of India. Under the RAMP a total of a 5,55,000 MSMEs are specifically targeted for enhanced performance and, in addition, expansion of target market to include service sectors and increase of about 70,500 women MSMEs is envisaged.

The RAMP operation will provide support to the Gol to move from a “scheme-based” to a “systems-based” approach that decentralizes MSME support programs i.e., from a centralized public-sector supply-driven MSME support architecture to a state-led, demand-driven program with a focus on strengthening markets for provision of MSME support services. RAMP will support the development and implementation of evidence based MSME State Strategic Plans (SIP). The plans will lay out the MSME support strategy and interventions over a five-year period, moving from scheme-based approaches to outcome-based approaches that more effectively integrate national and state-level MSME support programs and financing streams. The SIPs developed by the States will usher in larger formalization and would act as a roadmap for the development of an improved MSME sector.

02

MSME Landscape In Karnataka



2. MSME Landscape in Karnataka

2.1. Unleashing Karnataka's USD 1 Trillion GDP Vision @ 2032

Karnataka, an economic powerhouse, is set to play a pivotal role in reaching India's ambitious aim of becoming a USD 20 trillion economy by 2047¹¹. It is the third largest state economy in the country, at INR 20.5 lakh crore nominal GSDP in FY 22, translating to a per-capita GSDP of INR 3.05 lakhs. Karnataka's per-capita GSDP is the highest among the Top 5 states. Karnataka's ambitious aim of becoming a USD 1 trillion economy (99.5 lakh crore) by 2032 from the existing \$ 0.27 trillion (22.41 lakh crore) in 2022-23 is on the path to achieve sustainable, equitable and inclusive growth through policies across all relevant sectors with a greater focus on manufacturing and MSME sector that improves productivity and wages, employment opportunities and outcomes. Karnataka's manufacturing sector is positioned to enable the state being one of the leading high-tech industrialized states in the country, and to be at the forefront of attracting investments nationally and globally. Government of Karnataka's policies and programs towards enablement of its manufacturing sector are guided by a mission of being a global manufacturing hub and achieving higher and sustainable industrial growth through capital infusion, technology transfer, world class industrial infrastructure, skill up-gradation and policies and practices of global standards. As per the estimates, Karnataka's manufacturing sector currently at INR 2.7 lakh crore (2021-22) is expected to reach INR 6.4 lakh crore by 2026-27 (estimate) provided it grows at 18.5 per cent per annum.¹² This presents a window of opportunity for scaling the MSME sector growth with favorable tailwinds in demographics, consumption patterns, open market economics, and technological prowess.

2.2. Overview of the MSME Sector

In the new paradigm, Karnataka's MSME ecosystem has emerged as a critical growth integrator for scaling the State economy's growth and competitiveness. Karnataka's burgeoning MSME ecosystem has evolved dynamically over the last two decades. It contributes significantly to the economic and social development by fostering entrepreneurship and generating large scale employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are growing exponentially in the State, home to ~ 10,28,927 registered MSMEs as per the Udyam portal¹³. The number of MSMEs registered on Udyam portal (10,28,927 MSMEs) in proportion to total MSMEs as per the 73rd Round of National Sample Survey (NSS) (38,34,000 MSMEs) is 26.8%. In terms of composition, MSMEs are dominated by micro enterprises with a share ~96 per cent in the total number of registered enterprises and more than 80 per cent share in the total employment of the MSME sector. This is followed by small and medium enterprises, with ~4 per cent and 0.32 per cent of share in the total number of registered MSMEs. As per Udyam as on 30.06.2023 total employment generated by MSMEs in the State is 91,95,863. The number of persons employed in MSMEs registered on Udyam portal (91,95,863) in proportion to total number of persons employed in MSMEs as per the 73rd Round of National Sample Survey (NSS) (70,84,000 MSMEs) is 121.8%.

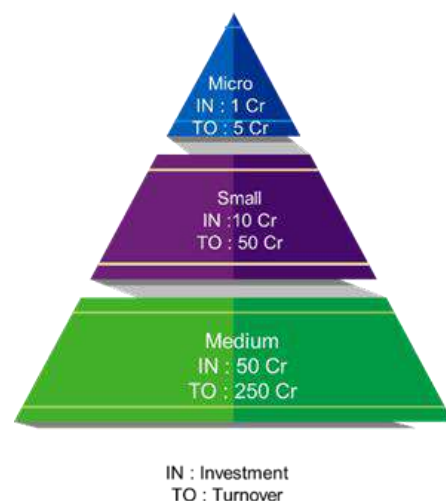


Figure 9: MSME Definition as per MoMSME

¹¹ Estimates of the Economic Advisory Council to the Prime Minister (EAC-PM).

¹² Draft \$ 1 Trillion GDP Vision for Karnataka, Department of Planning, GoK

¹³ State MSME Udyam Dashboard as on 08.08.2023, Ministry of MoMSME

During financial year 2022-23, tax collection at the national level amounted to INR 13,24,985 crore out of which Karnataka's share stood at 9 per cent (INR 1,22,821 Crore).¹⁴ In Karnataka there are ~ 10 Lakh taxpayers. Out of the ~10 Lakh taxpayers around 91 per cent of the taxpayers are from the MSME sector. In the year 2022 there are 9,11,398 MSMEs who are- registered on GST portal OR who have paid GST. Amongst this micro (8,49,347 units), small (55,626 units) and medium enterprises (6425) comprise of 93 per cent, 6 per cent and 1 per cent respectively. For the same year, the contribution of MSMEs to total tax revenue of the State stood at ~39.65 per cent (INR ~48000 crore) out of the total State tax revenue of INR ~1.2 lakh crore.

Strong emphasis on Ease of Doing Business has led to a transformational path for the State. Karnataka has emerged as the top achiever in the Ease of Doing Business rankings released by Department for Promotion of Industry and Internal Trade (DPIIT) based on implementation of Business Reforms Action Plan 2020 comprising of 301 reform points covering 15 business regulatory areas such as access to information, single window system, labor, environment, land administration & transfer of land and property, utility permits and others. The Government has introduced various initiatives in easing out "Doing Business" in the State for facilitating entrepreneurs and reducing regulatory hurdles.

The Government of Karnataka is determined in its vision and effort towards rightly positioning Karnataka's MSME sector as the leader on the global stage. For FY 2023-24, Government of Karnataka has sanctioned an budget outlay of INR 434 crore for supporting the development of the MSME ecosystem with critical growth enablers such as: access to finance, access to market, greening MSMEs, promoting Women-led/Owned MSMEs, access to technology; wide spectra of support to entrepreneurship and skill development of MSMEs; promotion and marketing assistance and such other ancillary objectives so as to create a complete holistic and thriving ecosystem.

Assessing Karnataka's MSME proficiency vis-à-vis India, it can be observed from Table 1, as per the 73rd round of NSS, 2015-16, for the distribution of MSMEs across the Indian states, Karnataka ranks 5th in terms of number of MSMEs with a 6 per cent share (38.34 lakh MSMEs). The leading states being Uttar Pradesh (14%), West Bengal (14%), Tamil Nadu (8%) and Maharashtra (8%).

Table 1: Profile of MSMEs in India and Karnataka

Source	India (Units)	Karnataka (Units)	Karnataka Employment	Ranking of Karnataka	Leading States
73rd Round of NSS, 2015-16	6.34 Crore	38.34 Lakhs (6 %)	70.84 Lakhs (6%)	5 th	Uttar Pradesh (14%), West Bengal (14%), Tamil Nadu (8%) and Maharashtra (8%)
Fourth All India Census of MSME 2006-7, and Fifth Economic Census 2005	3.62 Crore	20.19 Lakhs (6 %)	NA	5 th	Uttar Pradesh (12%), West Bengal (10%), Tamil Nadu (9%) and Maharashtra (8%)
Udyam Registration (as on 3.8.23)	1.79 Crore	10.22 Lakhs (5.69 %)	91.95 Lakhs (7.4%) (as on 30.6.2023)	6 th	Maharashtra (18%), Tamil Nadu (10%), Uttar Pradesh (9%), Gujarat (8%), Rajasthan (8%),

Source: Annual report of MSME 2021-22, *NSS 73rd Round, 2015-16, ** Fourth All India Census of MSME, 2006-07 (Unregistered sector) and Fifth Economic.

¹⁴ GST, GoI <https://www.gst.gov.in/download/gststatistics>

2.2.1. Number of MSMEs and growth in numbers over time; MSMEs in the State as a share of MSMEs in India

There are 9.65 lakh registered MSMEs in Karnataka providing employment to more than 80 lakh people in the State, this is as per the Udyam portal as on 18.06.2023¹⁵. During the period from July 2020 to April 2023 there has been a steady growth in the number of enterprises and employment, registered on the Udyam portal. Since the onset of the Udyam registration portal, Karnataka has witnessed a growth of ~45 per cent increase in the registrations from 2,74,876 units in 2021 to 4,00,979 units in 2022.

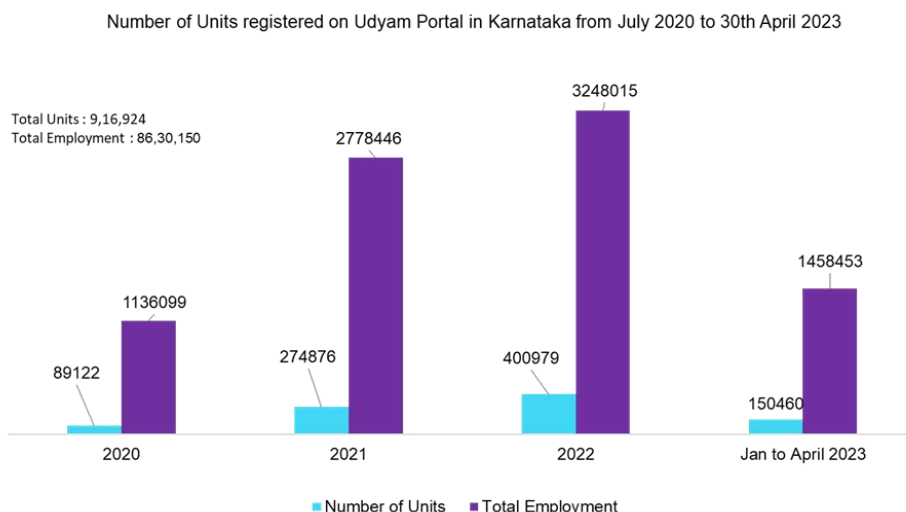


Figure 10: Growth in the Number of Units registered on Udyam Portal during the period July 2020 to April 2023

2.2.2. Composition of MSMEs

2.2.2.1. Composition of MSMEs by Classification

In terms of composition, MSMEs are dominated by micro enterprises with a share ~96.58 per cent (8,85,608 units) in the total number of registered enterprises and more than 83 per cent share (72,05,954) in the total employment of the MSME sector. This is followed by small and medium enterprises, with ~3.1 per cent and 0.28 per cent of share in the total number of registered MSMEs. Figure 11 below shows the number of units and employment registered on Udyam Portal in Karnataka during the period July 2022 to April 2023.

¹⁵ State MSME Udyam Dashboard as on 18.06.2023, Ministry of MoMSME

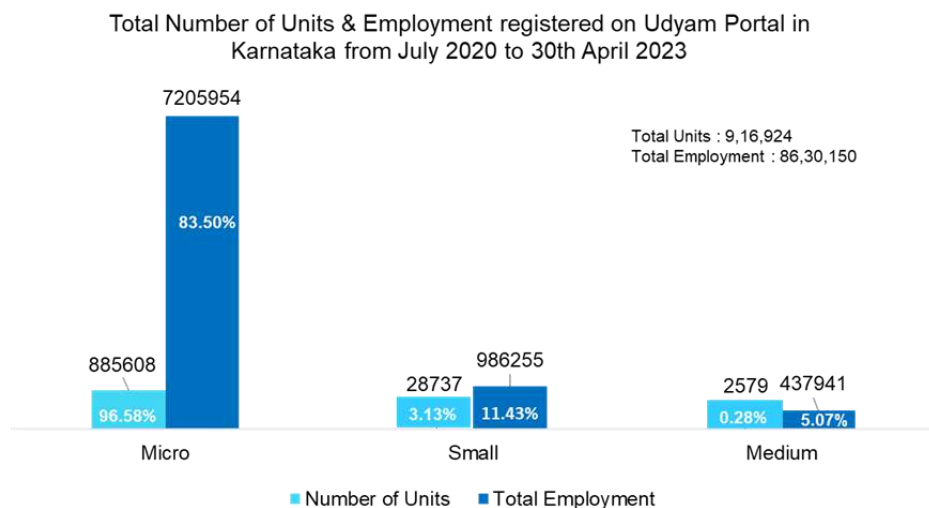


Figure 11: Total Number of Units and Employment registered under Micro, Small and Medium as per Udyam registration (July 2020 to April 2023)

2.2.2.2. Composition of MSMEs by Activity (Manufacturing & Services)

Of the total number of MSMEs registered, 25.09 per cent are engaged in manufacturing activities and 74.91 per cent are engaged in activities pertaining to services. Around 2.3 lakh units are registered in manufacturing activities employing 25 lakhs people, i.e., 29.69 per cent of the total number of people employed in MSMEs. Similarly, around 6.8 lakh units are registered in services-related activities employing around 60 lakhs of people, i.e., 70.31 per cent of the total number of people employed in MSMEs.

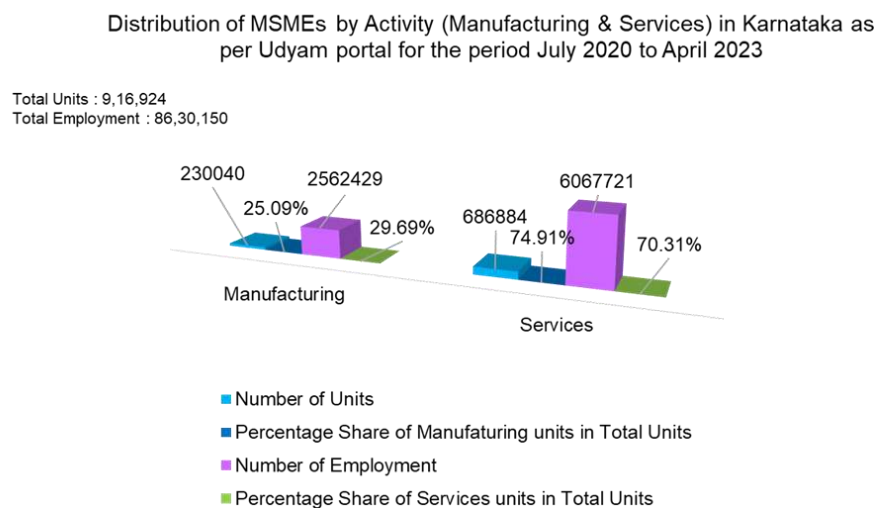


Figure 12: Distribution of MSME by Activity (Manufacturing & Services)

2.2.2.3. Composition of MSMEs by Manufacturing

Figure 13 illustrates the category wise distribution of number of units and employment for manufacturing enterprises. Total number of manufacturing enterprises registered on Udyam portal for the state of Karnataka are 2,30,040 with an employment of 25,62,429.

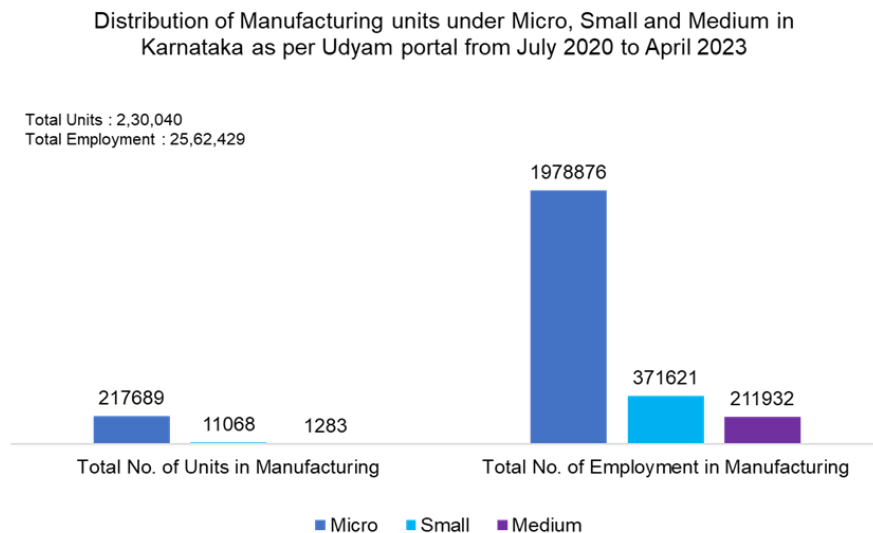


Figure 13: Distribution of MSMEs in Manufacturing (Units & Employment)

2.2.2.4. Composition of MSMEs by Services

Figure 14 illustrates the category wise distribution of number of units and employment for services enterprises. Total number of service enterprises registered on Udyam portal for the state of Karnataka are 6,86,884 with an employment of 60,67,721.

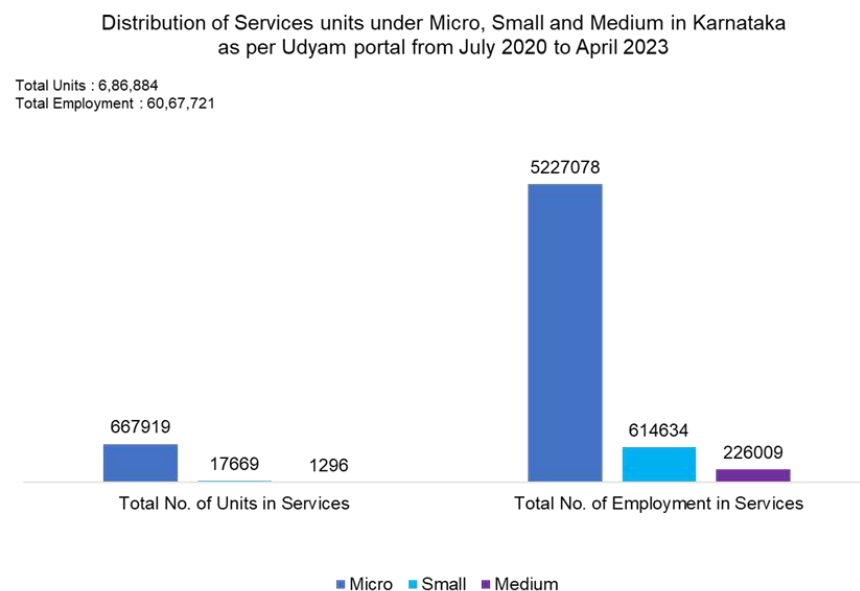


Figure 14: Distribution of MSMEs in Services (Units & Employment)

2.2.3. Number and share of women headed MSMEs

According to the State-wise Distribution of Proprietary MSMEs by Gender of Owners [NSS 73rd Round], there are ~1.23 crore women MSMEs present at the national level. In Karnataka there are ~9.36 lakh women led MSMEs (7.56% share of State among All MSMEs with Female Owners). As per district level

data there are around ~70,000 women MSMEs in the State and the percentage of women-led enterprises to total MSMEs on Udyam registration is ~7 per cent.

2.2.4. Size Distribution of enterprises – Number (and share) of MSMEs in following size categories based on total workers – 1; 2-5; 6-9; 10-19; 20-49; 50-99; 100-499; above 500.

Around 87 per cent of MSMEs employ less than 10 workers, 8 per cent employ less than 20 workers and 4 per cent employ less than 50 workers. A meagre 1 per cent employ workers between the range of 50 to 99, 100 to 499 and above 500.

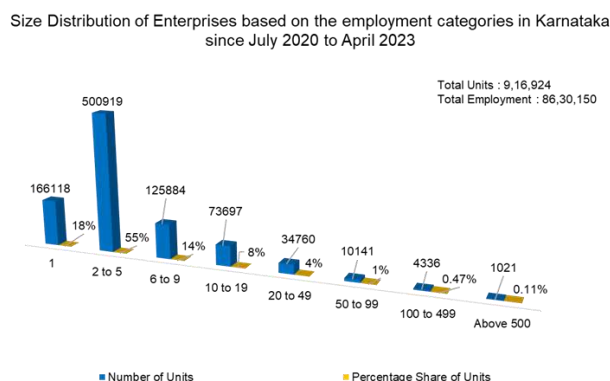


Figure 15: Size Distribution of Enterprises based on the employment categories

2.2.5. Employment in MSME sector; growth over time

During the period from July 2020 to April 2023 there has been a steady growth in the employment generated by MSMEs. As per the Udyam data, state has 9.65 lakh MSMEs registered on Udyam portal employing over ~80 lakh people. Since the onset of the Udyam registration portal, Karnataka has witnessed a growth of ~17 per cent increase in the employment from 27,78,446 in 2021 to 32,48,015 in 2022. Karnataka represents 6 per cent (NSS 73rd round) and 7 per cent (Uday registration as of April 2023) share in all India employment generated by MSME.

Comparison of Employment in NSS 73rd Round 2015-16 and Udyam registration in Karnataka as on 30th April 2023

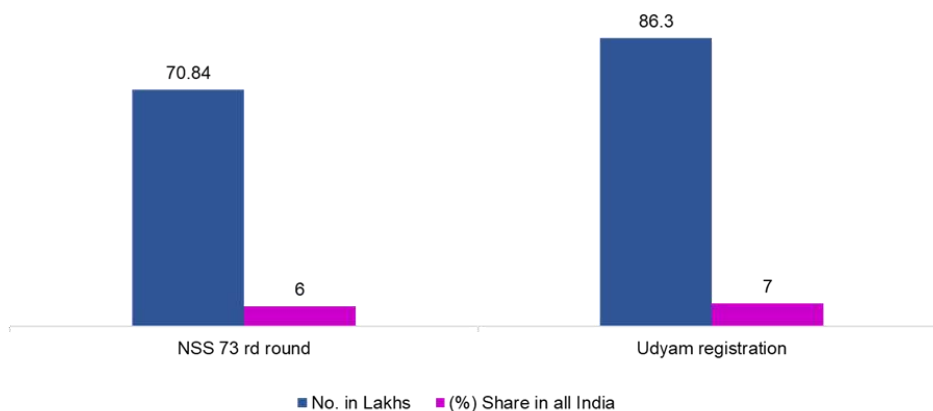


Figure 16: Employment in MSME Sector

2.2.6. Exports and GVC linkages

Against the changing landscape of multi polar world, integrating MSMEs into the global value chain is integral for economic growth. As per trade estimates, the international trade is dominated by global value chains (GVCs) and more than two-thirds of the trade takes place within such GVCs. Karnataka accounts for a significant share in the total FDI that flows into India and ranks 2nd as the leading FDI destination in the country and has attracted FDI of USD 44.46 billion during the period October 2019 to March 2023, constituting 24 per cent of all India FDI.¹⁶ The State has carved out a niche for itself in the global market and ranks 1st in software / service exports and stands 4th in merchandise exports in the country. Karnataka ranked 3rd in Niti Aayog's Export Preparedness Index (EPI) 2022' for States/UTs¹⁷ with an overall score of 76.36. The index covers district wise export performance across four key pillars: policy; business ecosystem; export ecosystem, and export performance. Across the four pillars Karnataka scored the highest among all states in the policy and business ecosystem pillar and scored low on export ecosystem and export performance pillar.

Karnataka is home to a total of 46 Registered GIs. Over the past five years, the state's exports have grown at a compound annual growth rate (CAGR) of 3 per cent, outpacing the national CAGR of 2 per cent. Karnataka's total exports amounted to ~ USD 127.71 billion (INR 9,51,794 crore) in 2021-22 which constituted about 19 per cent of the country's exports. Karnataka's merchandise exports amounted to ~ USD billion in 2021-22 which constituted 6.13 per cent in the share of merchandise exports in the national exports.¹⁸

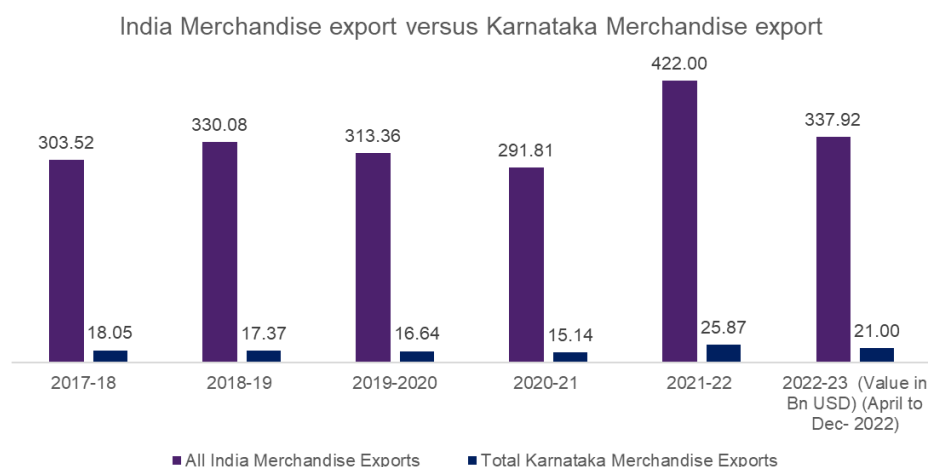


Figure 17: India Merchandise export versus Karnataka Merchandise export

Karnataka is a leading exporter of services in the country, wherein Karnataka's software/services exports amounted to ~ USD 101.84 billion in 2021-22 which constituted 41 per cent in the share of services exports in the national exports. The state's service exports, and country service export grown at CAGR of 7 percent. Karnataka's advantages as a destination for the service sector include a strong talent pool, a conducive policy and regulatory environment, a robust infrastructure, and a strategic location.¹⁹

¹⁶ FDI Statistics, DPIIT, GoI

¹⁷ Niti Aayog Export Preparedness Index (EPI) 2022, 17.07.2023

¹⁸ Karnataka Economic Survey 2022-23, GoK and DGCI Kolkata

¹⁹ Karnataka Economic Survey 2022-23, GoK and RBI

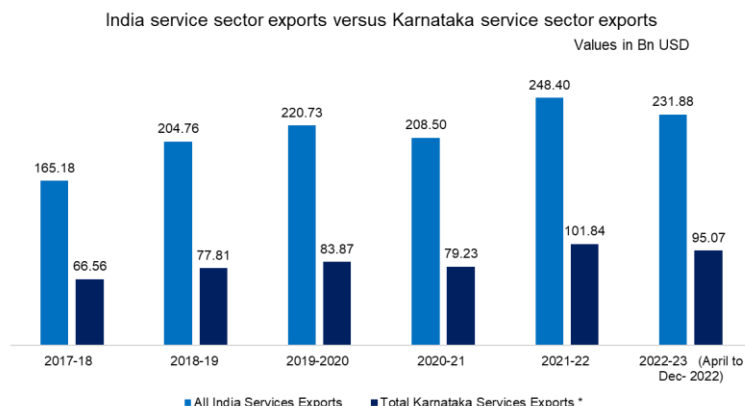


Figure 18: India service sector exports versus Karnataka service sector exports

The top 6 districts in Karnataka with the largest export share in 2021-22 viz. Bengaluru Urban (31%), Dakshina Kannada (25%), Bengaluru Rural (11%), Bellary (11%), Kolar (6%) and Mysuru (3%). These districts are all home to major industrial and manufacturing clusters, Original Equipment Manufacturer (OEMs), anchor buyers which are the main drivers of exports from Karnataka. The IT and electronics sectors are particularly important in these districts, as they account for a significant share of the state's exports.²⁰

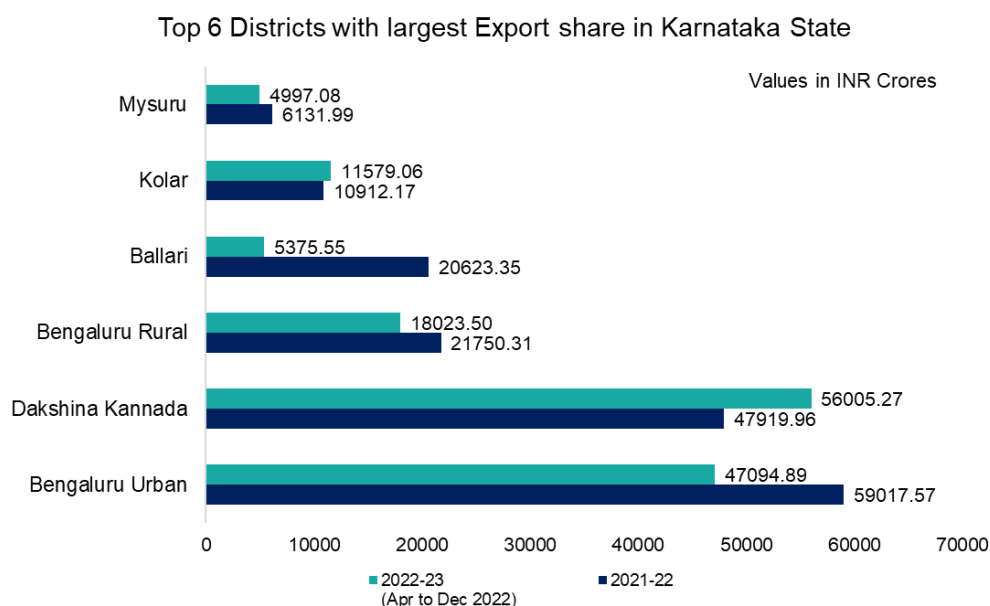


Figure 19: Top 6 Districts with largest export share in Karnataka

The product with the largest export share is petroleum products, with a share of 17 per cent and the other top 5 exporting products viz. electrical/ telecom/ electronics products (15%), iron & steel Products (11%), mechanical engineering products (9%), organic chemicals (7%) and ready garments (5%). These products are all important export commodities for Karnataka, and they account for a significant share in the state's exports. Table 2 lists out the top 14 performing products in Karnataka's exports and top exporting markets.

²⁰ District Export Data generated by DGCIS, Kolkata

The share of the below mentioned top 14 exporting products in overall merchandise exports of Karnataka is 83 per cent.

Percentage of major commodities in Karnataka merchandise export in 2021-22

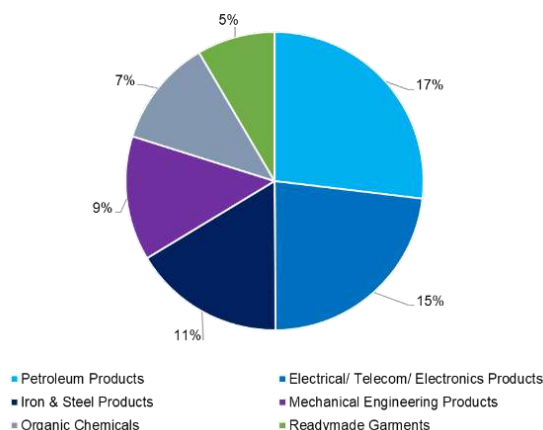


Figure 20: Percentage of major commodities in Karnataka merchandise exports in 2021-22

Table 2: Top Exporting Products in Karnataka

SN	Top Exporting Products (2021-22)	Value in Mn USD (2021-22)	% Share in Overall Merchandise Exports of Karnataka	Top Exporting Countries (2021-22)
1	Petroleum Products	4458	17%	UAE, Malaysia, South Africa, Singapore & Netherlands
2	Electrical/ Telecom/ Electronics Products	3814	15%	USA, Japan, Netherlands, China & UK
3	Iron & Steel Products	2731	11%	Belgium, Italy, Switzerland, Singapore & Turkey
4	Mechanical Engineering Products	2239	9%	USA, Thailand, Germany, China & Italy
5	Organic Chemicals	1938	7%	China, USA, UAE, Italy & Brazil
6	Readymade Garments	1403	5%	USA, UK, Germany, Netherlands & Spain
7	Agriculture Commodities	1006	4%	Indonesia, Vietnam, USA, UAE & East African Countries
8	Pharmaceuticals	879	3%	USA, UK, South Africa, Australia & Netherlands
9	Optical and Medical Instruments	793	3%	USA, China, France, Singapore & Germany
10	Coffee	592	2%	Italy, Belgium, Germany, Jordan & Kuwait

SN	Top Exporting Products (2021-22)	Value in Mn USD (2021-22)	% Share in Overall Merchandise Exports of Karnataka	Top Exporting Countries (2021-22)
11	Automobile	566	2%	USA, Thailand, Nepal, Bangladesh & Japan
12	Iron Ore Pellets	434	2%	China, Brazil, Oman, Korea & Germany
13	Aerospace Components	344	1%	USA, UK, France, Germany & Sweden
14	Marine Products	215	1%	Thailand, USA, China, Taiwan & Japan
Total Exports of 14 Products		21412	83%	
Overall Merchandise Exports of Karnataka		25875	100%	

Source VTTC, Government of Karnataka

2.2.7. Sector/Industry wise information for above indicators linkages of MSME vendors to PSEs, and major anchor buyers

This sub-section on MSME sector profiling throws light upon the 4 different categories of MSMEs identified based on the Udyam data for the period July 2020 to April 2023 and as per National Industrial Classification (All Economic Activities) 2008, Central Statistical Organization, Ministry of Statistics and Programme Implementation, Government of India. As per the data 28 sectors have been identified across four main categories viz. **manufacturing based, service based, trading based, and other sector based**. Total number of units in each of these 4 categories, their percentage share in the total units, and top five districts with highest concentration in the state of Karnataka are covered in the table 3,4 and 5 below.

2.2.7.1. Manufacturing

Manufacturing MSME Sectors: Out of the 28 sectors identified, 14 sectors have been categorized under manufacturing based on the National Industrial Classification (NIC) 2008 industry classification. These sectors are *food-processing, textiles, apparel and leather products, machinery & equipment, toys, jewelry, chemicals, printing, wood and allied products, metals and fabricated products, non-metallic mineral products, pharmaceuticals, paper & paper products, rubber & rubber products*. Total number of manufacturing enterprises registered on Udyam portal as on 30.04.2023 for the state of Karnataka are 2,30,040 with an employment of 25,62,429. The percentage share of each sector in total units i.e. (8,91,272) is summarized in the table below. Food processing (6%), Textiles (3%), Apparel & leather products (3%), Machinery & Equipment (3%) have the largest sector share within manufacturing.

Table 3: Profile of Manufacturing Sub-Sectors based on Udyam (July 2020 to April 2023)

SN	Name of the Sector under Manufacturing	Total Units	Share in Total Units	Top 3 Districts with Highest sector concentration apart from Bengaluru Urban & Rural
1	Food Processing	55066	6.01%	Belagavi, Dharwad, Dakshina Kannada
2	Textiles	31067	3.39%	Belagavi, Bagalkote, Chikaballapur

SN	Name of the Sector under Manufacturing	Total Units	Share in Total Units	Top 3 Districts with Highest sector concentration apart from Bengaluru Urban & Rural
3	Apparel & Leather Products	32078	3.50%	Belagavi, Dharwad, Mysore
4	Machinery & Equipment (General purpose, metal, and fabricated metal, electrical, textile, apparel and leather, mining, printing, transport)	26774	2.92%	Belagavi, Dharwad, Mysore
5	Chemical & Chemical Products	7052	0.77%	Belagavi, Dharwad, Mysore
6	Printing	8404	0.92%	Belagavi, Dharwad, Mysore
7	Wood & Allied Products including Furniture	17197	1.88%	Mysore, Belagavi, Dakshina Kannada
8	Metal & Fabricated Metal Products	18716	2.04%	Belagavi, Dharwad, Mysore
9	Pharmaceuticals & Medical Devices	3079	0.34%	Mysore, Belagavi, Dharwad
10	Non-Metallic Minerals Products	8823	0.96%	Belagavi, Mysore, Dharwad
11	Paper and Paper Products	6215	0.68%	Belagavi, Mysore, Dharwad
12	Rubber & Plastic Products	6245	0.68%	Belagavi, Mysore, Dharwad
13	Toys	329	0.04%	Ramanagara, Mysore, Belagavi
14	Jewelry	5084	0.55%	Belagavi, Mysore, Dharwad
Total		2,26,129	24.66%	

(*Note: following sub sectors under manufacturing have not been considered such as: Tobacco; Sports, Stationery items, Musical Instruments, Watch and clocks and other manufacturing items). Source: Udyam Portal Data for Karnataka during the period July 2020 to April 2023, KPMG Analysis).

2.2.7.2. Services

Services MSME Sectors: Based on the Udyam Portal Registration data during the period July 2020 to Dec 2022), the MSME units are categorized into the following broad services: Financial Services, Healthcare Services, Legal & Accounting Services, R & D Services, Real Estate Services and Other Professional Services. The percentage share of each type of service-based units in total number of registered units, i.e. (8,91,272) is given in the table 4 below. Also, as per the table 5 data mentioned below % share of services-based units in total number of registered units is 22.81 per cent, with total number of Service units as ~2.09 lakhs.

Table 4: Profile of Type of Services based on Udyam data (July 2020 to April 2023)

SN	Name of the Sector under Services	Total Units	Share in Total Units	Top 3 Districts with Highest sector concentration apart from Bengaluru Urban & Rural
1	Financial Services	11330	1.24%	Mysore, Belagavi, Hassan
2	Healthcare Services	11408	1.24%	Belagavi, Mysore, Dakshina Kannada
3	Legal and Accounting Services	5933	0.65%	Mysore, Belagavi, Dakshina Kannada
4	Other Professional Services	172384	18.80%	Belagavi, Mysore, Dakshina Kannada
5	R & D Services	525	0.06%	Mysore, Dakshina Kannada, Dharwad
6	Real Estate Services	7601	0.83%	Dakshina Kannada, Mysore, Belagavi
Total		2,09,181	22.81%	

Source: Udyam Porta Data for Karnataka during the period July 2020 to April 2023, KPMG Analysis.

2.2.7.3. Trading

The percentage share of Trading units in total MSME units, i.e. (8,91,272) is ~ 17.28 per cent with 1,58,416 units. The districts with the highest concentration of trading units apart from Bengaluru Urban and Rural include Belagavi, Mysore, and Dakshina Kannada.

Table 5: Profile of Trading units based on Udyam (July 2020 to April 2023)

SN	Trading	Total Units	%Share in Total Units	Top 5 Districts with highest concentration
1	Trading	158416	17.28%	Bengaluru Urban, Bengaluru Rural, Belagavi, Mysore, Dakshina Kannada
Total		158416	17.28%	

Source: Udyam Porta Data for Karnataka during the period July 2020 to April 2023, KPMG Analysis.

2.2.7.4. Other Sectors

Apart from the three broad categories of manufacturing, services and trading other sectors were identified as part of the sector profiling for the State MSMEs. The other sectors identified, the % share of units in other sector of the total number of registered MSME units is summarized in the Table 6 below. Sectors with high concentration of MSME units include Tourism & Hospitality (10.81%), Logistics (8.81%), Construction (3.97%).

Table 6: Other Sector Profile based on Udyam (July 2020 to April 2023)

SN	Name of the Sector	Total Units	%Share in Total Units	Top 5 districts with highest sector concentration
1	Agro based products	13015	1.42%	Belagavi, Hassan, Tumkuru, Bengaluru urban, Bengaluru rural
2	Aerospace & Defence	253	0.03%	Tumkuru, Belagavi, Bagalkote, Bengaluru urban, Bengaluru rural
3	IT & ITeS	21904	2.39%	Belagavi, Mysore, Dharwad, Bengaluru urban, Bengaluru rural
4	Electronics	2414	0.26%	Mysore, Belagavi, Dharwad, Bengaluru urban, Bengaluru rural
5	Mining	7971	0.87%	Hassan, Belagavi, Mysore, Bengaluru urban, Bengaluru rural
6	Energy	18410	2.01%	Tumkuru, Bellary, Vijapapura, Bengaluru urban, Bengaluru rural
7	Construction & Construction Activity	36382	3.97%	Belagavi, Dakshina Kannada, Mysore, Bengaluru urban, Bengaluru rural
8	Education	6996	0.76%	Mysore, Belagavi, Dakshina Kannada, Bengaluru urban, Bengaluru rural
9	Tourism & Hospitality	99116	10.81%	Belagavi, Dharwad, Mysore, Bengaluru urban, Bengaluru rural
10	Telecommunications	7934	0.87%	Mysore, Belagavi, Dakshina Kannada, Bengaluru urban, Bengaluru rural
11	Logistics	80804	8.81%	Belagavi, Bellary, Tumkuru, Bengaluru urban, Bengaluru rural
12	Automotive & Auto components	2347	0.26%	Belagavi, Bidar, Dharwad, Bengaluru urban, Bengaluru rural
Total			297546	32.45%

Source: Udyam Porta Data for Karnataka during the period July 2020 to April 2023, KPMG Analysis.

2.2.8. MSME clusters, geographical concentration, aspirational districts, and clusters

2.2.8.1. MSME Clusters under Cluster Development Programme (MSE-CDP)

Under the Cluster Development Programme (MSE-CDP), 12 clusters across 10 districts have been implemented and 11 clusters across 5 districts are under implementation.

Table 7:MSME Clusters under MSE CDP Programme

SN	District	Cluster Implemented	Cluster Under Implementation	Sector
1.	Dharwad	3		Auto Components Readymade Garments Food Processing Engineering Automobile Electronic Component Printing Copper Utensils Manufacturing
2.	Kalaburgi	1		
3.	Vijayapura	1		
4.	Bidar	1		
5.	Belagavi	1	6	
6.	Bengaluru-urban	1		
7.	Ramnagara	1		
8.	Uttara Kannada	1	1	
9.	Chitradurga	1		
10.	Bagalkot	1	2	
11.	Gadag		1	
12.	Davangere		1	
Total		12	11	

Source: Directorate of MSME, Dept. of Industries and Commerce, GoK

2.2.8.2. MSME Clusters under Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

The Scheme of Fund for Regeneration of Traditional Industries (SFURTI) is a central government scheme launched in 2005 to promote cluster development and support MSMEs in provisioning of infrastructure for their development. The scheme aims to help traditional clusters of industries become more competitive and profitable by providing them with amenities and benefits. It also helps traditional artisans, local workers, and local entrepreneurs by supporting their businesses. In Karnataka, there are 29 SFURTI clusters, of which 18 are functional and 11 are under implementation. The total number of artisans working across the 18 functional clusters is 10,157, out of which 5,663 are women. The scheme has helped these artisans improve their skills and manufacturing capabilities, which has led to better employment and economic opportunities.

Table 8: Karnataka approved SFURTI clusters

SN	Cluster Name	Status	District	Sector
1.	Ankola Beekeeping Cluster	Functional	Uttar Kannada	Agro
2.	Athani Leather Cluster	Functional	Belagavi	Handicraft
3.	Bidar Readymade Cluster	Functional	Bidar	Textile
4.	Bidar Wood Carving Mini Cluster	Functional	Bidar	Handicraft
5.	Bijapur Broom Cluster	Under Implementation	Vijayapura	Agro
6.	Bijapur Khadi Cluster	Functional	Belagavi	Textile
7.	Channapatna Lacware Toys Cluster	Functional	Ramanagara	Handicraft
8.	Cheluru Coir Cluster	Under Implementation	Tumkur	Coir

SN	Cluster Name	Status	District	Sector
9.	BR Hills Wild Bee Honey Cluster	Functional	Chamarajanagara	Honey
10	Harihara Khadi Cluster	Functional	Davangere	Textile
11	Honnawar Beekeeping Cluster	Functional	Uttar Kannada	Agro
12	Hudli Khadi Cluster	Functional	Belagavi	Textile
13	Jack Fruit Processing Cluster	Under Implementation	Udupi	Agro
14	Javagal Coir Cluster	Functional	Hassan	Coir
15	Kallandur Pottery Cluster	Functional	Kolar	Handicraft
16	Kortagere Coir Cluster	Under Implementation	Tumkur	Coir
17	Kuddaluru Coir Cluster	Under Implementation	Mandya	Coir
18	Kumta Uttara Kannada Cluster	Functional	Uttar Kannada	Coir
19	Sagara Woodcrafts Cluster	Under Implementation	Shivamogga	Handicraft
20	Sandur Khadi Cluster	Under Implementation	Ballari	Textile
21	Shivmoga Natural Dyed Handloom Cluster	Functional	Shivamogga	Textile
22	Shri Ganganathswamy Coir Cluster	Under Implementation	Tumkur	Coir
23	Sidhalgatta Khadi Cluster	Functional	Chikkaballapur	Textile
24	Sirsi Pepper and Cardamom Spices Cluster	Under Implementation	Uttar Kannada	Agro
25	The Haralakatta, Hassan Coir Cluster	Functional	Hassan	Coir
26	Tumkur Coir Cluster	Functional	Tumkur	Coir
27	Yadgiri Agarbatti Cluster	Functional	Yadgir	Handicraft
28	Zari & Multi Product Cluster	Under Implementation	Chikkaballapur	Textile
29	Chitradurga leather cluster	Under Implementation	Chitradurga	Handicraft

Source: Ministry of MSME, GoI

2.2.8.3. District wise concentration of MSMEs by Number of Units & Employment

The district wise concentration of MSMEs by number of units and employment is shown in Figure 21. From the data, it can be seen the districts of Bengaluru Urban, Bengaluru Rural and Belagavi have the largest number of MSME concentrations followed by districts of Northern Karnataka (Vijayapura, Bagalkote, Kalaburagi, Bidar), Uttara Kannada, Udupi, Mysore & Kolar. In terms of employment, Bengaluru Urban and Bengaluru rural districts has the largest number of workforces employed in MSMEs, followed by Belagavi and Mysuru.

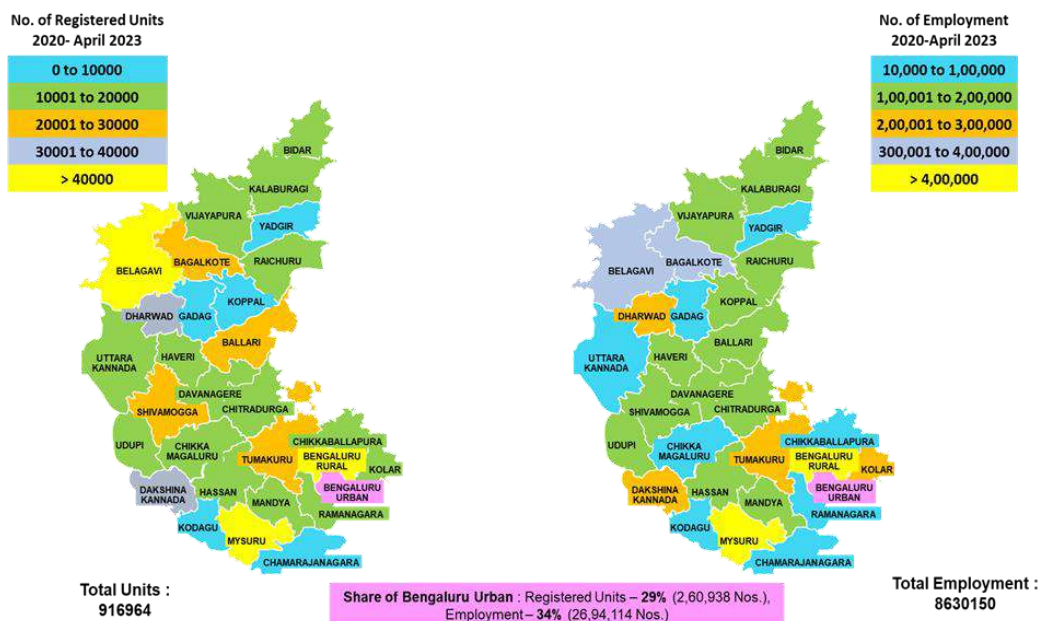


Figure 21: District wise concentration of MSMEs (Units & Employment)

2.2.8.4. District wise concentration of MSMEs by Activity

The district wise concentration of MSMEs by activity (manufacturing and services) is shown in Figure 22. From the data, it can be seen the districts of Bengaluru Urban, Bengaluru Rural, Belagavi, Uttara Kannada, Udupi, Mysuru and Tumakuru have the largest number of MSME manufacturing units. Similarly, districts with largest number of service-based enterprises are Bengaluru Urban, Bengaluru Rural, Belagavi, Dharwad, Uttara Kannada and Mysuru.

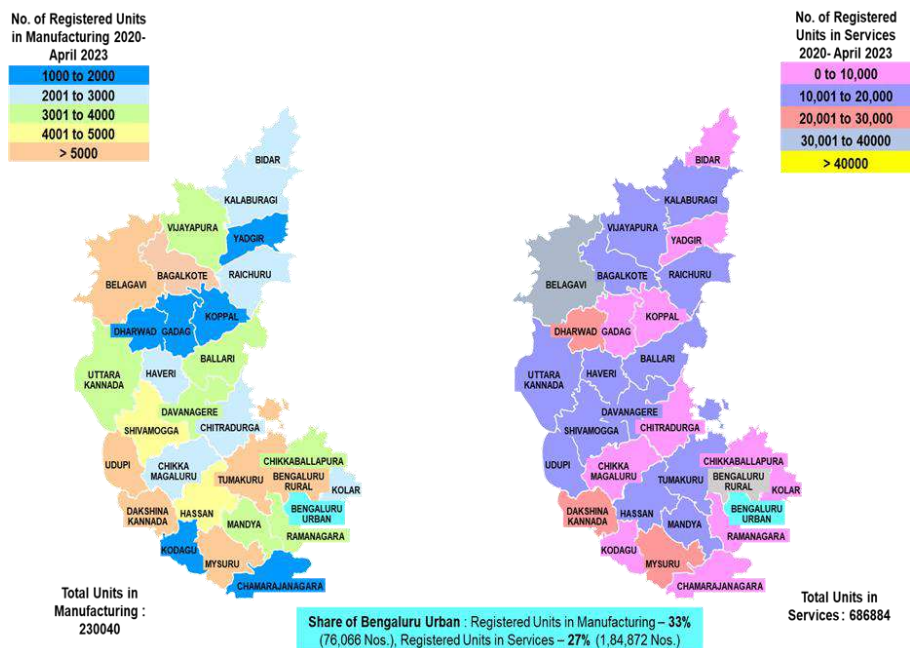


Figure 22: District wise concentration of MSMEs by Activity (Manufacturing & Services)

2.2.8.5. Aspirational Districts

An aspirational district programme is a group of districts in India that have been identified as being among the most under-developed in the country. The Aspirational Districts Programme (ADP) was launched in January 2018 by the Government of India to improve the living standards of people in these districts. **In state of Karnataka, Raichur and Yadgir are the two identified aspirational district selected under the programme among the 117 most backward districts across the country.** The Transformation of Aspirational Districts Programme aims on developing the district by focusing on key areas like a) health and nutrition; b) education; c) agriculture and water resources; d) financial inclusion and skill development and e) basic infrastructure including access to road, potable water, rural electrification, and individual household toilets.

Raichur is one of the aspirational districts identified from Karnataka under the Aspirational Districts Programme. Raichur second largest district in state in terms of area, is in the northern part of the state, and is bounded by the districts of Gulbarga, Bellary, Yadgir, Koppal, and Maharashtra. The district has a population of over 1.9 million people, and its headquarters is the city of Raichur. The literacy rate of the district is 59.56 per cent. Raichur is a historical district and was once the capital of the Raichur Sultanate. The district is home to many historical monuments. Raichur District is one of few places in India with gold resources. Hatti Gold Mines are situated in Raichur District, around 90 km away from Raichur city has a avg. production of 3 tons per annum. Raichur is home to 16,664 MSME units registered on Udyam providing employment to 1,83,270 people.²¹ The main industries in the district are cotton textiles, repairing and services, and agro and food based. However, in terms of employment, wood, and wood furniture, agro and food based, repairing and services, and others are the most important industries. According to the delta ranking issued every month by NITI Aayog under the Aspirational District Programme, Raichur's composite score has come down from 59.9 in March 2023 to 59.7 in April 2023 and ranks 50th in the Delta Rank April 2023.²²

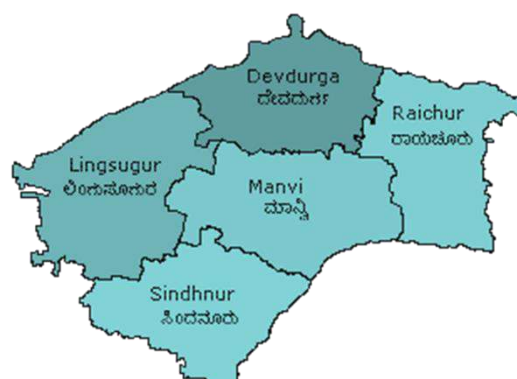


Figure 23: Map of Raichur District

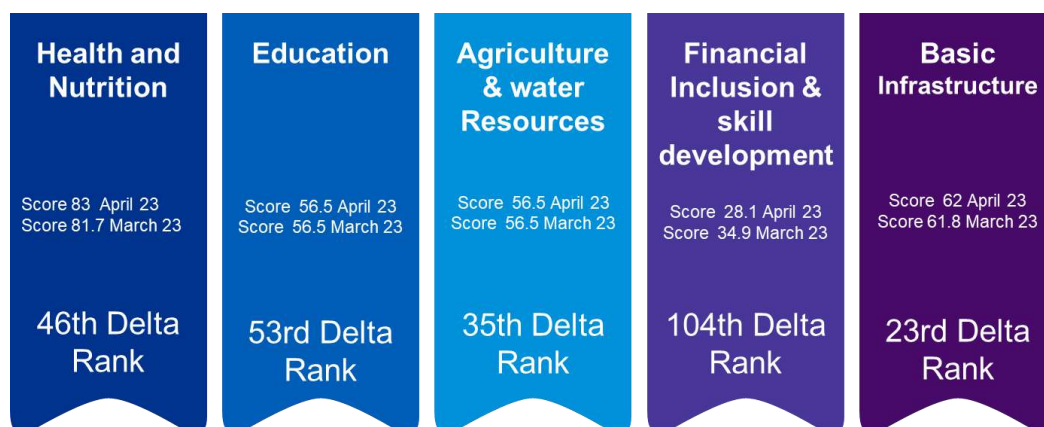


Figure 24: Raichur Delta Rank April 2023, Niti Aayog

²¹ Udyam data as on 30th April 2023

²² :: Niti Aayog ::

Yadgir district was carved out from the erstwhile Gulbarga district as the 30th district of Karnataka and is divided into 3 Talukas namely Shahapur, Shorapur and Yadgir. Yadgir district is the 2nd smallest district in the state. With vast stretch of fertile black cotton soil, the district is known for bumper red gram, cotton, jawar crops & groundnut. It is known for cluster of cement industries and a distinct stone popularly known as “Malakheda Stone” The district has a population of over 1.1 million people, and its headquarters is the city of Yadgir. The literacy rate of the district is 51.83 per cent. The district comprises six taluks: Shahapur, Wadgera, Hunasagi, Surapura, Yadgir and Gurmatkal. The district has 16 hoblis, 117 Gram Panchayats, 519 villages (inhabited & uninhabited) and four municipalities. Yadgir is home to 10,188 MSME units registered on Udyam providing employment to 96,397 people.²³ The main industries in the district auto repair and servicing units and agricultural equipment manufacturing units, rice mills, engineering works units, hollow blocks units, steel fabrication units, etc. According to the delta ranking issued every month by NITI Aayog under the Aspirational District Programme, Yadgir’s composite score has remained same 52.4 in March and April 2023 and ranks 46^h in the Delta Rank April 2023.²⁴



Figure 25: Map of Yadgir District

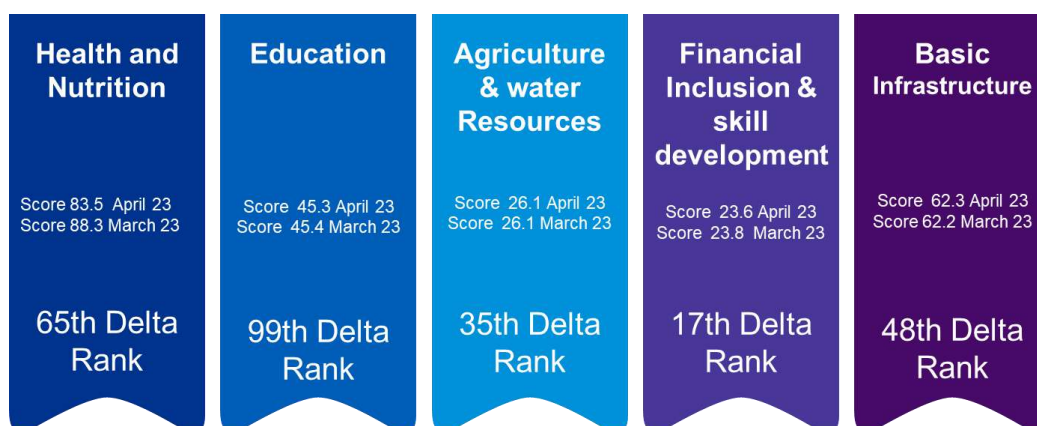


Figure 26: Yadgir Delta Rank April 2023, Niti Aayog

2.2.8.6. One District One Product (ODOP)

One District One Product (ODOP) initiative is aimed at fostering balanced regional development across all districts of the State. The initiative aims to select, brand, and promote at least One Product from each District (One District - One Product) of the State for enabling holistic socioeconomic growth across all regions. ODOP will enhance the value of the products which is eventually expected to boost employment and income levels of the farmers. Karnataka has identified its product mix with high demand and export potential across all the districts in Table 9 below.

²³ Udyam data as on 30th April 2023

²⁴ :: Niti Aayog ::

Table 9: ODOP list of products in Karnataka

SN	Name of District	Product Selected under ODOP	Sector	District & Sector wise no of units in Udyam
1	Bagalkot	Ilkal sarees	Apparel	854
2	Bengaluru Urban	Handloom silk saree	Textiles	8958
3	Bengaluru Rural	Readymade Garment manufacturing	Textiles	3814
4	Belagavi	Foundry	Metal	1883
5	Bellary	Denim jeans	Apparel	1076
6	Bidar	Bidri crafts	Metal & Fabricated Metal products	227
7	Vijayapura	Agricultural implements	Agriculture	248
8	Chamarajanagar	Stone works	Non-Metallic mineral products	108
9	Chikballapur	Siddlaghatta silk saree and raw silk related saree	Textiles	1534
10	Chikmagalur	Arraca products (plates/cups made from arraca leaves)	Agriculture	505
11	Chitradurga	Moulkalmru sarees	Apparel	376
12	Dakshina Kannada	Textile processing	Textiles	798
13	Davanagere	Ginning and Readymade garment (cotton)	Textiles	391
14	Dharwad	Valve manufacturing	Machinery & Equipment	1018
15	Gadag	Textile related	Textiles	542
16	Gulbarga	Shabad stones	Non-Metallic mineral products	214
17	Hassan	Jacquard bedsheet	Textiles	388
18	Haveri	Spices products	Food Processing	914
19	Kodagu	Homemade Chocolate/bar/ wines	Food processing	582
20	Kolar	Shivarpatta stone works	Non-Metallic mineral products	221
21	Koppal	Kanhal toys	Toys	5
22	Mandya	Rice based products	Food processing	1389
23	Mysore	Rosewood inlay works	Non-Metallic mineral products	480
24	Raichur	Cotton and Cotton-based products	Textiles	292
25	Ramanagara	Channapatna toys	Toys	46
26	Shimoga	Readymade garment manufacturing	Textiles	361
27	Tumkur	Coconut fiber industries	Textiles	1446
28	Udupi	Gem and Jewelry	Jewelry	222

SN	Name of District	Product Selected under ODOP	Sector	District & Sector wise no of units in Udyam
29	Uttara Kannada	Ayurvedic medicine products	Pharmaceuticals & Medical devices	35
30	Vijayanagara	Sandaur lambani art-traditional dress (cloth)	Textiles	58
31	Yadgir	Cotton and Cotton based products	Textiles	135

Source: Udyam portal as of 30.04.2023

2.2.9. Access to credit for MSMEs, formal financial institutions in the State

2.2.9.1. Targets under Annual Credit Plan (ACP)

Achievement under ACP and Priority Sector Lending

Table 10 shows a comparative analysis of disbursement up to the quarter ending March of FY 2021-22 vis-a-vis disbursements up to the quarter ending March of FY 2022- 2023. MSME accounts for ~ 22 per cent share in the total credit under the Annual Credit Plan and 43.8 per cent share in total priority sector credit lending. A 46.53 per cent year-on-year growth is seen w.r.t MSME credit target achievement from INR 80,418 crore in 2021 to INR 1,17,835 crore in 2022.

Table 10: Achievement under ACP and Priority Sector Lending

Sector	Annual Target	Mar-22		Annual Target	Mar-23		% Growth YoY
	2021-22	Ach	%Ach.	2022-23	Ach	% Ach.	
Short Term Loan	71923	61774	85.89	81896	79157	96.66	28.14
Agri Term Loan	54069	57845	106.98	58977	80595	136.65	39.33
Total Agri Loans	125992	119619	94.94	140873	159752	113.4	33.55
MSME	111827	80418	71.91	129604	117835	90.92	46.53
Export Credit	3628	495	13.64	3967	791	19.94	59.8
Education	5970	1240	20.77	6316	1148	18.18	-7.42
Housing	30165	8035	26.64	32794	5403	16.48	-32.76
Social Infrastructure	2201	572	25.99	2549	1119	43.9	95.63
Renewable Energy	3111	188	6.04	3565	35	0.98	-81.38
Other PSA	9498	8289	87.27	10555	9687	91.78	16.87
Total PSA	292392	218856	74.85	330223	295769	89.57	35.14
Total Non-Priority	203980	362755	177.84	259483	470614	181.37	29.73
Total Credit	496372	581611	117.17	589706	766383	129.96	31.77

Source: SLBC, Karnataka

Interstate comparative analysis based on MSME Annual Credit Plan (ACP)

Karnataka has a greater share of MSME target under the ACP as compared to states like Gujarat, Uttar Pradesh, Telangana. The details are mentioned in Figure 27.

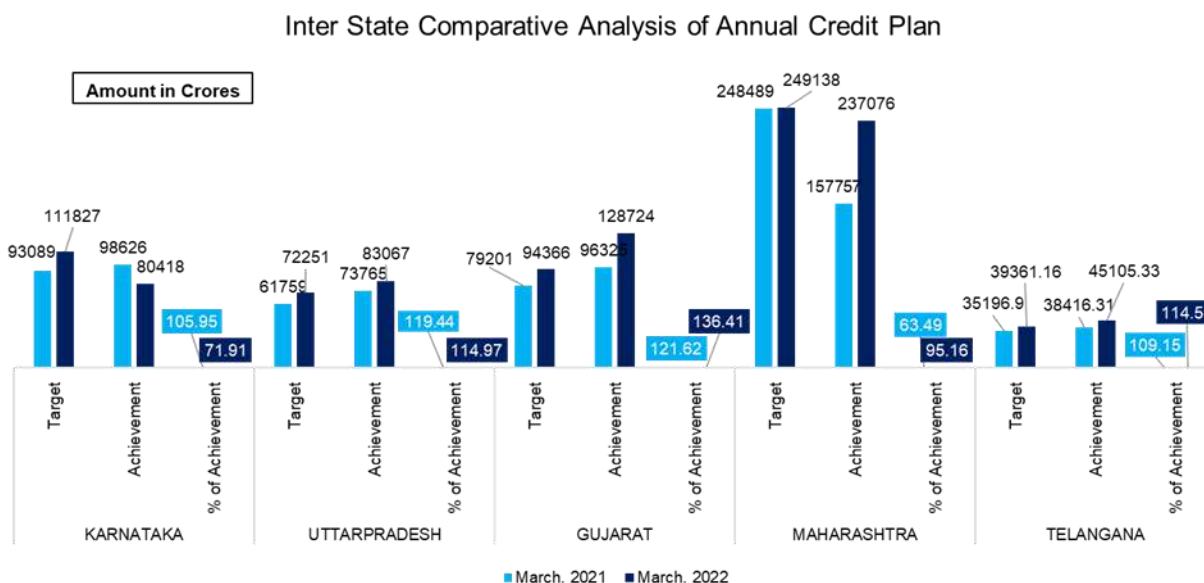


Figure 27: Interstate comparative analysis based on MSME ACP

2.2.9.2. Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

Availability of credit at affordable cost is critical for MSMEs. CGTMSE is the pioneer institution for providing credit guarantee to the Micro and Small Enterprises (MSEs) with a specific objective to strengthen credit flow to MSEs in India. Karnataka accounts for 7 per cent and 9 per cent share in the number of guarantees approved and amount sanctioned under CGTMSE in the country respectively. As per the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) data for Karnataka for the last four years FY 2020 to FY 2023 there has been increase in the number of units availing credit under the scheme. The number of units being extended credit under the scheme in 2022-23 has increased from 41,028 in 2021-22 to 53,766 in 2022-23, though the number of units being extended credit under the scheme has increased significantly the approved credit extended to MSMEs under the scheme has also increased from INR 4069 crores in 2019-20 to INR 7712 crores in 2022-23 (increase of ~ 89 per cent).

Table 11: CGTMSE Guarantee coverage for the State of Karnataka

Source: CGTMSE

CGTMSE - Guarantee coverage for the State of Karnataka						
						Amt. in crore
Particulars	Guarantee Approved for Karnataka		All India Guarantee Approved		% Share of Guarantees approved in Karnataka vis a vis All India	
	No.	Amount	No.	Amount	No.	Amount
FY 2020	68572	4069	846650	45851	8%	9%
FY 2021	50974	3225	835592	36899	6%	9%
FY 2022	41028	4308	717020	56172	6%	8%
FY 2023	53766	7712	1165786	104781	5%	7%
Cumulative as on 31/03/2023	508606	35815	7025480	419665	7%	9%

Karnataka accounts for 4 per cent and 8 per cent share in the number of guarantees approved and amount sanctioned for women entrepreneurs under CGTMSE in the country respectively. The guarantee approved for women entrepreneurs in Karnataka has also increased from INR 459 crores in 2019-20 to INR 1196 crores in 2022-23.

Table 12: CGTMSE- Guarantee coverage for women in Karnataka

CGTMSE - Guarantee coverage for Women in Karnataka						
						Amt. in crore
Particulars	Guarantee Approved for Women in Karnataka		All India Guarantee Approved for Women		% Share of Guarantees approved for Women in Karnataka vis a vis All India	
	No.	Amount	No.	Amount	No.	Amount
FY 2020	9311	459	124984	5367	7%	9%
FY 2021	6518	433	171308	5294	4%	8%
FY 2022	6219	603	139244	8021	4%	8%
FY 2023	10689	1196	365582	16373	3%	7%
Cumulative as on 31/03/2023	32737	2691	801118	35055	4%	8%

Source: CGTMSE

Figure 28 illustrates the year wise distribution of credit activity wise under CGTMSE for the State of Karnataka. For the year 2021-22 a total of 41,028 guarantees were approved for Karnataka amounting INR 4308 crore. Out of which manufacturing, services and trade accounted for 35 per cent, 39 per cent and 25 per cent respectively.

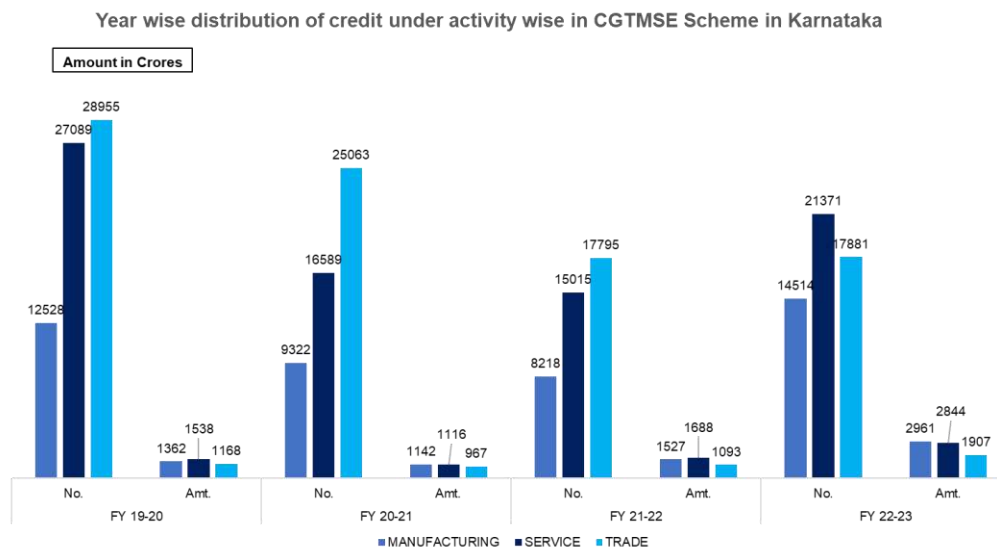


Figure 28: Year wise distribution of credit activity wise under CGTMSE for the State of Karnataka

2.2.9.3. Emergency Credit Line Guarantee Scheme

In fiscal year 2022-2023, public sector banks and private sector banks sanctioned INR 7,543.51 crores and 8,169.06 crores respectively in loans under emergency credit guarantee scheme in the state. The private sector banks were able to sanction INR 625.55 crores more loans than public sector banks in FY 2022-2023.²⁵ Out of the sanctioned amount for public and private sector banks for disbursement under ECLGS for the FY 2022-23 only 91 per cent and 61.6 per cent was disbursed successfully.

²⁵ SLBC Karnataka

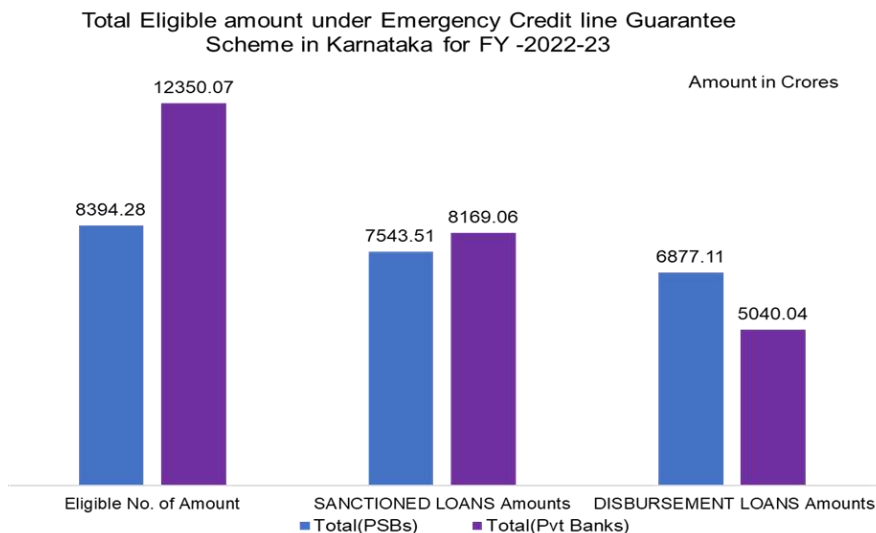


Figure 29: Eligible Amount under ECLGS in Karnataka for FY 22-23

The eligible accounts under ECLGS for private banks was 81 per cent higher than the eligible accounts under the scheme for public sector banks. The rate of disbursement for public sector banks stood at 93.45 per cent and 31.5 per cent for the private sector banks.

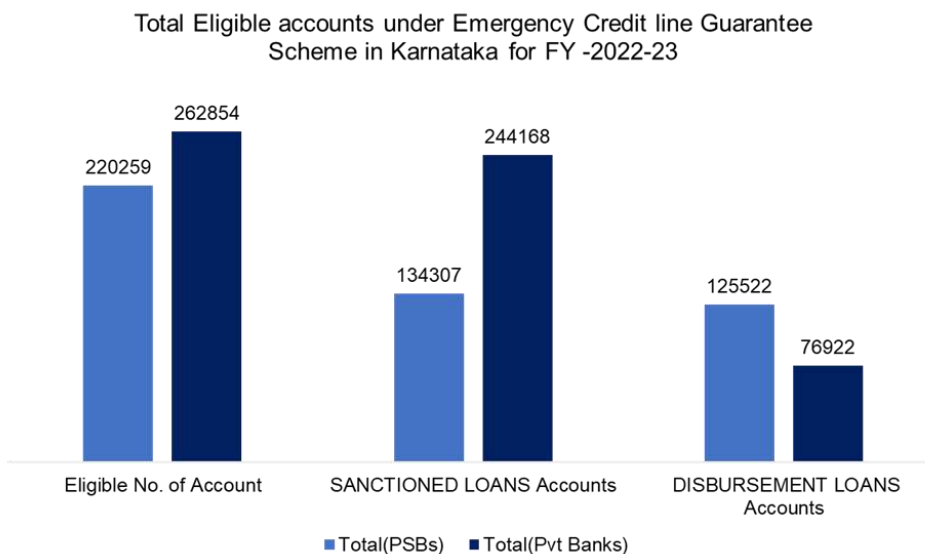


Figure 30: Total eligible accounts under ECLGS in Karnataka for FY 22-23

2.2.9.4. Prime Ministers Employment Generation Programme (PMEGP)

Prime Minister's Employment Generation Programme (PMEGP) is a scheme aimed at providing employment by providing financial assistance to MSME units up to INR. 25 lakhs for manufacturing sector and up to INR. 10 lakhs for Service Sector in the form of loan through various banks. The data for the last five years depicts an upward trend ~ 250 per cent increase in the number of units availing financial assistance under the scheme.

Progress of PMEGP Scheme of last five years in Karnataka

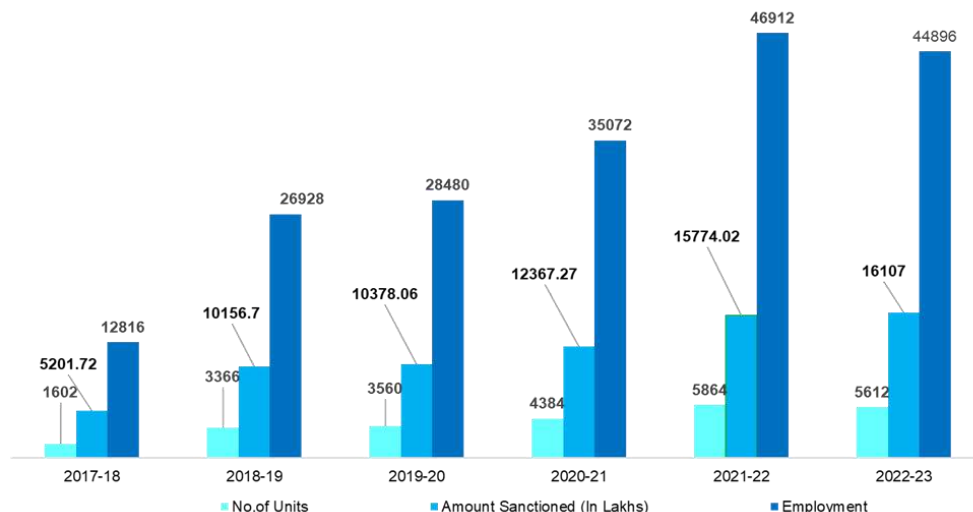


Figure 31: Progress of PMEGP scheme of last five years in Karnataka

2.2.9.5. Pradhan Mantri MUDRA Yojana (PMMY)

Under the Pradhan Mantri MUDRA Yojana (PMMY) for the FY 2021-22, INR 28,695.29 crores was sanctioned to a total of 42,98,481 loan accounts in the State.²⁶

Mudra loan disbursement amount in the Year 2021-22

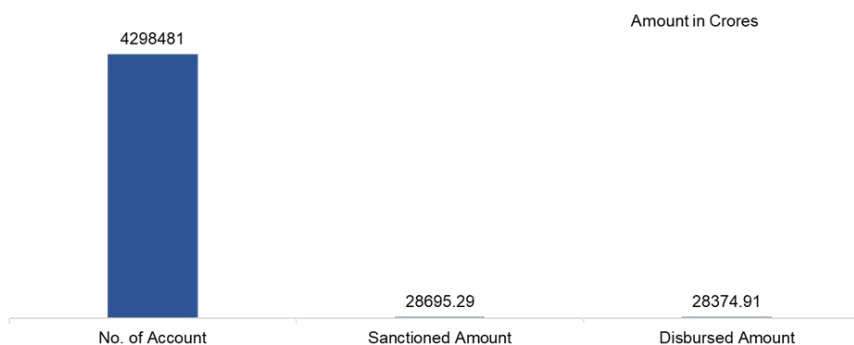


Figure 32: Mudra loan disbursement in Karnataka for FY 2021-22

2.2.9.6. Stand Up India Scheme

Since inception until FY 2022-23, a total of INR 2797.65 crore has been sanctioned to 12,552 loans accounts in Karnataka. Out of the total sanctioned amount INR 1172.65 crore has been disbursed amounting to only ~ 42%.

²⁶ SLBC Karnataka

Status of Stand up India Scheme in Karnataka till FY 2022-23

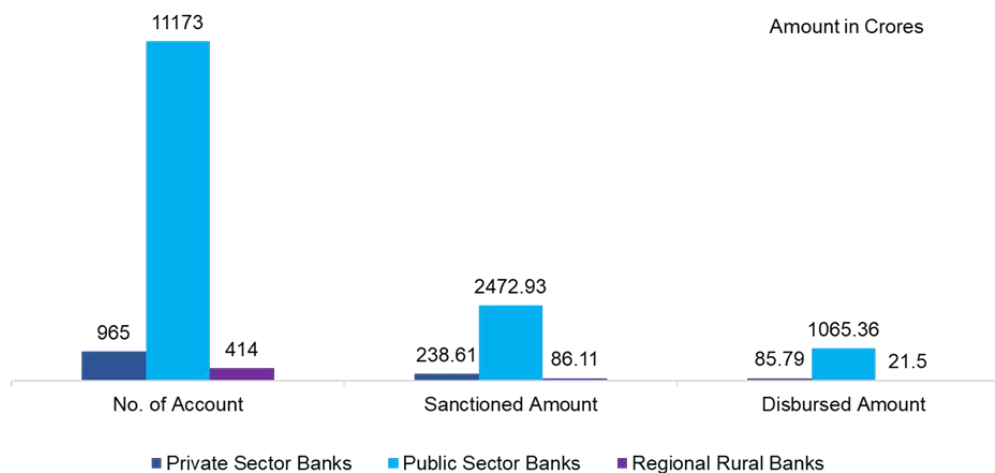


Figure 33: Status of Stand-Up India scheme in Karnataka from inception till FY 2022-23

2.2.9.7. Pradhan Mantri SVANidhi Yojana

Under the Pradhan Mantri SVANidhi Yojana (PM SVANidhi) scheme a total of 3,23,314 loan applications in the State were received out of which 2,55,951 loan applications were sanctioned and 2,13,632 applications were disbursed.²⁷

Progress under PMSVANidhi scheme in Karnataka state as on 31.03.2023

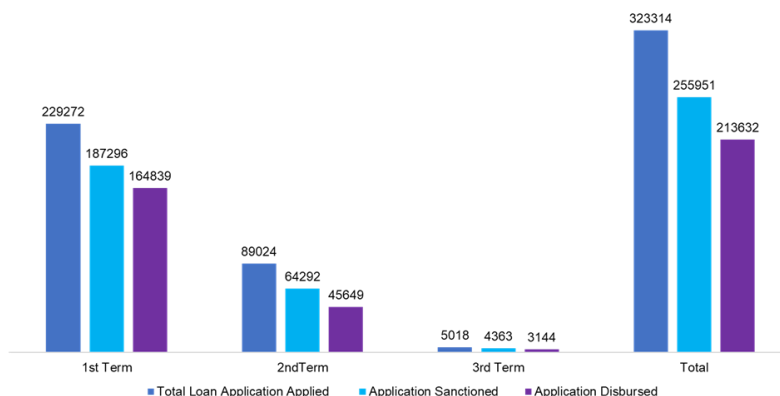


Figure 34: Progress under PM SVANidhi in Karnataka since inception until March 2023

2.2.9.8. Pradhan Mantri Formalization of Micro Food Processing Enterprises, (PMFME)

Under the scheme, in FY 2022-2023, the scheme sanctioned 1,815 loan accounts and disbursed 1,606 loan accounts. This represents an increase of 600% in the number of loan accounts sanctioned and an increase of 563.6 per cent in the number of loan accounts disbursed from the previous year 2021-22.²⁸

²⁷ SLBC, Karnataka

²⁸ SLBC, Karnataka

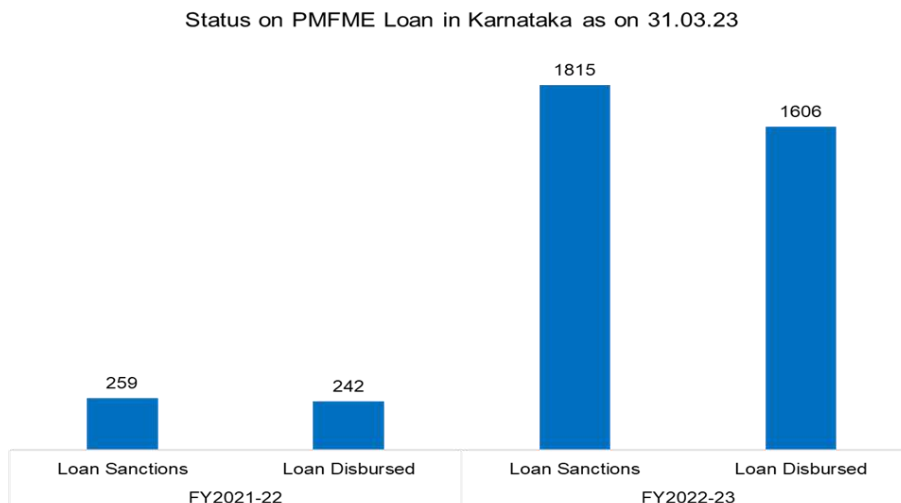


Figure 35: Status of PMFME loan in Karnataka

2.2.9.9. MSME Incentives and Offerings under Karnataka Industrial Policy

The Industrial Policy of the State has always aimed at giving a greater thrust towards strengthening and promoting the MSME sector. To encourage and support the MSME sector, the policy provides a bouquet of incentives and concessions such as: investment subsidy, interest subsidy, reimbursement of land conversion fee, subsidy for setting up effluent treatment plant (ETP), stamp duty exemption, concessional registration charges, power subsidy, etc. During the last five years, a total of 4934 units have availed incentives and concessions amounting to INR 651.02 crore under the industrial policy.

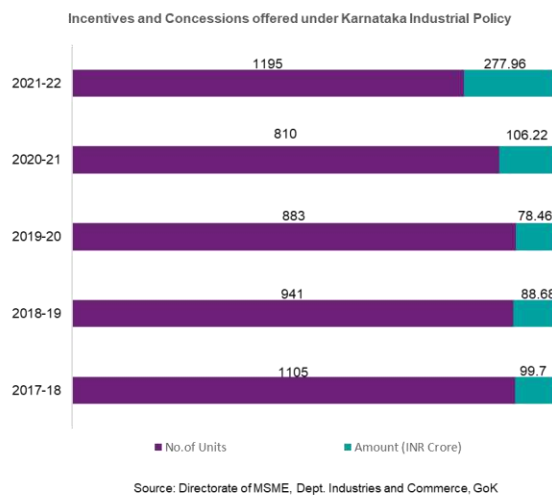


Figure 36: Incentives and Concessions offered under the Industrial Policy

Under the Karnataka Industrial Policy maximum number of applications from MSMEs were sought for interest subsidy, followed by investment subsidy, land conversion re-imbursement and ETP subsidy.

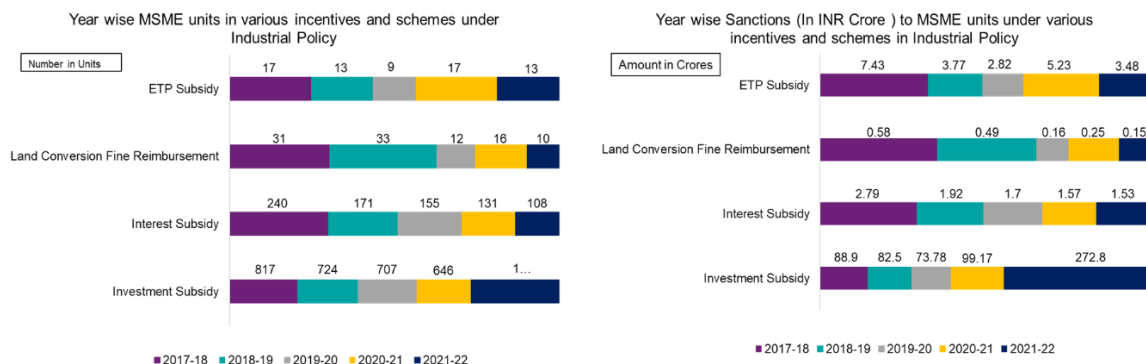


Figure 37: Year wise Sanctions to MSMEs under Industrial Policy

2.2.9.10. Karnataka State Financial Corporation (KSFC)

Karnataka State Financial Corporation (KSFC) is a State Level Financial Institution established by the State Government in the year 1959 under the provisions of SFCs Act, 1951 to cater to the long-term financial needs of Micro, Small & Medium Enterprises (MSMEs) in the State of Karnataka. KSFC provides credit to MSMEs under various schemes such as: Term Loan; Corporate Loan Scheme; Privileged Entrepreneurs Scheme; Interest Subsidy Scheme for SC/ST Entrepreneurs; Modified Interest Subvention Scheme, Interest Subsidy Scheme (General category) and Interest Subsidy Scheme for Women. The year wise scheme distribution of credit by extended by KSFC to MSME units for the period 2017-18 to 2022-23 is given in Figure 38. The number of MSME units being offered credit under various schemes of KSFC has come down from 1754 units in 2017-18 to 1344 units in 2022-23, though amount disbursed by KSFC has increased from INR 875.46 crore to INR 1011.89 crore, an increase of ~ 15.5 per cent.

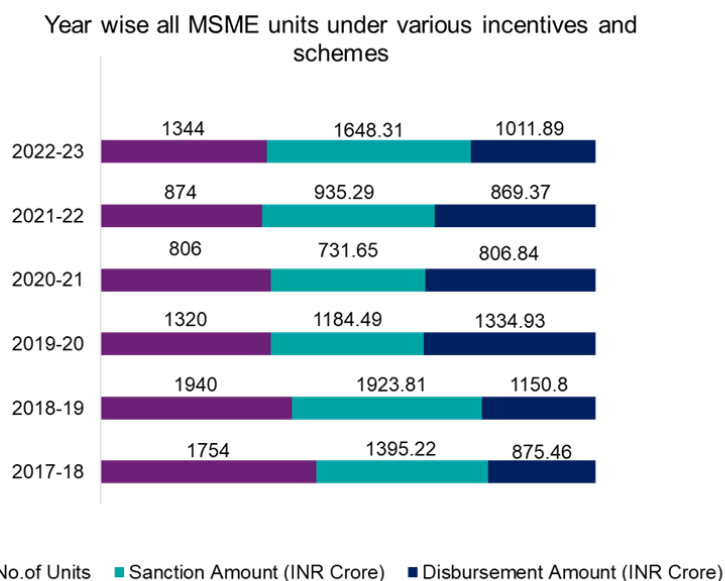


Figure 38: Year wise distribution of credit extended by KSFC to MSME units.

The maximum credit is being offered to MSME units under term loans and interest subsidy for all categories (SC/ST, Women and General) as shown in Figure 39.

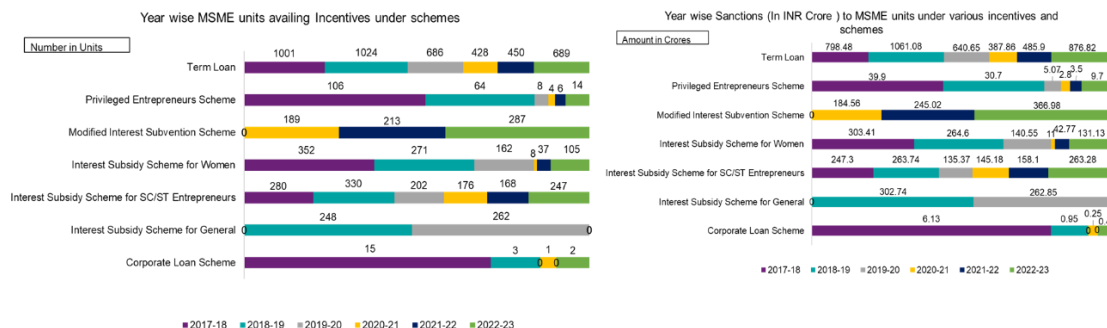


Figure 39: Scheme wise units supported and disbursal amount under KSFC schemes.

2.2.9.11. Financial Assistance under Special Component Plan (SCP) and Tribal Sub Plan (TSP) Scheme

An upward trend can be seen from Figure 40 below where the number of beneficiaries availing subsidies and amount sanctioned under the SCP have increased by ~9 and ~76.9 per cent respectively in the last 5 years. However, under the TSP programme, the number of beneficiaries availing subsidies and amount sanctioned have declined by ~21.9 per cent ~12 per cent respectively in the last 5 years.

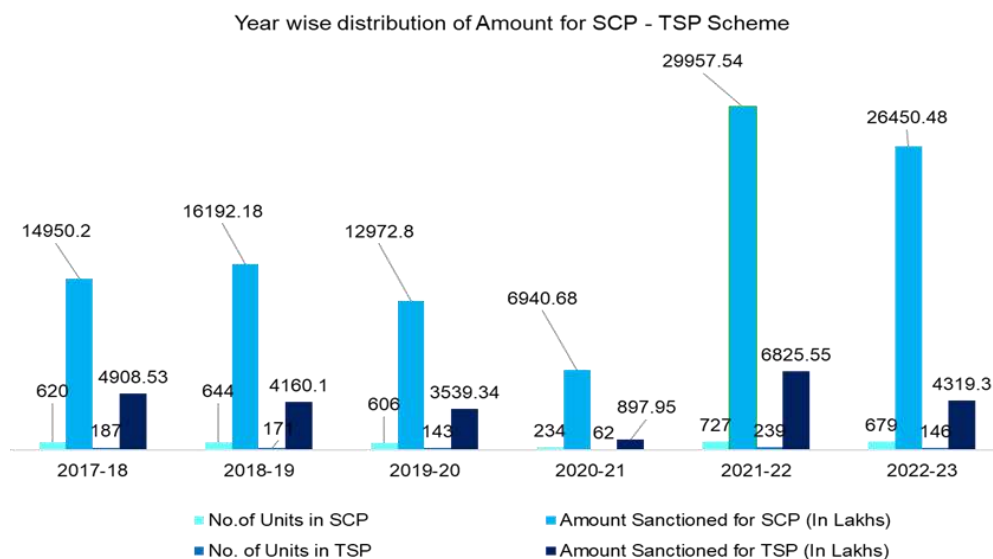


Figure 40: Financial Assistance under SCP and TSP Programme

2.2.9.12. Infrastructure Support for MSMEs

Karnataka has become a preferred destination for domestic and global investments driven by a combination of factors. one of them being the availability of robust industrial infrastructure and availability of land for strengthening the growth prospects of the industry and the economy. Figure 41 shows the industrial infrastructure available to MSMEs in Karnataka comprising of industrial areas, industrial estates/sheds, and sector specific MSME clusters developed under the MSE CDP

programme. The details of district wise categorization of industrial areas, industrial estates, MSME sector specific clusters is given in Table 6, 7 and 8 respectively.

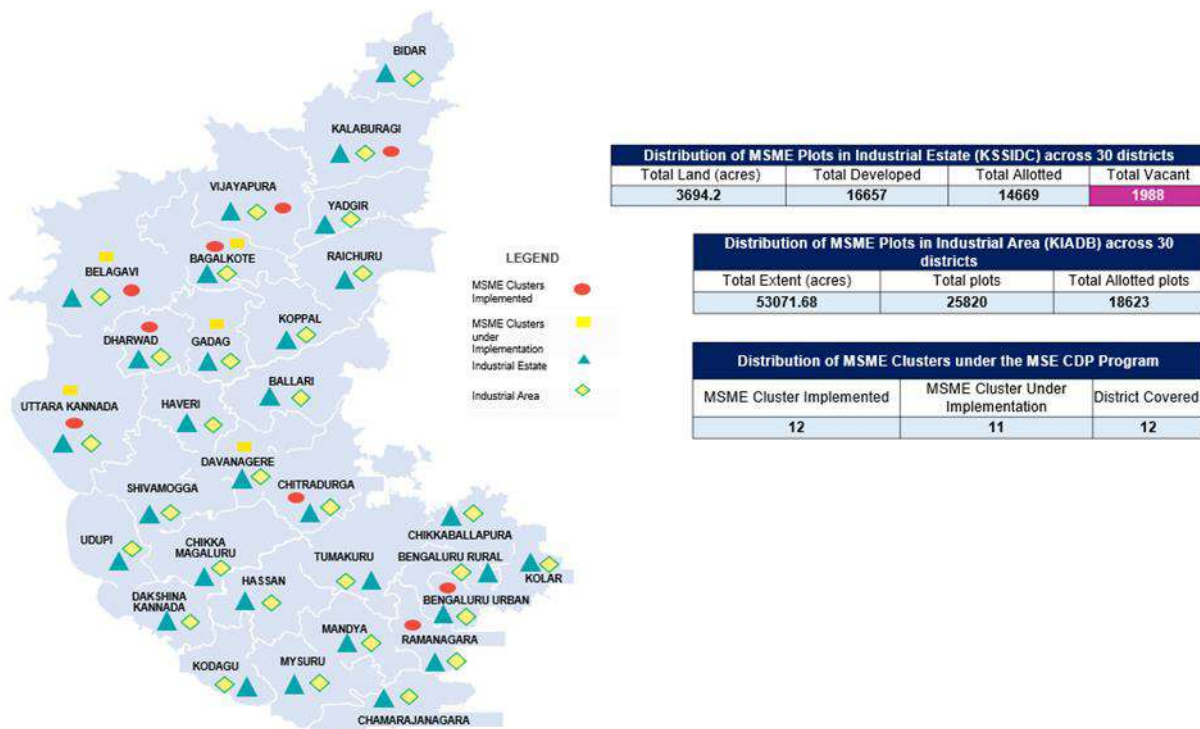


Figure 41: Infrastructure support to MSMEs

2.2.9.13. Karnataka Industrial Area Development Board (KIADB)

Karnataka Industrial Area Development Board (KIADB) has developed Industrial Areas with MSME plots spread over 53071.68 acres across the State and has allotted plots to over 18,623 MSME units. The districts where the highest number of plots have been allotted to MSME units include Bengaluru Urban, Bengaluru Rural, Belagavi, Bidar, Dharwad, Mysuru, Tumakuru. The district wise allotment of industrial area plots to MSME by KIADB is given in Table13 below.

Table 13: KIADB Industrial Area distribution to MSMEs

SN	Name of the District	Total Extent (in acres)	Total Plots	% Share in Total Plots	Allotted Plots	% Share in Allotted Plots
1	Bagalkote	166.83	177	0.69%	144	0.77%
2	Bellary	6705.34	841	3.26%	441	2.37%
3	Belagavi	935.82	2132	8.26%	1830	9.83%
4	Bengaluru Rural	4239.49	2643	10.24%	1716	9.21%
5	Bengaluru Urban	5872.4	2981	11.55%	2515	13.50%
6	Bidar	1694.04	1681	6.51%	1268	6.81%
7	Chamarajnagar	1289.49	206	0.80%	23	0.12%
8	Chikkaballapura	1062	678	2.63%	233	1.25%
9	Chikkamagalur	129.89	48	0.19%	42	0.23%

SN	Name of the District	Total Extent (in acres)	Total Plots	% Share in Total Plots	Allotted Plots	% Share in Allotted Plots
10	Chitradurga	74.83	91	0.35%	82	0.44%
11	Dakshina Kannada	1679.77	940	3.64%	746	4.01%
12	Davangere	242.99	423	1.64%	369	1.98%
13	Dharwad	3048.17	1441	5.58%	1188	6.38%
14	Gadag	138.68	142	0.55%	112	0.60%
15	Hassan	1837.83	705	2.73%	534	2.87%
16	Haveri		1	0.00%		0.00%
17	Kalaburgi	1120.06	1106	4.28%	753	4.04%
18	Kodagu	184.42	133	0.52%	122	0.66%
19	Kolar	2486.26	1211	4.69%	678	3.64%
20	Koppal	31	43	0.17%	42	0.23%
21	Mandya	2557.14	344	1.33%	289	1.55%
22	Mysuru	5265.52	2042	7.91%	1595	8.56%
23	Raichur	834.38	491	1.90%	430	2.31%
24	Ramnagara	2687.06	999	3.87%	839	4.51%
25	Shivamoga	662.34	972	3.76%	753	4.04%
26	Tumakuru	3477.86	1717	6.65%	1305	7.01%
27	Udupi	176.73	321	1.24%	151	0.81%
28	Uttara Kannada	30.52	44	0.17%	40	0.21%
29	Vijayapura	535.55	341	1.32%	278	1.49%
30	Yadgir	3905.27	926	3.59%	105	0.56%
Total		53071.68	25,820	100.00%	18,623	100.00%

Source: Directorate of MSME, Dept. of Industries and Commerce, GoK

2.2.9.14. Karnataka Small Scale Industrial Development Corporation

Karnataka Small Scale Industrial Development Corporation (KSSIDC) has developed Industrial Estates/ Sheds spread over 3694.2 acres across the State and has allotted Industrial Sheds/ Plots to over 14,669 MSME units in 190 industrial estates across the State. The district wise allotment of industrial estate/sheds to MSME by KSSIDC is given in Table 14 below.

Table 14: KSSIDC Industrial Estates distribution to MSMEs

SN	District	Total Land (in acres)	Developed plots/sheds	% Share of Developed plots/sheds	Allotted plots / sheds	% Share of Allotted plots/sheds	Vacant plots / sheds	Total Number of plot/sheds allotted to Women Headed MSMEs
1	Bagalkote	83.98	321	1.93%	297	2.02%	24	50
2	Bangalore Rural	156.29	787	4.72%	672	4.58%	115	128
3	Bangalore Urban	521.08	2504	15.03%	2427	16.55%	77	182

SN	District	Total Land (in acres)	Developed plots/sheds	% Share of Developed plots/sheds	Allotted plots / sheds	% Share of Allotted plots/sheds	Vacant plots / sheds	Total Number of plot/sheds allotted to Women Headed MSMEs
4	Belagavi	295.01	995	5.97%	934	6.37%	61	59
5	Bellary	174.99	879	5.28%	379	2.58%	500	18
6	Bidar	93.12	531	3.19%	524	3.57%	7	34
7	Chamarajanagar	26.48	147	0.88%	136	0.93%	11	16
8	Chikamagalur	34.7	211	1.27%	155	1.06%	56	32
9	Chikkaballapura	96.94	257	1.54%	251	1.71%	6	64
10	Chitradurga	345.5	878	5.27%	378	2.58%	500	138
11	Dakshina Kannada	70.95	422	2.53%	413	2.82%	9	47
12	Davangere	90.7	451	2.71%	423	2.88%	28	41
13	Dharwad	256.48	1401	8.41%	1396	9.52%	5	97
14	Gadag	45.15	327	1.96%	322	2.20%	5	30
15	Hassan	68.89	306	1.84%	295	2.01%	11	54
16	Haveri	55.75	332	1.99%	322	2.20%	10	29
17	Kalburgi	146.5	732	4.39%	688	4.69%	44	89
18	Kodagu	12.76	83	0.50%	83	0.57%	0	9
19	Kolar	56.04	232	1.39%	227	1.55%	5	31
20	Koppal	134	484	2.91%	161	1.10%	323	34
21	Mandya	47.38	265	1.59%	257	1.75%	8	44
22	Mysuru	167.49	844	5.07%	839	5.72%	5	45
23	Raichur	62	277	1.66%	267	1.82%	10	14
24	Ramanagara	52.38	182	1.09%	171	1.17%	11	8
25	Shivamogga	176.42	860	5.16%	795	5.42%	65	150
26	Tumkur	184.25	565	3.39%	561	3.82%	4	114
27	Udupi	30.11	168	1.01%	151	1.03%	17	18
28	Uttara Kannada	103.03	603	3.62%	602	4.10%	1	83
29	Vijayapura	69.03	385	2.31%	317	2.16%	68	20
30	Yadagir	36.8	228	1.37%	226	1.54%	2	17
Grand Total		3694.2	16657	100.00%	14669	100.00%	1988	1695

Source: Directorate of MSME, Dept. of Industries and Commerce, GoK

2.2.9.15. Snapshot of Performance/Overview by sector

Table 15: Snapshot of Performance/Overview by Sector

NIC 2 Digit Code	Industry Name	No. of MSMEs	Proportion of MSMEs in total MSMEs in the State	Geographic Clusters Implemented under MSE-CDP	SFURTI Cluster (Implemented)	Employment in sector (number and share in total)	Proportion of Employment in total Employment in the State	Export % Top Exporting Countries	Sector wise Top 5 Districts
01	Agro based activities and machinery	13015	1.42%		1. Ankola Beekeeping Cluster, Honeybee wax, Uttara Kannada 2. Honnawar Beekeeping Cluster, Honeybee wax, Uttara Kannada 3. BR Hills Wild Bee Honey Cluster, Chamrajnagara	157310	1.82%	Indonesia, Vietnam, USA, UAE & East African Countries	Bengaluru (Urban), Belgaum, Bengaluru (Rural), Tumkuru, Dakshina Kannada
10	Food Processing	55066	6.01%	1. Food Processing, Gulbarga. 2. Raisin Processing, Vijayapura 3. Raisin Processing, Belagavi 4. Cashew Processing, Uttara Kannada 5. Puffed Rice Processing, Chitradurga 6. Raisin Processing, Bagalkote		560175	6.49%	Coffee Italy, Belgium, Germany, Jordan & Kuwait, Marine products Thailand, USA, China, Taiwan & Japan	Bengaluru (Urban), Belgaum, Dharwad, Mysore, Dakshina Kannada
13	Textiles	31067	3.39%	1. Readymade Garments, Dharwad	1. Javagal Coir Cluster, Coir, Hassan 2. Kumta Uttara Kannada Cluster, 3. The Haralakatta, Hassan Coir Cluster, 4. Tumkur Coir Cluster.	340715	3.95%		Bengaluru (Urban), Bengaluru (Rural), Belgaum, Chikkaballapura, Tumkuru

NIC 2 Digit Code	Industry Name	No. of MSMEs	Proportion of MSMEs in total MSMEs in the State	Geographic Clusters Implemented under MSE-CDP	SFURTI Cluster (Implemented)	Employment in sector (number and share in total)	Proportion of Employment in total Employment in the State	Export % Top Exporting Countries	Sector wise Top 5 Districts
					5. Athani Leather Cluster, Belagavi 6. Bidar Readymade Cluster 7. Bijapur Khadi Cluster 8. Harihara Khadi Cluster, Davangere 9. Hudli Khadi Cluster, Belagavi 10. Shivmoga Natural Dyed Handloom Cluster 11. Sidhalgatta Khadi Cluster, Chikkaballapur				
14	Apparel & Leather Products	32078	3.50%			287397	3.33%	USA, UK, Germany, Netherlands & Spain	Bengaluru (Urban), Belgaum, Mysore, Dharwad, Dhakshina Kannada
28	Machinery & Equipment (General purpose, metal and fabricated metal, electrical, textile, apparel and leather, mining, printing, transport)	26774	2.92%			246703	2.86%		Bengaluru (Urban), Belgaum, Bengaluru (Rural), Dharwad, Mysore
30	Aerospace & Defence	253	0.03%			5456	0.06%	USA, UK, France, Germany & Sweden	Bengaluru (Urban), Tumkuru, Bengaluru (Rural), Belgaum, Bagalkote

NIC 2 Digit Code	Industry Name	No. of MSMEs	Proportion of MSMEs in total MSMEs in the State	Geographic Clusters Implemented under MSE-CDP	SFURTI Cluster (Implemented)	Employment in sector (number and share in total)	Proportion of Employment in total Employment in the State	Export % Top Exporting Countries	Sector wise Top 5 Districts
63	IT&ITeS	21904	2.39%			382085	4.43%		Bengaluru (Urban), Belgaum, Mysore, Bengaluru (Rural), Dharwad
26	Electronics	2414	0.26%	1. Electronic Component Manufacturing/ Testing, Bangalore		30409	0.35%	USA, Japan, Netherlands, China & UK	Bengaluru (Urban), Mysore, Bengaluru (Rural), Belagavi, Dharwad
05	Mining	7971	0.87%			124813	1.45%		Bengaluru (Urban), Hassan, Belgaum, Bengaluru (Rural), Mysore
35	Energy	18410	2.01%			122155	1.42%	UAE, Malaysia, South Africa, Singapore & Netherlands	Bengaluru (Urban), Bengaluru (Rural), Tumkuru, Ballari, Kolar
41	Construction	36382	3.97%			361643	4.19%		Bengaluru (Urban), Belagavi, Dakshina Kannada, Mysore, Dharwad
20	Chemicals	7052	0.77%			65256	0.76%	China, USA, UAE, Italy & Brazil	Bengaluru (Urban), Belagavi, Mysore, Bengaluru (Rural), Dharwad
85	Education	6996	0.76%			168140	1.95%		Bengaluru (Urban), Mysore, Bengaluru (Rural), Dakshina

NIC 2 Digit Code	Industry Name	No. of MSMEs	Proportion of MSMEs in total MSMEs in the State	Geographic Clusters Implemented under MSE-CDP	SFURTI Cluster (Implemented)	Employment in sector (number and share in total)	Proportion of Employment in total Employment in the State	Export % Top Exporting Countries	Sector wise Top 5 Districts
									Kannada, Belgaum
18	Printing	8404	0.92%	1. Printing Cluster, Ramanagara		95143	1.10%		Bengaluru (Urban), Mysore, Belgaum, Bengaluru (Rural), Dharwad
55	Tourism & Hospitality	99116	10.81%			783311	9.08%		Bengaluru (Urban), Bengaluru (Rural), Belgaum, Mysore, Dharwad
61	Telecommunication	7934	0.87%			59857	0.69%		Bengaluru (Urban), Mysore, Belgaum, Bengaluru (Rural), Dharwad
49	Logistics	80804	8.81%			696496	8.07%		Bengaluru (Urban), Belgaum, Bengaluru (Rural), Ballari, Tumkuru
16	Wood & Allied Products including Furniture	17197	1.88%		1. Bidar Wood Carving Mini Cluster 2. Yadgiri Agarbatti Cluster, Yadgir	127747	1.48%		Bengaluru (Urban), Mysore, Belgaum, Dakshina Kannada, Bengaluru (Rural)
24	Metals & Fabricated Metal Products	18716	2.04%			199802	2.32%	Belgium, Italy, Switzerland, Singapore & Turkey	Bengaluru (Urban), Belgaum, Dharwad, Bengaluru (Rural), Mysore

NIC 2 Digit Code	Industry Name	No. of MSMEs	Proportion of MSMEs in total MSMEs in the State	Geographic Clusters Implemented under MSE-CDP	SFURTI Cluster (Implemented)	Employment in sector (number and share in total)	Proportion of Employment in total Employment in the State	Export % Top Exporting Countries	Sector wise Top 5 Districts
29	Automotive and Auto Components	2347	0.26%	1. Auto Components Manufacturing/ Service, Dharwad 2. Automobile Servicing, Bidar		26552	0.31%	USA, Thailand, Nepal, Bangladesh & Japan	Bengaluru (Urban), Belgaum, Bidar, Bengaluru (Rural), Dharwad
21	Pharmaceuticals & Medical Devices	3079	0.34%			41425	0.48%	USA, UK, South Africa, Australia & Netherlands	Bengaluru (Urban), Mysore, Bengaluru (Rural), Belgaum, Dharwad
23	Non-Metallic Mineral Products	8823	0.96%			89461	1.04%		Bengaluru (Urban), Belgaum, Bengaluru (Rural), Mysore, Dharwad
17	Paper and Paper Products	6215	0.68%			57863	0.67%		Bengaluru (Urban), Bengaluru (Rural), Belgaum, Mysore, Tumkuru
22	Rubber and Plastic products	6245	0.68%			73683	0.85%		Bengaluru (Urban), Belgaum, Bengaluru (Rural), Mysore, Dharwad
32	Toys	329	0.04%		1. Channapatna Lacware Toys Cluster, Ramanagara, 2. Kallandur Pottery Cluster, Kolar	2839	0.03%		Bengaluru (Urban), Ramanagara, Belgaum, Mysore, Bengaluru (Rural)
32	Jewellery	5084	0.55%			34221	0.40%		Bengaluru (Urban), Belgaum, Dakshina Kannada, Mysore, Dharwad

NIC 2 Digit Code	Industry Name	No. of MSMEs	Proportion of MSMEs in total MSMEs in the State	Geographic Clusters Implemented under MSE-CDP	SFURTI Cluster (Implemented)	Employment in sector (number and share in total)	Proportion of Employment in total Employment in the State	Export % Top Exporting Countries	Sector wise Top 5 Districts
77	Services (Financial, Healthcare, Legal and Accounting, Real Estate, R&D)	209181	22.81%			2198363	25.47%		Bengaluru (Urban), Belgaum, Mysore, Bengaluru (Rural), Dakshina Kannada
45	Trading	158416	17.28%			1012166	11.73%		Bengaluru (Urban), Belgaum, Mysore, Dakshina Kannada, Dharwad

Source: Data as per Udyam portal as on 30.04.2023

2.2.9.16. Snapshot of Access to Finance

Table 16: Snapshot of Access to Finance

Access to Finance						
Industry/Sector	Major Method of Finance (Banks, Lenders, investors, FIs etc.)	Existing Central/State Schemes being availed	Industry Associations	Size of Support Available (2022-23)		
				Number of Micro Enterprises	Sanction Amount (INR Crore)	Disbursement Amount (INR Crore)
	KSFC	Corporate Loan Scheme		2	0.4	0.2
		Interest Subsidy Scheme for General		0	0	179.77
		Interest Subsidy Scheme for SC/ST Entrepreneurs		247	263.28	144.49
		Interest Subsidy Scheme for Women		105	131.13	75.67
		Modified Interest Subvention Scheme		287	366.98	174.96
		Privileged Entrepreneurs Scheme		14	9.7	3.55
		Term Loan		689	876.82	433.25

Access to Finance						
Industry/Sector	Major Method of Finance (Banks, Lenders, investors, FIs etc.)	Existing Central/State Schemes being availed	Industry Associations	Size of Support Available (2022-23)		
				Number of Micro Enterprises	Sanction Amount (INR Crore)	Disbursement Amount (INR Crore)
	ECLGS			Eligible No. of Accounts	SANCTIONED LOANS Accounts	DISBURSEMENT LOANS Accounts
		Total (PSBs) - Accounts		220259	134307	125522
		Total (Pvt Banks) - Accounts		262854	244168	76922
				Eligible No. of Amounts	SANCTIONED LOANS Amounts	DISBURSEMENT LOANS Amounts
		Total (PSBs) - Amounts		8394.28	7543.51	6877.11
		Total (Pvt Banks) - Amounts		12350.07	8169.06	5040.04
	PMEGP				Forwarded to Bank	Sanctioned by Bank
		Total (PSBs)			30595	8181
		Total (Pvt Banks)			2161	367
	PMFME				Loan Sanctions	Loan Disbursed
				FY2021-22	259	242
				FY2022-23	1815	1606.00
	SUI			Total No Of A/Cs	Total Sanctioned Amt	Total Disbursement Amt
		Private Sector Banks		965	238.61	85.79
		Public Sector Banks		11173	2472.93	1065.36
		Regional Rural Banks		414	86.11	21.5
	MUDRA			Total No Of A/Cs	Total Sanctioned Amt	Total Disbursement Amt
		FY2021-22		4298481	28695.29	28374.92

Access to Finance						
Industry/Sector	Major Method of Finance (Banks, Lenders, investors, FIs etc.)	Existing Central/State Schemes being availed	Industry Associations	Size of Support Available (2022-23)		
				Number of Micro Enterprises	Sanction Amount (INR Crore)	Disbursement Amount (INR Crore)

2.2.10. Snapshot of Overview by Geography

Table 17: Snapshot of Overview by geography

Overview of Geography							
SN	District Name	Number of MSMEs	Proportion of women MSMEs	Cluster Name	SFURTI Cluster	ODOP	Main Sectors in district
1	Bagalkote	20407		1.Raisin Processing		Ilkal sarees	Apparel
2	Bengaluru (Rural)	48366				readymade garment manufacturing	Textiles
3	Bengaluru (Urban)	260938		1. Electronic Component Manufacturing/ Testing		handloom silk saree	Textiles
4	Belgaum	65145		1. Raisin Processing	1. Athani Leather Cluster 2. Bijapur Khadi Cluster 3. Hudli Khadi Cluster	foundry	Metal

Overview of Geography							
SN	District Name	Number of MSMEs	Proportion of women MSMEs	Cluster Name	SFURTI Cluster	ODOP	Main Sectors in district
5	Bellary	24162			1. Sandur Khadi Cluster	denim jeans	Apparel
6	Bidar	16454		1. Automobile Servicing	1. Bidar Readymade Cluster 2. Bidar Wood Carving Mini Cluster	Bidri crafts	Metal & Fabricated Metal products
7	Chamarajanagar	8302			1. BR Hills Wild Bee Honey Cluster	stone works	Non-Metallic mineral products
8	Chikballapur	13659			1. Siddlaghatta Khadi Cluster 2. Zari & Multi Product Cluster	Siddlaghatta silk saree and raw silk related saree	Textiles
9	Chikmagalur	13718				arraca products (plates/cups made from arraca leaves)	Agriculture
10	Chitradurga	13916		1. Puffed Rice Processing	1. Chitradurga Leather Cluster	moukalmru sarees	Apparel
11	Dakshina Kannada	39388				textile processing	Textiles

Overview of Geography							
SN	District Name	Number of MSMEs	Proportion of women MSMEs	Cluster Name	SFURTI Cluster	ODOP	Main Sectors in district
12	Davangere	19888			1. Harihara Khadi Cluster	ginning and readymade garment (cotton)	Textiles
13	Dharwad	38812		1. Auto Components Manufacturing/ Service, 2. Readymade Garments, 3. Engineering		valve manufacturing	Machinery & Equipment
14	Gadag	11251				textile related	Textiles
15	Gulbarga	19037		1. Food Processing		shabad stones	Non-Metallic mineral products
16	Hassan	21830			1. Javagal Coir Cluster 2. The Haralakatta, Hassan Coir Cluster	jacquard bedsheet	Textiles
17	Haveri district	15696				spices products	Food Processing
18	Kodagu	7433				homemade chocolate/bar/ wines	Food processing
19	Kolar	15111			1. Kallandur Pottery Cluster	shivarpotna stone works	Non-Metallic mineral products
20	Koppal	11197				kanhal toys	Toys

Overview of Geography							
SN	District Name	Number of MSMEs	Proportion of women MSMEs	Cluster Name	SFURTI Cluster	ODOP	Main Sectors in district
21	Mandya	17979			1. Kuddaluru Coir Cluster	rice based products	Food processing
22	Mysore	47093				rosewood inlay works	Non-Metallic mineral products
23	Raichur	16664				cotton and cotton-based products	Textiles
24	Ramanagara	13055		1. Printing	1. Channapatna Lacware Toys Cluster	Channapatna toys	Toys
25	Shimoga	25672			1. Sagara Woodcrafts Cluster 2. Shivmoga Natural Dyed Handloom Cluster	readymade garment manufacturing	Textiles
26	Tumakuru	30273			1. Cheluru Coir Cluster 2. Kortagere Coir Cluster 3. Shri Ganganathswamy Coir Cluster 4. Tumkur Coir Cluster	coconut fibre industries	Textiles
27	Udupi	23086			1. Jack Fruit Processing Cluster	gem and jewelry	Jewelry

Overview of Geography							
SN	District Name	Number of MSMEs	Proportion of women MSMEs	Cluster Name	SFURTI Cluster	ODOP	Main Sectors in district
28	Uttar Kannada	21409		1. Cashew Processing	1. Ankola Beekeeping Cluster 2. Honnawar Beekeeping Cluster 3. Kumta Uttara Kannada Cluster 4. Sirsi Pepper and Cardamom Spices Cluster	ayurvedic medicine products	Pharmaceuticals & Medical devices
29	Vijayanagar	3672				sandaur lambani art -traditional dress (cloth)	Textiles
30	Vijayapura	23123		1. Raisin Processing	1. Bijapur Broom Cluster	agricultural implements	agricultural implements
31	Yadgir	10188			1. Yadgiri Agarbatti Cluster	cotton and cotton-based products	Textiles

03

Karnataka MSME Market Study



3. Overview of the market study for MSMEs in Karnataka

3.1. Overall approach and methodology

For preparation of Karnataka Strategic Investment Plan (SIP) a market study covering Primary Survey and Focus Group Discussions (FGDs) and In-Depth Interviews for MSMEs located in Karnataka was carried out by the Directorate of MSME, Government of Karnataka. For this purpose, Directorate engaged the services of Entrepreneurship Development Institute of India (EDII) to conduct a **market study of 4007 MSMEs across 28 sectors (manufacturing, services, and trading) in 16 districts across Karnataka** to identify key sector specific and geography specific constraints and challenges to MSME growth in the state including women led MSMEs. The study has also covered key gaps in policy that the governments at Centre and State level should consider supporting MSMEs through various policy interventions.

Directorate of MSME designed a **two phased approach** for the market study which was undertaken in alignment with the **vision & objectives of the diagnostic exercise for preparation of SIP under RAMP** and **contextual understanding of the MSME sector** in the State.

The market study was carried out in two phases comprising of the following:

- **Phase 1: Quantitative Study- Structured Questionnaires:** State level Market Survey of **4007 MSME enterprises was carried out across 16 districts** in the State through the Data Survey Agency EDII to find the key constraints to MSME growth in key sector; access to input (including skilled labor, electricity etc.), technology, credit, markets and required product standards, regulatory constraints and costs; access to quality infrastructure and testing facilities; management capacity; improved energy efficiency and reducing waste; and enhanced outcomes for women owned MSMEs. The structured questionnaire designed for the market study is placed at Annexure 1
- **Phase 2: Qualitative Study- (FGDs and IDIs):** Participatory & Collaborative **12 Focus Group Discussions (FGDs) and 32 In-depth interviews across 8 districts in the State:** Consultations with MSME ecosystem players comprising of Directorate of MSME, State level Departments, District Industries Centers, Industry Associations at the Sector and Cluster level, Women Industry Associations, MSME Clusters implemented in the State under MSE Cluster Development Program (MSE CDP) , Financial Institutions, Anchor Buyers, Technical & Business Service Providers, concerned stakeholders from CGTMSE, TReDS platform, ONDC, GeM, SIDBI, NBFCs, etc. These discussions played an important role in gathering information about the current scenario as well as the future course of action to be undertaken for the betterment of MSMEs in the state. It also helped in identifying both cross-cutting constraints (across sectors) as well as sector and regional and cluster- specific constraints. Consultations were essentially of two types:
 - Independent Consultations: Independent consultations were conducted with individual departments and industry stakeholders to understand their status, their issues and challenges.
 - Joint Consultations: Joint consultations were conducted with multiple departments/ industry stakeholders to get an understanding of overlapping issues and challenges.

3.1.1. Scope and Dimension of the Study

The list of study parameters on which the evaluation was carried out are mentioned in Table 18. The list is spread across key thematic areas where the indicators and the leading challenges to the respective indicators were studied as part of the evaluation.

Table 18: Market Study Evaluation Scope

Market Study Evaluation Scope	
Access to Market	<ul style="list-style-type: none"> — Awareness and adoption of MSME Champion schemes (ZED, LEAN, etc.) — Knowledge and awareness on potential markets — Adoption of quality control standards and certifications — Procurement of raw material — Awareness on digital marketing channels for brand promotion — Level of expertise in product development, designing, packaging, and marketing strategy
Access to Credit	<ul style="list-style-type: none"> — Channels of Financing (Formal & Informal) — Funding requirements — Availability of working capital products — Awareness on Credit Guarantee Trust Fund for Micro and Small Enterprises (CGTMSE)
Delayed Payments	<ul style="list-style-type: none"> — Number of MSMEs registered on TReDS platform. — Number of MSME buyers registered on TReDS platform. — Buyers registered on which TReDS platform (M1xchange, Invoicemart and RXIL) — Awareness on MSME SAMADHAM Portal — Awareness on Micro Small Enterprise Facilitation Council — Online Dispute Resolution
Greening of MSMEs	<ul style="list-style-type: none"> — Number of MSMEs adopting green technologies and using green energy sources — Awareness on Resource Efficient and Cleaner Production (RECP) practices — Adoption of resource and process efficiency across the life cycle of products, renewable energy, energy efficiency, electrification, waste management, sustainable sourcing
Women MSMEs	<ul style="list-style-type: none"> — Women specific challenges pertaining to (credit, market, technology, etc.)
Access to Technology	<ul style="list-style-type: none"> — Awareness on digitization i.e., adoption of digital technologies and use of digital platform — Linkages of MSMEs with R&D labs and centres, academia constraining technology transfer and access
Access to Infrastructure	<ul style="list-style-type: none"> — Availability of serviced industrial land and core public infrastructure accessed by MSMEs - power, water, roads, common facility centres. — Availability of infrastructure provided through third party providers (such as warehousing, cold chains, transportation) — Availability of soft infrastructure such as laboratory facilities and inspection capacity; quality testing

Market Study Evaluation Scope	
Access to Skilled Manpower	<ul style="list-style-type: none"> — Knowledge and awareness on new-age skills emerging in different domains required by the MSMEs. — Awareness on the digital job portal MSME SAMPARK — Knowledge on entrepreneurial development programs, domain-specific training programs and re-skilling/up-skilling programs
Access to Service Providers	<ul style="list-style-type: none"> — Awareness and availability of technical/business service providers
Regulatory Constraints	<ul style="list-style-type: none"> — Inter-departmental/intra-departmental coordination for approvals, payments, inspections, certificates

The recommended interventions of the market study were formulated in a manner to develop an evidence-based, holistic MSME-support Programme for the State.

3.1.2. Stakeholder Mapping

The market study involved exhaustive and continuous engagement between the stakeholders involved: a) to enable effective implementation of Ministry of MSME's market access and competitiveness schemes (ZED/Lean etc.) to include convergence with aligned State MSME schemes and b) Ensure availability of infrastructure (power, transportation networks, serviced industrial land), skills training and development, and environmental improvements (reduced waste and pollution). The stakeholders are key players for interventions related to the vision, mission, objectives, and overall contour of the scheme. Figure 42 lists the key stakeholders engaged for FGDs and In-depth interviews for the market study.



Figure 42: Key Stakeholders for FGD and In-Depth Interviews

- a) **State Level Departments:** Directorate of MSME; Karnataka Council for Technological Upgradation (KCTU); Karnataka State Small Scale Industries Development Corporation Ltd (KSSIDC); Karnataka Industrial Area Development Board (KIADB); Department of Rural development and panchayat Raj; Karnataka state Handicraft development corporation Ltd; Planning Dept; Commercial Taxes Dept.;

Department of Handloom and textiles; Department of Municipal Administration; Karnataka State Pollution Control Board (KSPCB); Karnataka Skill Development Corporation (KSDC); Visvesvaraya Trade Promotion Centre (VTPC); ESCOMs; Karnataka State Rural Livelihood Mission.

- b) **District Level:** District Industries Centers; MSME Development Institute; District level Industry Associations.
- c) **Industry Association:** Karnataka Small Scale Industries Association (KASSIA); Federation of Indian Chambers of Commerce & Industry; ASSOCHAM & Bangalore Chamber of Industry and Commerce (BCIC); Federation of Indian Micro and Small & Medium Enterprises (FISME); UBUNTU; Federation of Karnataka Chambers of Commerce and Industry (FKCCI); Association of Women Entrepreneurs of Karnataka (AWAKE); Electronics City Industries Association (ELCIA) & Peenya Industrial Association.
- d) **Financial Institutions:** Karnataka State Financial Corporation; Small Industries Development Bank of India (SIDBI); Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE); Trade Receivables electronic Discounting System TReDS Exchange partners (M1xchange, Invoicemart, RXIL); State level Banker's Committee (SLBC); Open Network for Digital Commerce (ONDC); Government e-Marketplace (GeM); Non-Banking Financial Company (NBFC)

Through stakeholder interaction viz. Focused Group Discussions (FGDs), One to One Interviews and stakeholder interactions with Industry and Government stakeholders we were able to assess and gauge the expectations of various stakeholder groups, understand the concerns of key stakeholders and the challenges to be considered as a part of the evaluation of the MSMEs and respective recommendations and feedback from the concerned stakeholders.

3.1.3. Evaluation methodology proposed for the study

The evaluation study was designed with the aim to conduct primary surveys, FGDs and IDIs for MSMEs located in Karnataka for preparation of State Strategic Investment Plan (SIP) under RAMP scheme. This assessment coupled with incisive understanding of key policy interventions required to support MSMEs through Centre and State level schemes provided key recommendations for the development of an evidence-based, holistic MSME-support Program for the State. The overall vision of the market study that was carried out is shown in the below Figure 43.

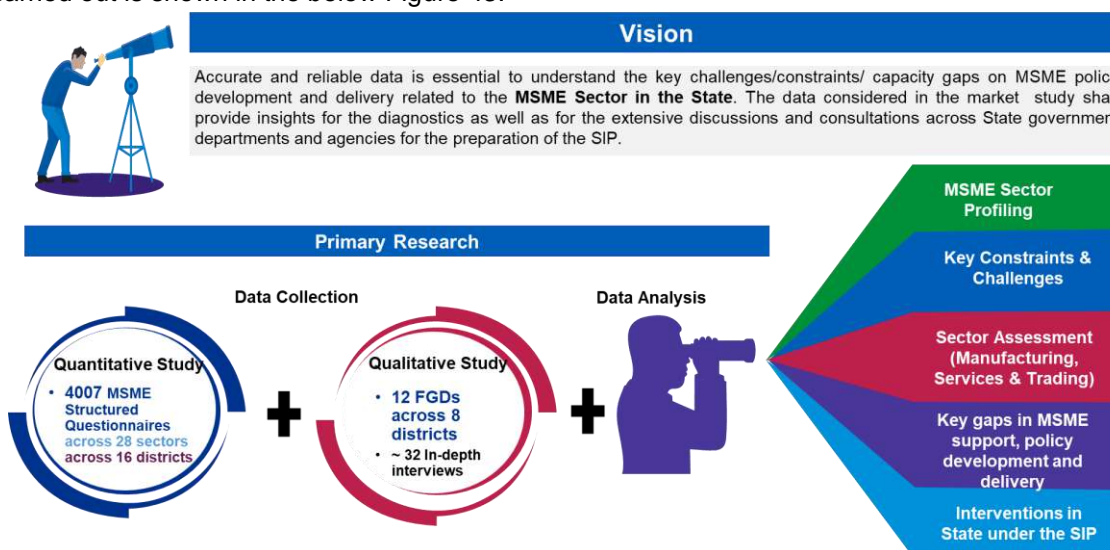


Figure 43: Key Components of the MSME Market study

The major milestones of the MSME Market Study include the following:

- 1. Mapping of Socio-economic profile of MSMEs across districts**
- 2. Identification of priority/sunrise sectors for MSMEs**
- 3. Key constraints to MSME growth:** with a focus on regulatory constraints and costs; access to inputs (including skilled labor, land, capital); technology; credit; target markets and required product standards (domestic and international); management capacity; adoption of Resource Efficient and Cleaner Production (RECP) practices by MSMEs (improved energy efficiency and reducing waste of inputs such as materials, water, energy etc.); constraints faced by women-headed MSMEs; gaps/constraints in infrastructure (power, digital and transport services, quality testing facilities, common facility centers, serviced industrial land, etc.). The study has identified both cross-cutting constraints (across sectors) as well as sector and regional and cluster- specific constraints.
- 4. Gender gaps:** Identifying sectors and clusters which have a higher proportion of women; and additional barriers faced by women owned MSMEs in accessing technical services, markets, and credit.
- 5. Key capacity gaps on MSME policy development and delivery:** a) Existing policy framework and the associated implementation institutions, agencies and key market players for MSME development and identification of areas for strengthening capacity; b) Coordination arrangements across State institutions and departments; District Industry Centers (DICs) and key business association, private sector players delivering public services and anchor companies; c) Existing Monitoring and Evaluation (M&E) systems for State government interventions in the MSME sector; mapping existing State government portals to deliver services and their use etc.
- 6. Identification of Service Providers:** Identification of potential pool of FIs with whom Public-Private Partnerships (PPP) agreements can be signed and targets for number of PPP agreements to be signed with FIs. Identification of pool of Anchor Buyers with whom States can potentially enter partnerships for supplier development Programs. Identification of pool of private technical service providers who can be leveraged for provision of services to MSMEs.
- 7. Assessment of Greening Practices adopted by MSMEs:** level of awareness, willingness, and adoption of sustainability measures; implementation of sustainability factors across value/supply chain and factors impeding/enabling implementation of sustainable practices by MSMEs.

3.1.4. Sample Design

The approach for primary data collection for the market study ensured the quality of data and efficient completion of the field studies, IDIs, and FGDs, in a timely manner. This was done by leveraging technology for data collection and transcription and by setting up a team review structure in place. In addition, data quality checks were conducted randomly on 50% of the data through the field data collection period.

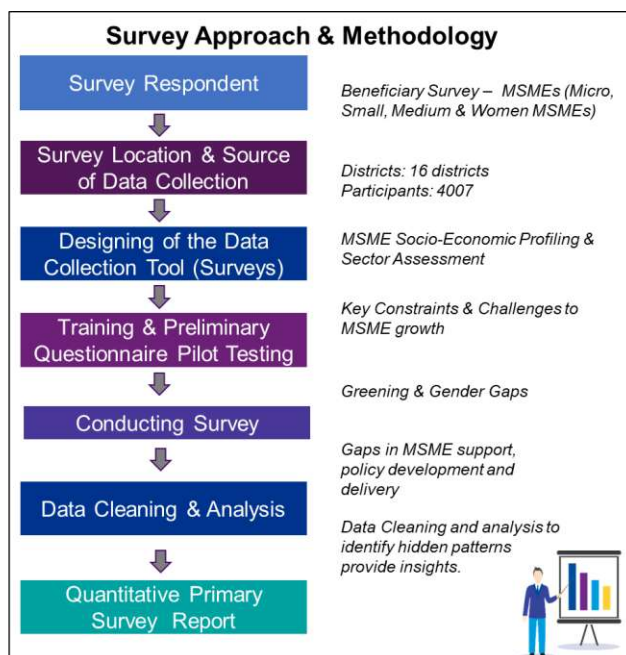


Figure 44: Survey Approach and Methodology

a) Quantitative Primary Study- Structured Questionnaires

The sample design has been built based on the data of total number of MSMEs as per the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Program Implementation during the period 2015-16. As per the 73rd NSS round, Karnataka has a total of 38.34 lakh MSMEs in the State. For the sample design, we have assumed that the number of MSMEs in the State would have increased at 5 per cent y-o-y for the last 7 years i.e., during the period (2016-17-2022-23), which amounts to approximately ~50 lakh MSMEs currently in the State.

I. Sample Size

Considering the population size as ~50 lakh MSMEs, the sampling is based on the Probability proportional to size (PPS)²⁹ sampling method which is used for arriving at the ideal sample size for the market study.

- **Confidence level is “95%”**
- **Margin of error is “2%”**

Thus, based on the above assumptions **sample size of 4007 MSMEs** were surveyed as part of the primary survey exercise. The distribution of the sample size is shown in the Table 19 below.

²⁹ PPS refers to Probability proportional to size (PPS).

Table 19: Classification of MSMEs by sampling matrix

Type of Enterprise	Sampling Size based on 95% confidence level and 2% margin of error) Total Population Size 50,00,000	Sampling Size to be considered for Primary Survey	Representation	Assumptions	District Coverage
Micro	3852	2408	60.1%		1. Bengaluru Urban 2. Bengaluru Rural 3. Belagavi 4. Hassan 5. Tumkuru 6. Dakshina Kannada 7. Dharwad 8. Bagalkote 9. Mysore 10. Bellary 11. Vijayapura 12. Bidar 13. Ramanagara 14. Shivamogga 15. Udupi 16. Mandya
Small	142	1417	35.4%	To have better coverage of small MSME units across districts, the small unit representation has been increased by 10 times.	
Medium	13	182	4.5%	To have better coverage of medium MSME units across districts, the medium unit representation has been increased by 14 times.	
Women MSMEs	From the total sampling size of 4007, around 25% of the sampling size i.e., 992 Women MSME units will participate in the market study as survey respondents. This is based on the national average of Women-headed/Women-led MSMEs				
Total	4007	4007	100%		

Source: KPMG Analysis

II. Proposed Sector Sampling for Market Study

Multistage Stratified Random Sampling was adopted for the final selection of the 4007 MSME samples. For carrying out the survey, **28 sectors across (manufacturing, services, and trading) were identified based on State Udyam registration data as on 31st December 2022.** The sectors were then mapped based on the National Industrial Classification (All Economic Activities) 2008, Central Statistical Organization, Ministry of Statistics and Program Implementation, Government of India. The size distribution of the 4007 MSME samples across sectors is based on the percentage of the sector units as a share of the total MSME units in the State. The sector samples were further classified based

on the districts with the highest concentrations and existing presence of individual/cluster of MSMEs. A total of 4007 Structured Questionnaire i.e., samples were conducted across 16 districts.

The details of the proposed sector sampling size for Market study are shown in the Table 20 below.

Table 20: Share of Total Enterprises

SN	Sector	Total Units	% As a share of Total Enterprises	Proposed Sector Sampling Size
1	Agro based products	10,771	1.4%	56
2	Food Processing	46,021	6%	241
3	Textiles	26,244	3%	137
4	Apparel & Leather Products	26,383	3%	138
5	Machinery & Equipment (General purpose, metal and fabricated metal, electrical, textile, apparel and leather, mining, printing, transport)	23,701	3%	124
6	Aerospace & Defence	244	0.03%	20
7	IT&ITeS	18,941	2%	99
8	Electronics	2,172	0.28%	39
9	Mining	6,746	1%	35
10	Energy	15,015	2%	78
11	Construction	30,487	4%	159
12	Chemicals	6,304	1%	33
13	Education	5,866	1%	31
14	Printing	7,171	1%	37
15	Tourism & Hospitality	82,207	11%	430
16	Telecommunication	7,024	1%	37
17	Logistics	69,424	9%	363

SN	Sector	Total Units	% As a share of Total Enterprises	Proposed Sector Sampling Size
18	Wood & Allied Products including Furniture	14,295	2%	75
19	Metals & Fabricated Metal Products	16,506	2%	86
20	Automotive and Auto Components	2,033	0.27%	33
21	Pharmaceuticals & Medical Devices	2,808	0.37%	35
22	Non-Metallic Mineral Products	7,559	1%	40
23	Paper and Paper Products	5,444	1%	28
24	Rubber and Plastic products	5,635	1%	29
25	Toys	278	0.04%	29
26	Jewelry	4309	1%	23
27	Services (Financial, Healthcare, Legal and Accounting, Real Estate, R&D)	175610	23%	918
28	Trading	125092	16%	654
TOTAL		7,44,220	97.1%	4007

Source: KPMG Analysis

b) Qualitative Primary Study (FGDs / IDIs)

A total of 32 one-on-one in-depth interviews (IDIs) and 12 Focus group discussions (FGDs) were conducted across 8 districts with stakeholders at all levels to gather the opinions and perceptions of relevant stakeholders. Focus group discussions (FGDs) were designed to ensure that participants are drawn in such a way that they are homogeneous across different sectors/verticals and levels. A total of 12 FGDs, each with 10-15 participants, were conducted covering stakeholders from State Govt. Departments, Industry Associations, Financial Institutions, Service Providers, Anchor Buyers, etc. The insights and understanding gained from the secondary research and initial quantitative research were further explored in the focus group discussion with the key stakeholders. The suggestive process for carrying out 32 In Depth Interviews (IDIs), 12 FGDs, is shown in the below Figure 45.

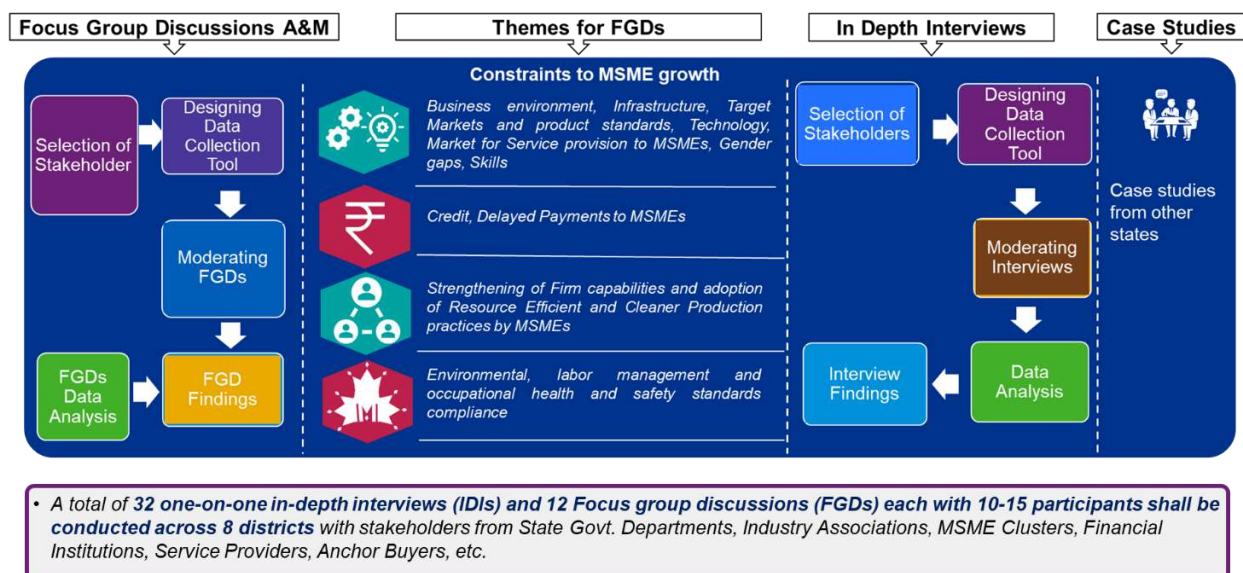


Figure 45: Themes for Focus Group Discussions

3.2. Market Study Analysis

3.2.1. Quantitative Analysis (Structured Questionnaires)

Using a structured questionnaire, a **field survey through offline medium was conducted for 4007 MSMEs across 16 Districts which can be classified into 2589 micro enterprises, 1220 small enterprises and 198 medium enterprises**. The survey comprised of questions that captured the socio-demographic profile of the MSMEs, distribution of employment, central and state scheme experience and awareness, access to finance, market linkages, awareness on TReDS, greening initiatives, skilling, and delayed payments. The detailed findings from the market study is presented below.

I. Basic Profile

a) Socio-demographic profile

Out of the 4007 MSMEs, 992 Women-led MSMEs were surveyed constituting 25 percent of the total respondents. 65 percent of the surveyed MSME units were micro enterprises, 30 percent were small enterprises and only 5 percent were medium enterprises. 56 percent of the respondents are classified under general category, and enterprises led by SC and ST individuals constitute 6 percent and 2 percent of the respondents respectively.

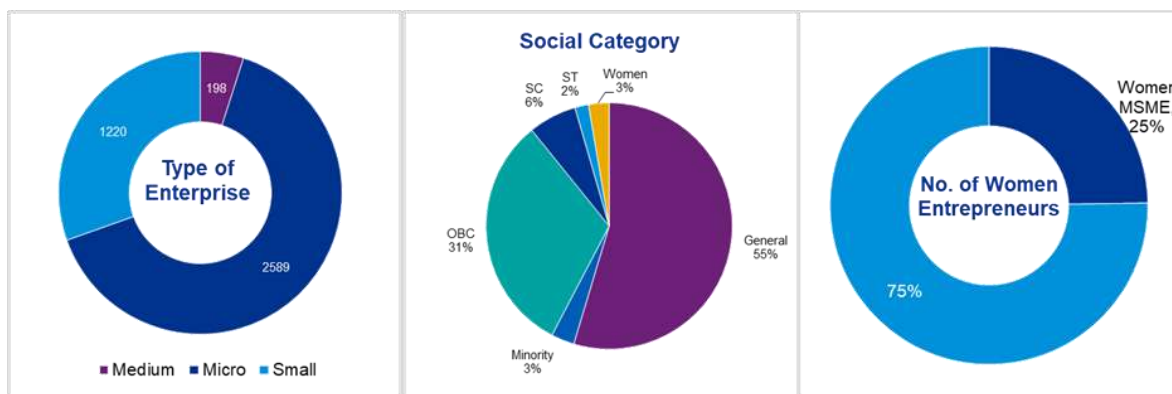


Figure 46: Socio-demographic Profile

b) District wise Distribution

Bengaluru Urban and Bengaluru Rural districts together is home to the highest proportion of MSMEs with 43 per cent which includes 1190 micro enterprises, 442 small enterprises and 126 medium scale enterprises. Belagavi is home to the second highest proportion of MSMEs with 20 per cent which includes 508 micro enterprises, 253 small enterprises and 21 medium scale enterprises. Bidar, Ramanagara, and Mandya districts together contributes to only 0.5 per cent of the total MSMEs surveyed in the state.

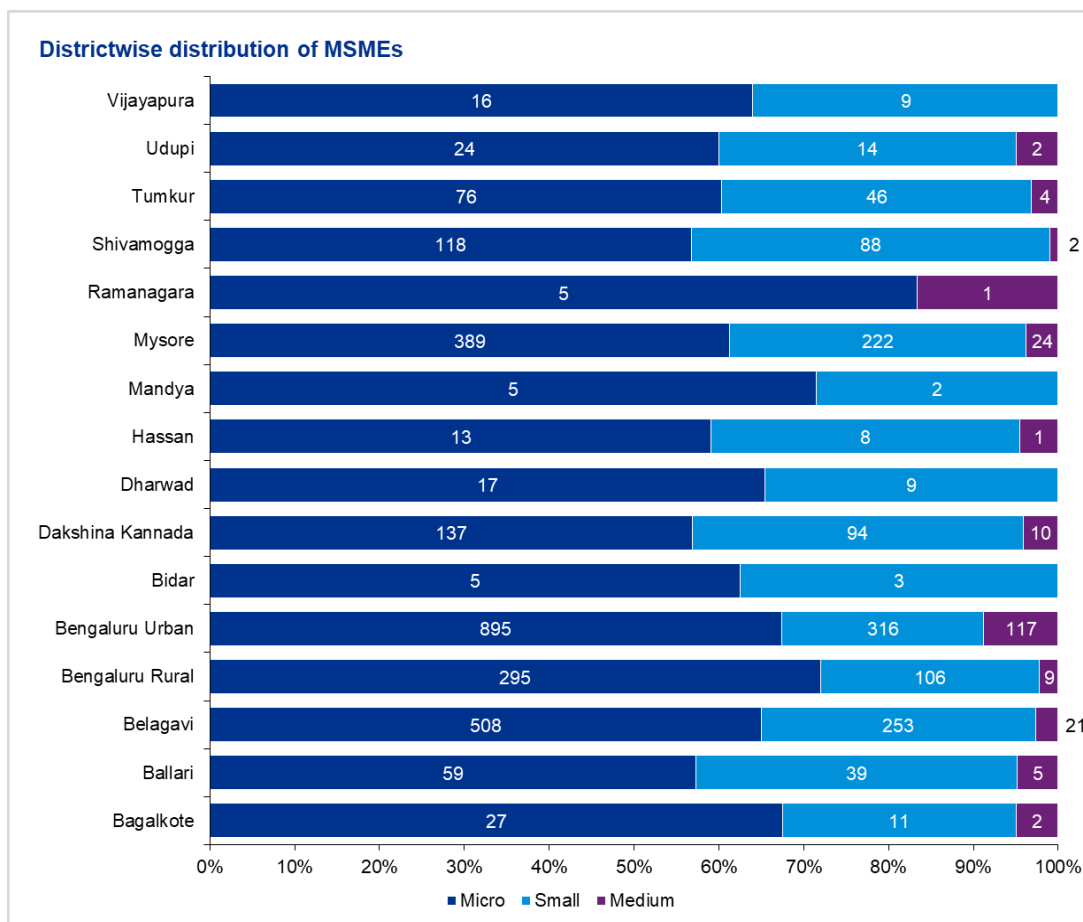


Figure 47: District wise distribution of MSMEs

c) The Proportion of Age of Enterprises and Annual turnover

Around 43 per cent of the enterprises who responded to the survey have been in the market from 6 to 10 years, and 42 per cent of the enterprises have been in the market from less than 5 years. Among the 2593 MSMEs who responded to the survey, enterprises with annual turnover of more than INR 1 Crore up to INR 10 Crore form 43 per cent of the total survey respondents and enterprises with annual turnover of less than INR 25 Lakhs constitute 16 per cent of the total survey respondents.

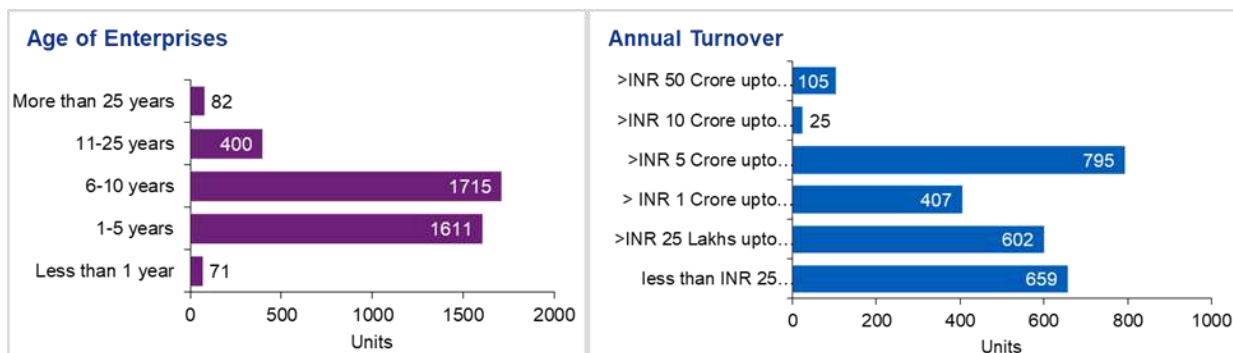


Figure 48: The Proportion of Age of Enterprises and Annual turnover

d) Proportion of Employees in the sampled MSMEs

The survey data indicates that, 58 per cent of MSMEs employ less than 10 workers, 24 per cent employ less than 20 workers and 13 per cent employ less than 50 workers. A meagre 5 per cent employ workers between the range of 50 to 99, 100 to 499 and above 500. The average proportion of male employees in an enterprise is 77 per cent and the average proportion of female employees in an enterprise is 23 per cent. No women are employed in 1249 of the surveyed MSMEs.

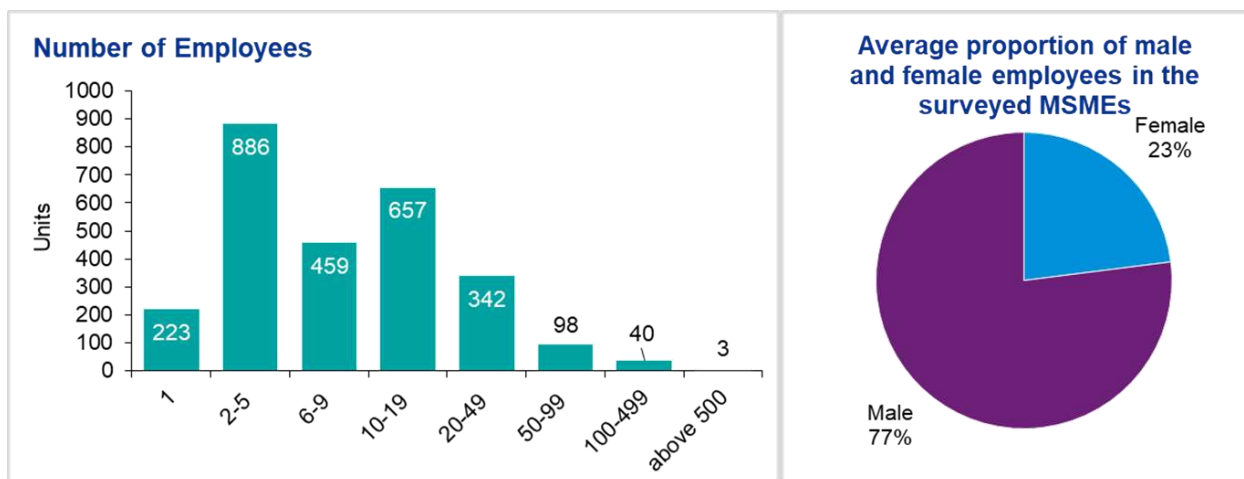


Figure 49: Number of employees and average proportion of Male and Female employees in the surveyed sample size

e) Type of Constitution and Activity

Among the MSMEs surveyed in the market study, 54 per cent of the MSMEs are sole proprietorships, 14 per cent of the MSMEs are registered as private limited companies, 11 per cent are registered as limited liability partnership, and 8 per cent are registered as proprietorships. 56 per cent of the MSMEs can be

classified as service MSMEs, 37 per cent can be classified as manufacturing MSMEs, and 4 per cent as trading MSMEs.

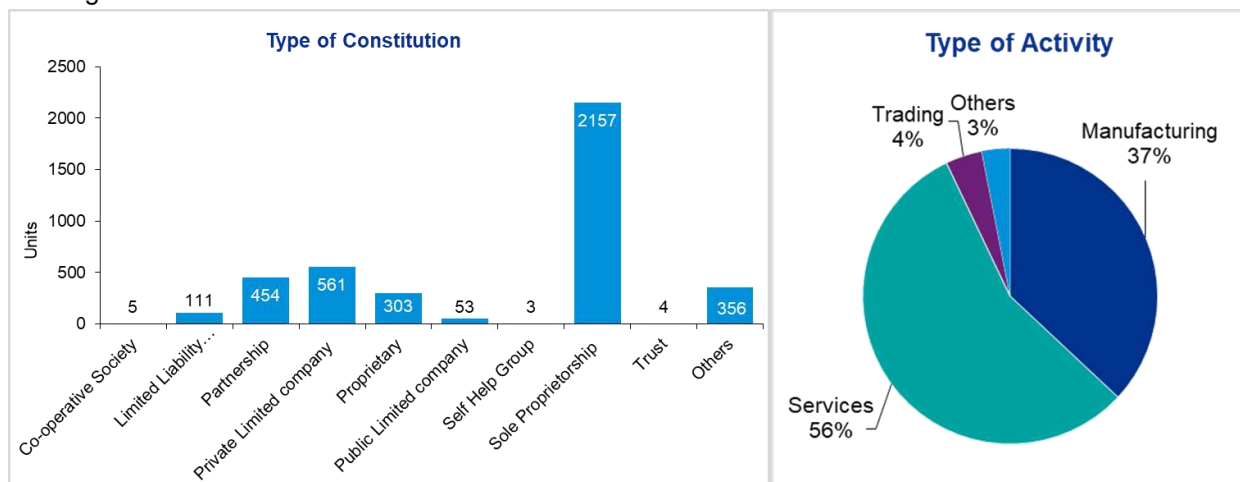


Figure 50: Type of Constitution and type of activity

f) Sector Profile

The market survey covers a total of 26 identified sectors. Tourism & Hospitality, Logistics (Transport, Warehousing, Courier), Automotive & Auto Components, and Machinery & Equipment together constitute 48 per cent of the surveyed MSMEs. Education, Energy, Jewelry, Toys, Electronics, and other sectors together form ~3 per cent of the surveyed MSMEs.

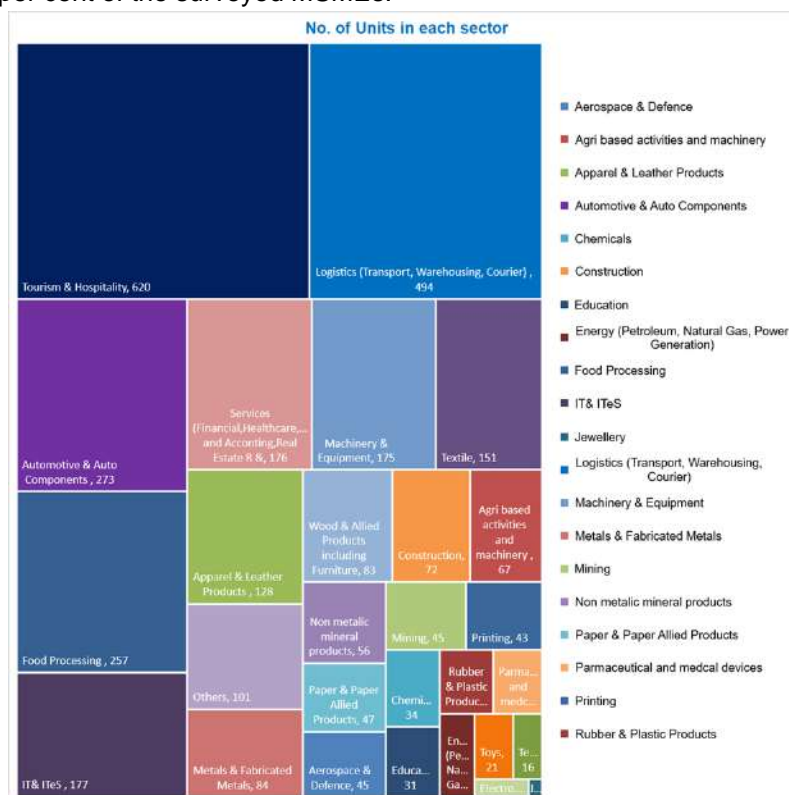


Figure 51: Sector Concentration of MSMEs

g) Export Concentration

Only 20 per cent of the MSME units surveyed in the market study engage in exporting their products. 40 per cent of the respondents stated that they use third party channels to export their products, and 53 per cent of the units export directly without any third party.

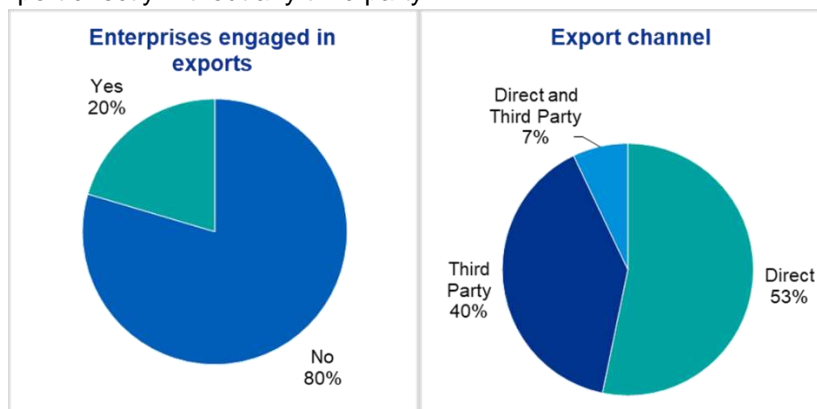


Figure 52: Enterprises engaged in exports and exports channel

h) Awareness about central government schemes

Majority of the respondents have awareness about schemes like Prime Ministers Employment Generation Programme (PMEGP) and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). The data shows that there is lack of awareness of Intellectual Property Rights (IPR) as only 1 per cent of the MSMEs are aware of it.

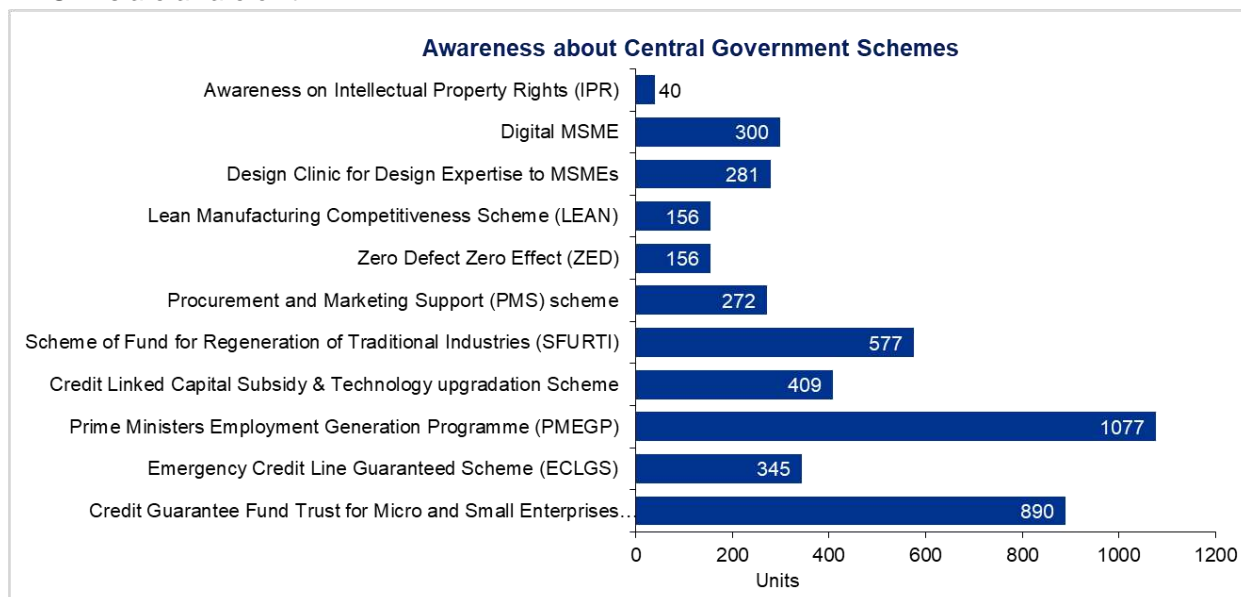


Figure 53: Awareness about central government schemes

i) Challenges faced by MSMEs

38 per cent of the respondents face challenges in access to market, 28 per cent of the respondents face challenges in access to credit, 23 per cent of the respondents face challenges in access to technology, and 21 per cent of the respondents face challenges in access to infrastructure.

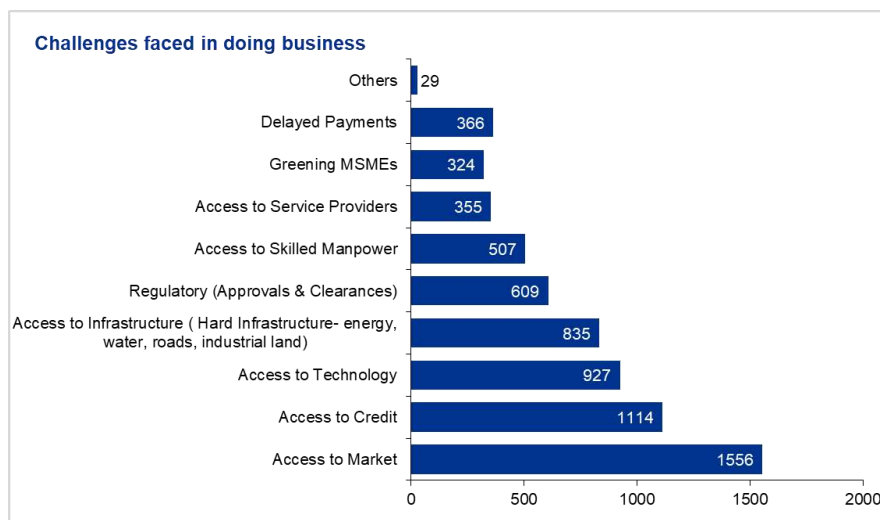


Figure 54: Challenges faced in doing business

II. Access to Market

a) Awareness on OEM and online market platforms

Among the 70 per cent of the respondents who are aware of the GeM Portal, only 36 per cent have registered on the portal. 32 per cent of the respondents are unaware of the ONDC platform, and only 23 per cent have registered on the platform. 28 per cent of the MSMEs are empaneled with OEM.

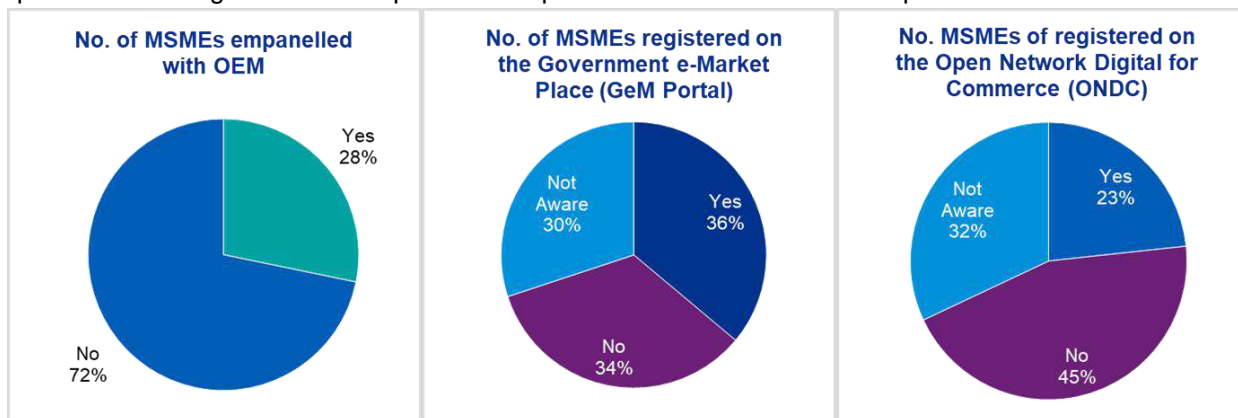


Figure 55: No of MSMEs empaneled with OEMs; No of MSMEs Registered on the government e- market place (GeM Portal); No of MSMEs of registered on the Open Network Digital for Commerce (ONDC)

b) Marketing Strategies and marketing support availed under government schemes

44 per cent of the respondents said that they had availed marketing support under any central and state government scheme. Among 2494 individuals who responded to the question about marketing strategy, 61 per cent of the MSMEs use Product catalogue or Marketing Brochures, 39 per cent use third party websites like Amazon, Indiamart.com, Trademart.com, etc., 38 per cent do it through sending emails / SMS to potential customers, 29 per cent of the MSMEs have their own website for marketing, and 26 per cent participate in trade fairs/ exhibitions.



Figure 56: Promotion strategy; Marketing support availed under any central government scheme; Marketing support availed under any State Government scheme or sector specific Scheme

c) Awareness on ZED and LEAN

Out of the 1034 respondents who claimed to have ZED certifications, 33 per cent were gold certified, 33 per cent were silver certified, and 34 per cent were bronze certified. Out of 1148 respondents, on an average, 50 per cent of the respondents are not aware of the different LEAN manufacturing techniques like Minimizing inventory, Equipment reliability, eliminating waste through process and workspace redesigning, improvement in quality and productivity, and energy audits to improve energy efficiency.

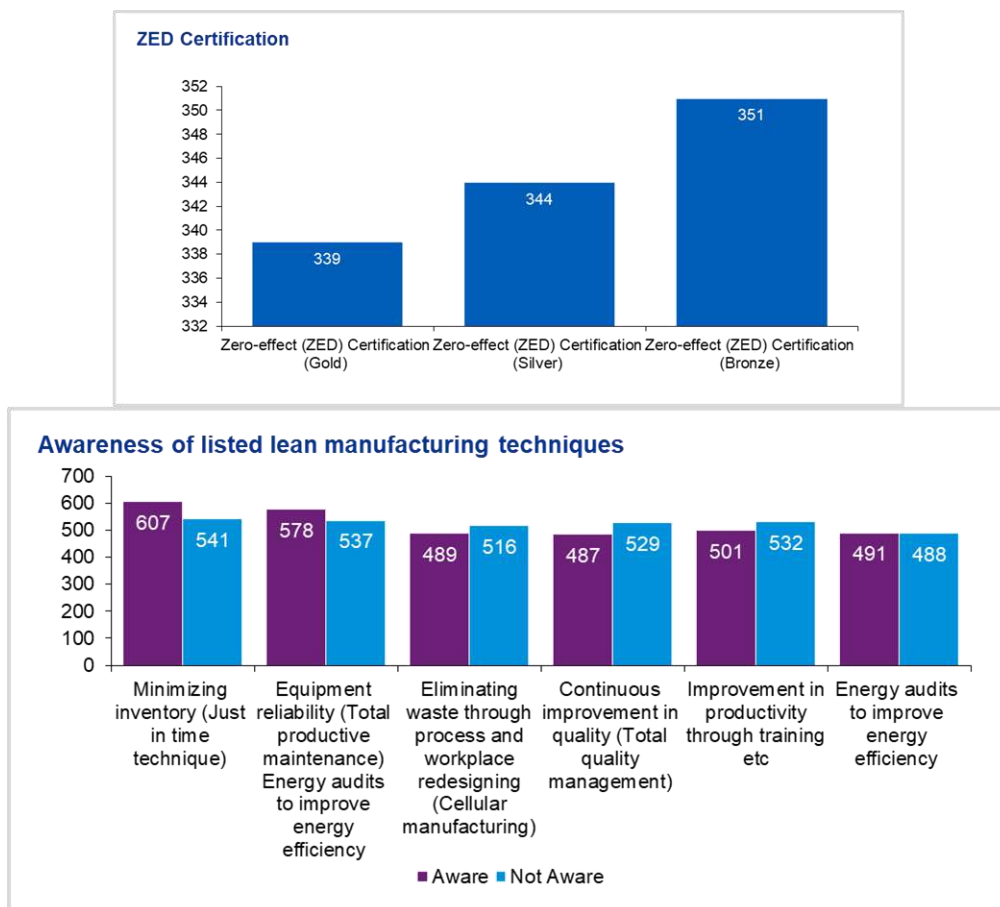


Figure 57: ZED Certifications and Awareness of listed lean manufacturing techniques.

d) Challenges pertaining to market access

The survey indicates that, 65 per cent of the respondents feel that there is a lack of knowledge and awareness on potential markets, 49 per cent of the respondents are unable to procure raw material at competitive prices and face high logistic cost, 46 per cent of the respondents feel there is limited adoption of quality control standards and certifications, 32 per cent lack in awareness on digital marketing channels for brand promotion.



Figure 58: Challenges pertaining to Market access.

III. Access to Credit

a) Source of raising capital

Debt financing is the major source of raising capital among the surveyed MSMEs with 64 per cent of the respondent's raising capital from banking and non-banking financial institutions and other informal sources through debt. 34 per cent of the respondents use equity financing and 2 per cent of the respondents depend on grants or subsidies. 69 per cent of the rely on banks to source their debt capital and 13 per cent of the respondents use non-banking financial companies, 9 per cent of the respondents source their debt capital through informal money lenders.

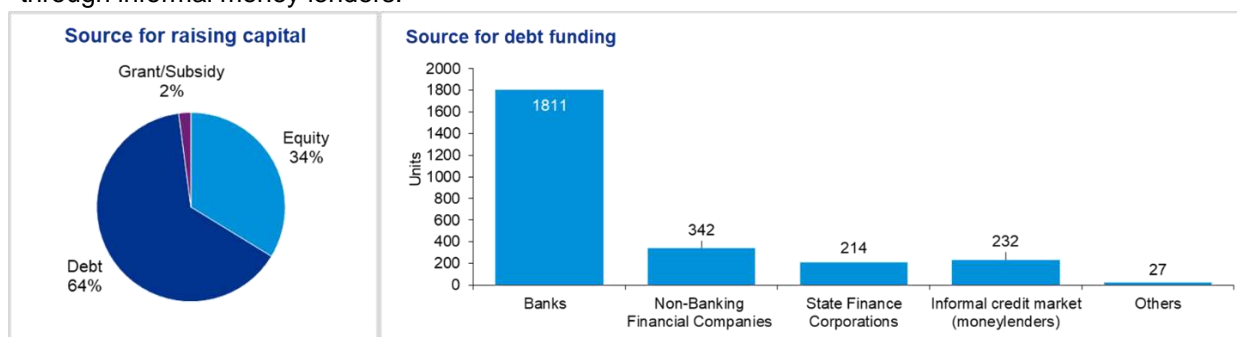


Figure 59: Source of raising capital; Source of debt funding

b) Purpose and amount of financial requirement

74 per cent of the respondents require financial assistance for the purpose of expansion and diversification or for the purpose of adoption of technology including digitization. Out of the 2081 respondents who responded that they need financial assistance, 38 per cent of the respondents stated that they require financial assistance of an amount more than INR 5 lakhs and less than INR 25 lakhs, 31 per cent of the respondents require financial assistance of an amount more than INR 25 lakhs and less than INR 1 crore, 24 per cent of the respondents require financial assistance of an amount less than INR 5 lakhs.

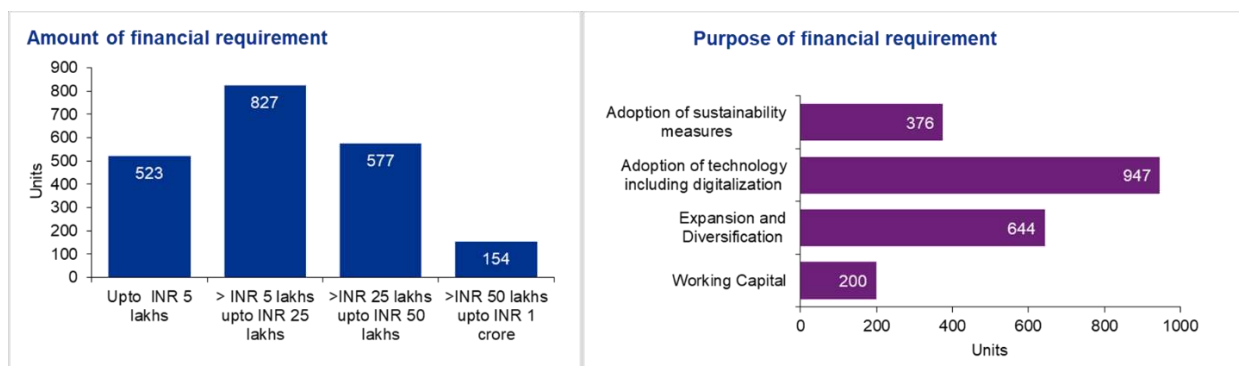


Figure 60: Purpose of financial requirement; Amount of finance requirement

c) Financial assistance availed under government schemes

Financial assistance has been availed by 44 per cent of the respondents under any central scheme, 49 per cent of the respondents have availed incentives and concessions under Karnataka Industrial Policy, 37 per cent of the respondents have availed credit under Chief minister Employment Generation Scheme. Out of the 1246 respondents who have availed financial assistance under a central scheme, 40 per cent of the respondents have availed through Mudra Loan, 20 per cent of the respondents have availed through Prime Ministers Employment Generation Programme (PMEGP), 15 per cent of the respondents have availed through Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), 14 per cent of the respondents have availed through Emergency Credit Line Guaranteed Scheme (ECLGS), and 10 per cent of the respondents have availed through Credit Linked Capital Subsidy & Technology upgradation Scheme.

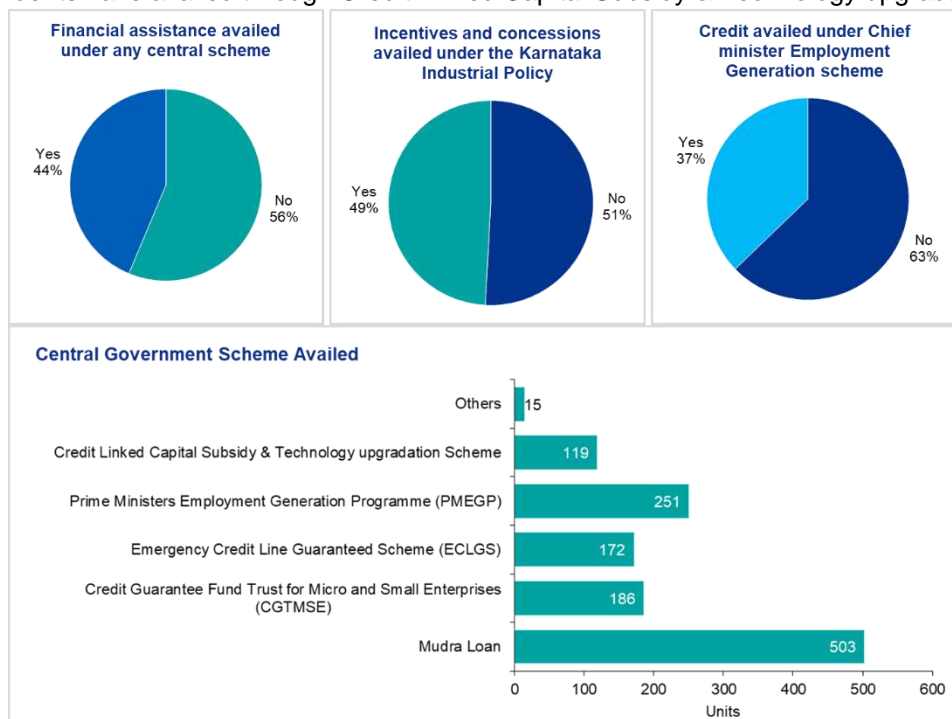


Figure 61: Financial assistance availed under any central scheme; Incentives and concessions availed under the Karnataka under industrial policy; Credit availed under chief minister employment generation scheme; Central government schemes availed.

d) Awareness about TReDs among MSMEs and Buyers

The survey responses show that, only 13 per cent of the MSME units have all the buyers registered in the TReDs platform and only 11 per cent of the respondents have at least half of the buyers registered on the platform. 56 per cent of the respondents are not even aware of the TReDs platform. Among the respondents whose buyers are registered under the platform, 55 per cent of the MSMEs have their buyers registered in M1xchange, 29 per cent are registered in RXIL, and 16 per cent are registered in Invoicemart.

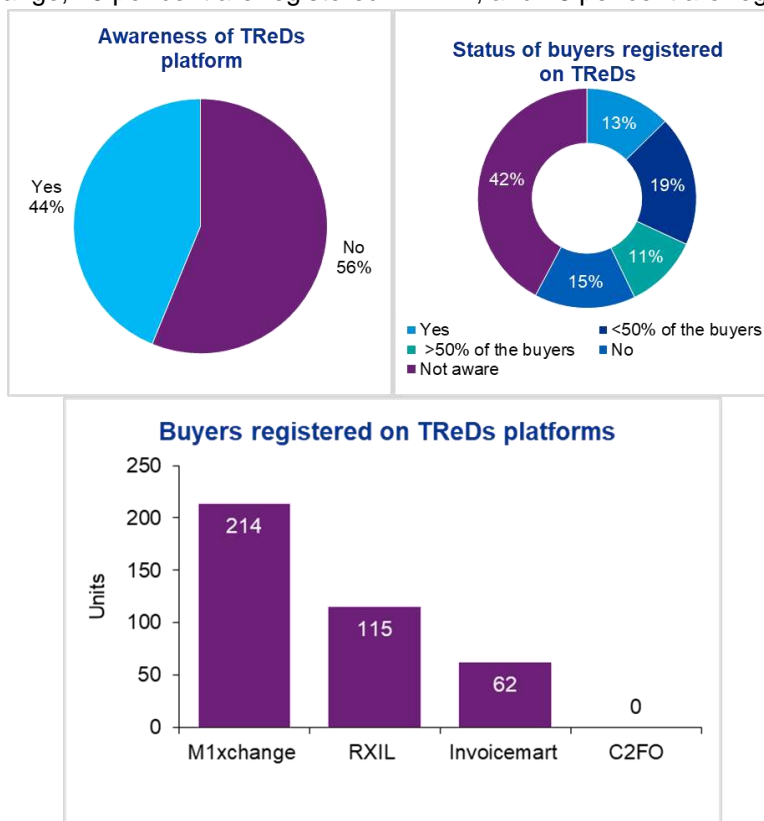


Figure 62: Awareness of TReDs platform; Status of buyers registered on TReDs; Buyers registered on TReDs platforms

e) Challenges in access to credit

The respondents while talking about the challenges in raising capital reported that, 76 per cent of the respondents feel that limited availability of working capital products, 74 per cent of the respondents feel that they face challenges in providing collateral for MSME loans, 65 per cent of the respondents feel that there is a lack of credit availability with Non-Banking Financial Corporations (NBFCs), 41 per cent of the respondents feel that due-diligence processes and evaluation criteria are very stringent, 21 per cent of the respondents complained about higher borrowing cost and interest rates from informal sources.

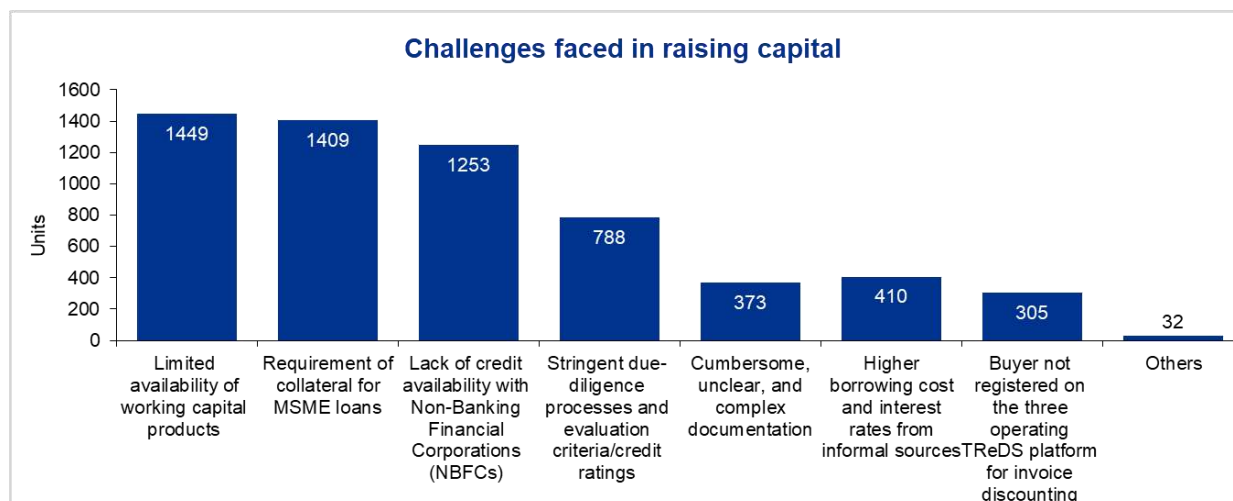


Figure 63: Challenges in raising capital

IV. Access to Technology

a) Awareness and Implementation of Industry 4.0 technologies

Only 23 per cent of the respondents have claimed to have implemented Industry 4.0 technologies and 52 per cent of the respondents reported that Industry 4.0 technologies are not applicable to their units. Out of the 1176 respondents, on an average, 20 per cent of people are aware of the different Industry 4.0 technologies like Internet of things, Blockchain, Automation, Robotics, 3D printing, etc.

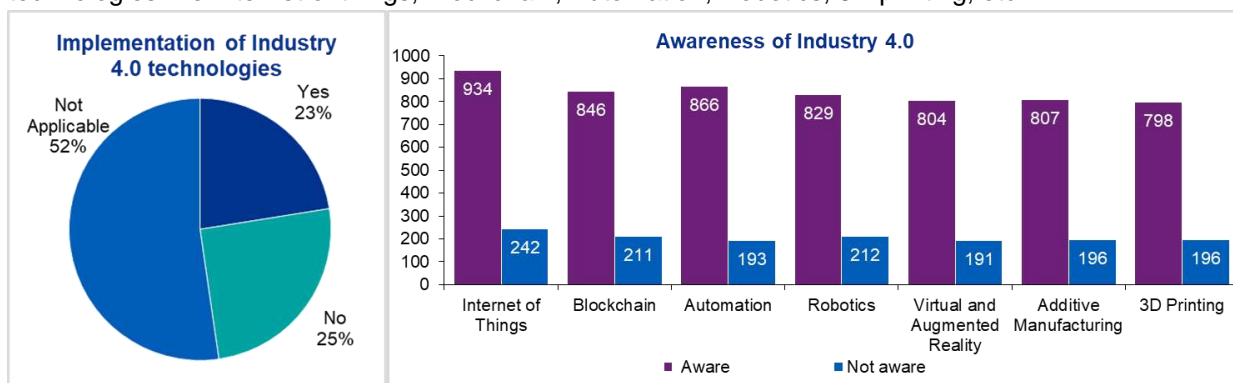


Figure 64: Implementation of Industry 4.0 technologies; Awareness of Industry 4.0 technologies

b) Type of machinery used in the MSMEs, and financial assistance availed under Technology Upgradation Scheme

Financial assistance under Technology Upgradation Scheme was availed by 523 MSMEs out of 2327 respondents out of which 55 per cent of the respondents were unaware of the Technology Upgradation Scheme. Out of the 1809 units respondents, more than half of the respondents reported about the use of domestic machinery, 48 per cent of the respondents use computerized machinery, 47 per cent of the respondents use manual machinery, and only 13 per cent of the respondents use imported machinery.

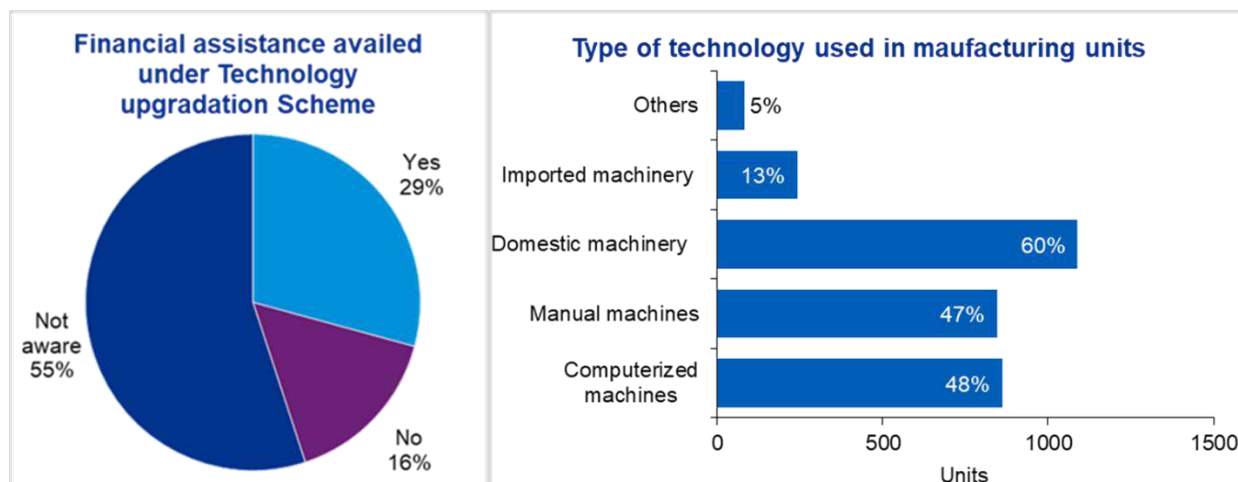


Figure 65: Financial assistance availed under technology upgradation scheme; Type of technology used in manufacturing units.

c) Challenges faced in access to technology

60 per cent of the respondents face lack of confidence to adopt innovative technologies, 57 per cent of the respondents face lack of knowledge and awareness of sector specific and digital technologies for production, 50 per cent of the respondents lack the capital for adoption of innovative technologies.

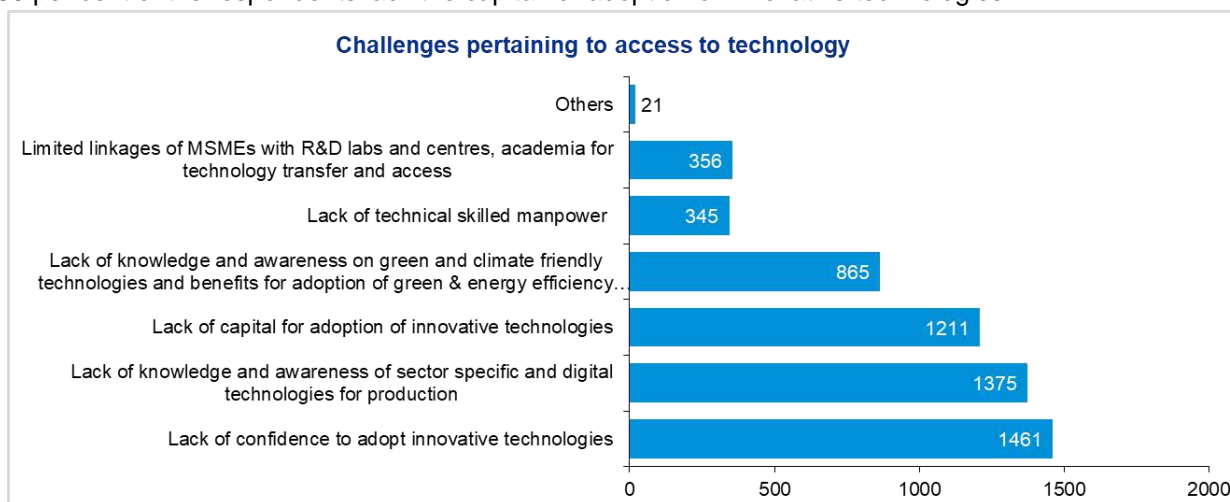


Figure 66:Challenges pertaining to access to technology

V. Access to Infrastructure

a) Type of land agency and land ownership

Industrial estates of Karnataka State Small Scale Industries Development Corporation Limited (KSSIDC) are home to 31 per cent of the surveyed MSME units, industrial Areas of Karnataka Industrial Area Development Board (KIADB) are home to 30 per cent of the surveyed MSME units, 17 per cent of the units are established in private industrial parks. Out of the 2106 units that responded to the question about the type of physical infrastructure that they work in, 65 per cent of the respondents work in rented building and 35 per cent of the units work in own/lease building.



Figure 67: Type of land agency; Land type

b) Rating of basic industrial infrastructure of KIADB industrial areas and KSSIDC industrial estates

The surveyed MSMEs were asked for a rating of basic industrial infrastructure available on KIADB industrial areas and KSSIDC industrial estates on a scale of very poor; poor; average; very good; excellent. On an average 42 per cent of the respondents feel that the infrastructure available on KIADB industrial areas was very good and 54 per cent of respondents feel that the infrastructure available on KSSIDC industrial estates is very good by taking into consideration different aspects of infrastructure like water supply, drainage, roads, internet connectivity, common effluent treatment plant, technical and R&D centres, CFCs, and supply of electricity.

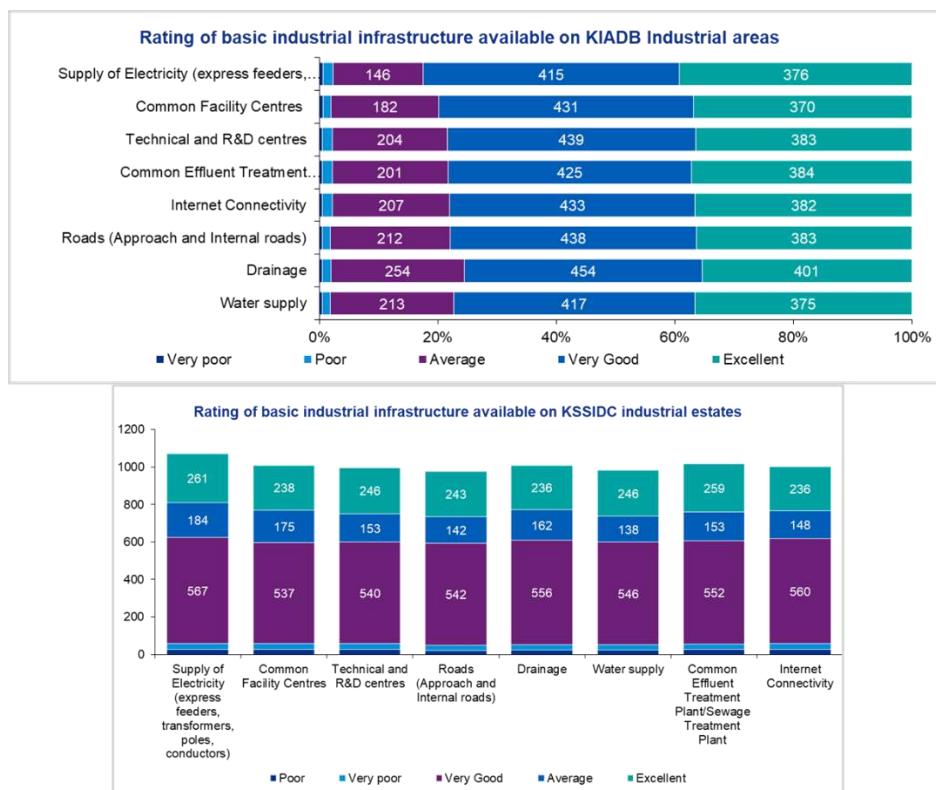


Figure 68: Rating of basic industrial infrastructure available on KIADB Industrial Area Rating of Basic Industrial infrastructure available on KSSIDC Industrial estates

c) Challenges faced in access to infrastructure

Among the 1458 units who responded to the question, 76 per cent of them indicated a limited availability of serviced industrial land and core public infrastructure accessed by MSMEs, 48 per cent of the respondents indicated limited availability of soft infrastructure such as laboratory facilities and inspection capacity, and 40 per cent of the respondents indicated limited availability of infrastructure provided through third party providers.

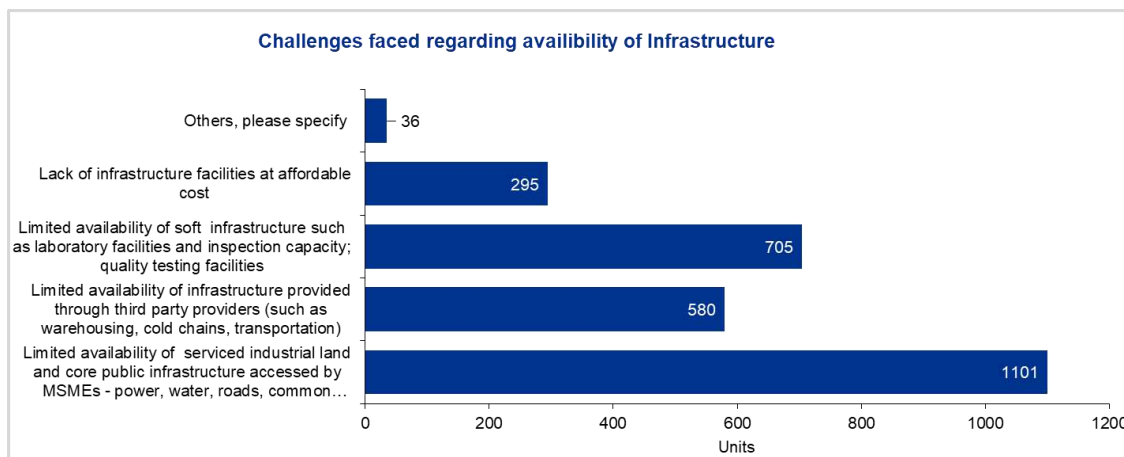


Figure 69: Challenges faced regarding availability of infrastructure

VI. Business Environment

a) Awareness and registration in Udyam portal

The responses indicate that 30 per cent of the respondents are unaware about Udyam Registration portal and 39 per cent of the respondents are not aware of the Udyam Assist platform. 33 per cent of the respondents have not registered in Udyam portal.

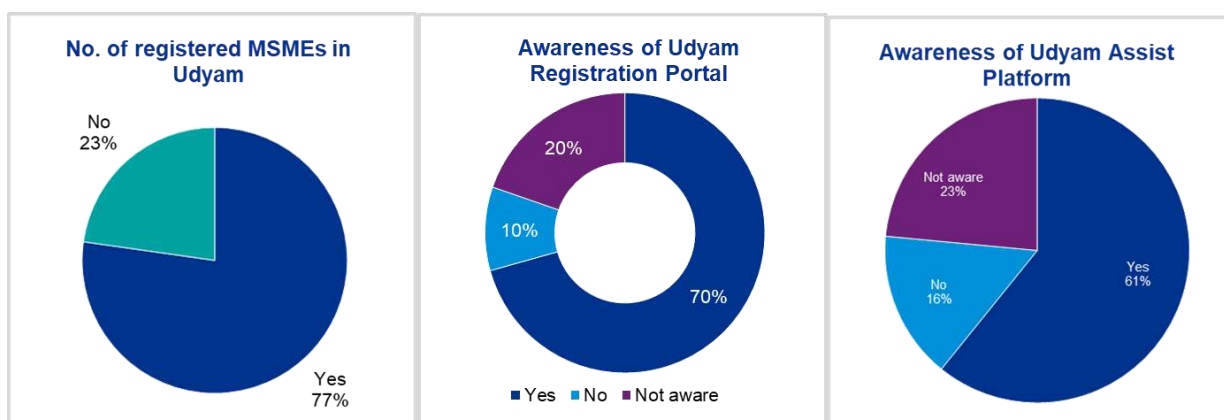


Figure 70: Awareness of Udyam Registration portal; No. of registered MSMEs in Udyam; Awareness of Udyam assist platform

b) Departmental clearances and approvals required by the MSMEs

Without e-biz Karnataka single window mechanism for departmental clearances, 40 per cent of the respondents answered that it takes 2 to 4 weeks for a single departmental approval. Majority of the respondents answered that they must approach 1-5 departments and 64 per cent of respondents answered

that they must fill 1 to 5 forms for the clearances. 90 per cent of the respondents indicated that they require a trade license/ No Objection Certificate (NOC) from Urban Local Body/Gram Panchayat. 58 per cent of the respondents say that The Payment of Wages Act, 1936 is applicable to their units, and 51 per cent of the respondents require a building plan approval.

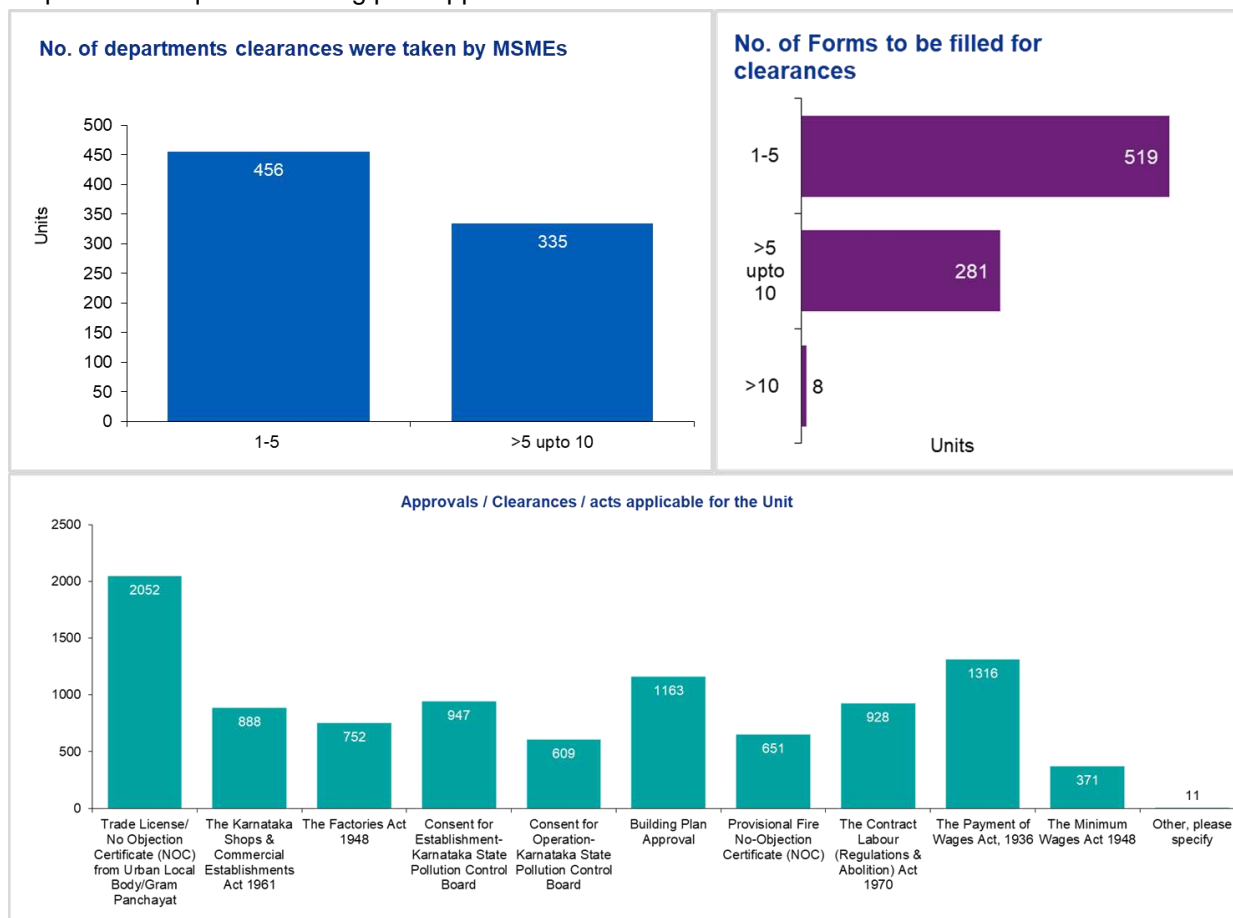


Figure 71: No. of departments clearance were taken by MSMEs and no. of forms to be filled for clearance without e-udyami; Approvals applicable for the MSMEs.

c) Single window clearance mechanism e-Biz Karnataka

61 per cent of the respondents utilize e-Biz Karnataka for clearances and approvals, and 38 per cent of the respondents have currently filed an application through the single window mechanism. In the presence of the single window mechanism, 57 per cent of the respondents said that they apply for clearances from 1 to 5 departments and 69 per cent of the respondents answered that they fill 1 to 5 forms for clearances. 45 per cent of the respondents said that through the single window portal the clearances take more than two weeks.

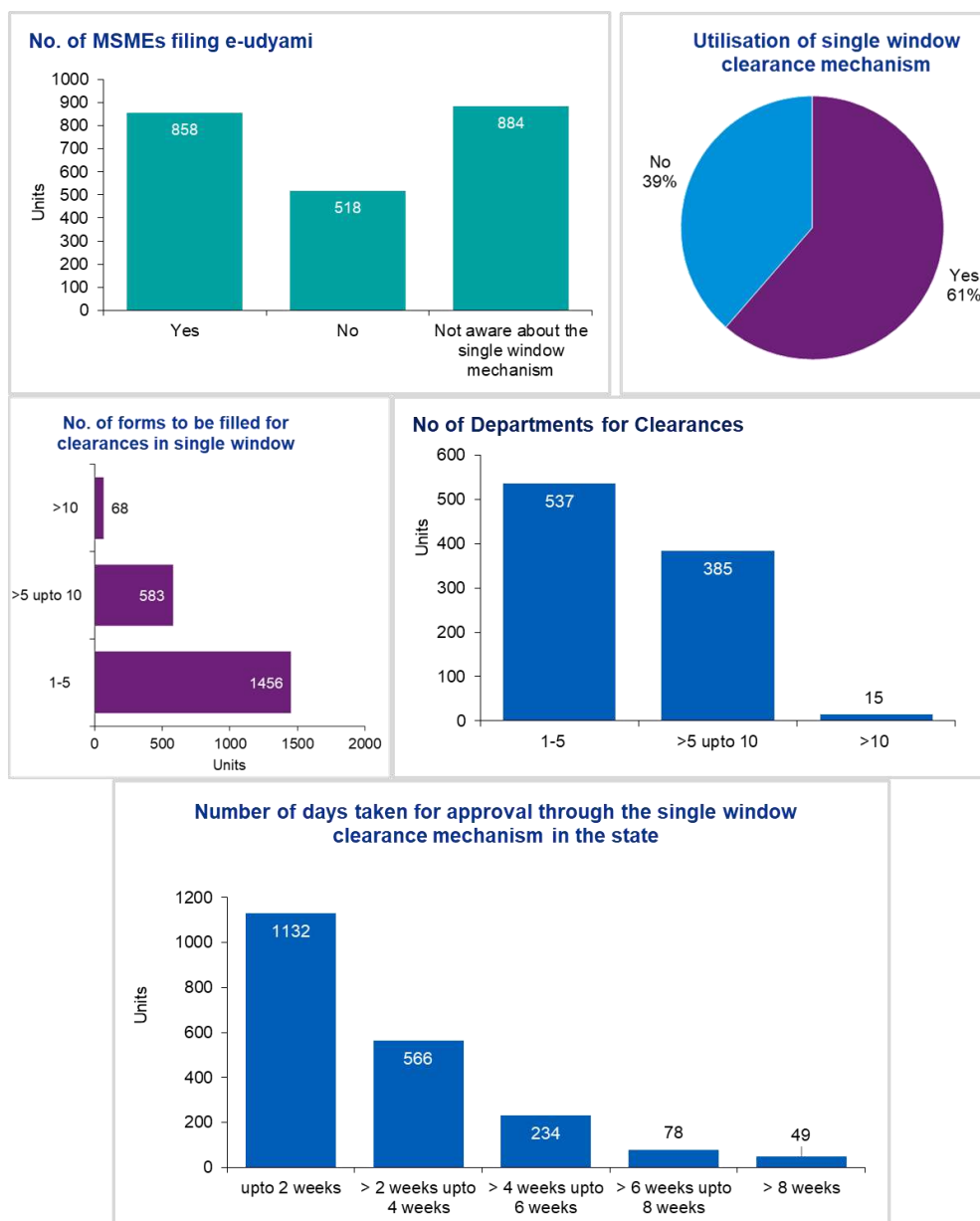


Figure 72: No. of MSMEs who utilize e-udyami and no. of MSMEs who have currently filed for clearances; No. of departments for clearance, no. of days taken for clearances and no. of forms to be filled for clearance through e-udyami.

d) Rating of overall experience of e-Biz Karnataka

When the respondents were asked to rate the experience of availing clearances through the e-udyami portal on the scale of strongly agree, agree, satisfactory, disagree, strongly disagree, on an average 51 per cent of the respondents gave a rating of 'agree' to the different aspects of the process like time taken for application processing, number of visits to various departments, information pertaining to availing the services.

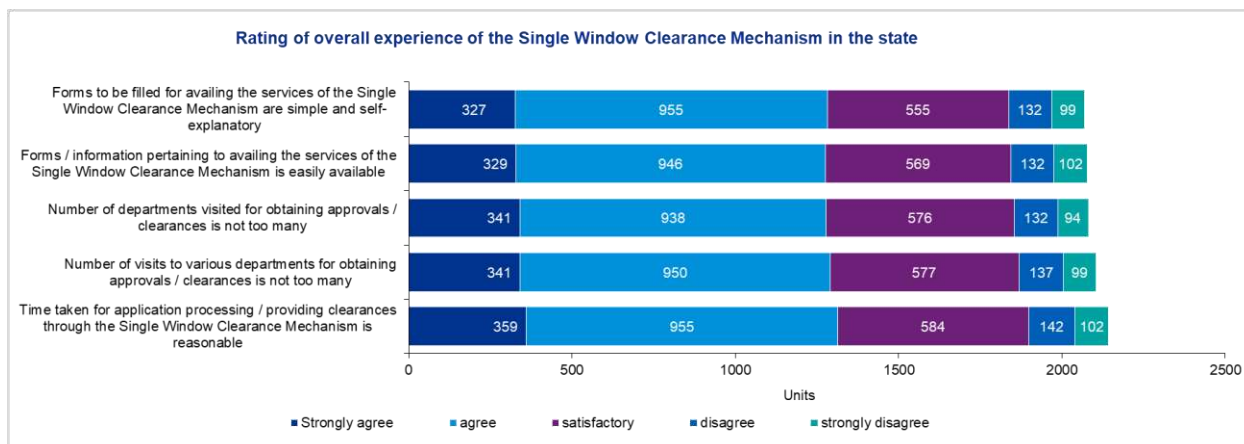


Figure 73: Ratings of overall experience of the single window clearance mechanism in the state

e) Regulatory challenges faced by MSMEs

65 per cent of the of the respondents feel that procedures pertaining to application submission, payments, inspections, final approval certificates are time-consuming, 59 per cent of the respondents face a lack of information and guidance available at Department level to meet compliance requirements, and 54 per cent of the respondents feel that renewal of license is cumbersome and complicated.

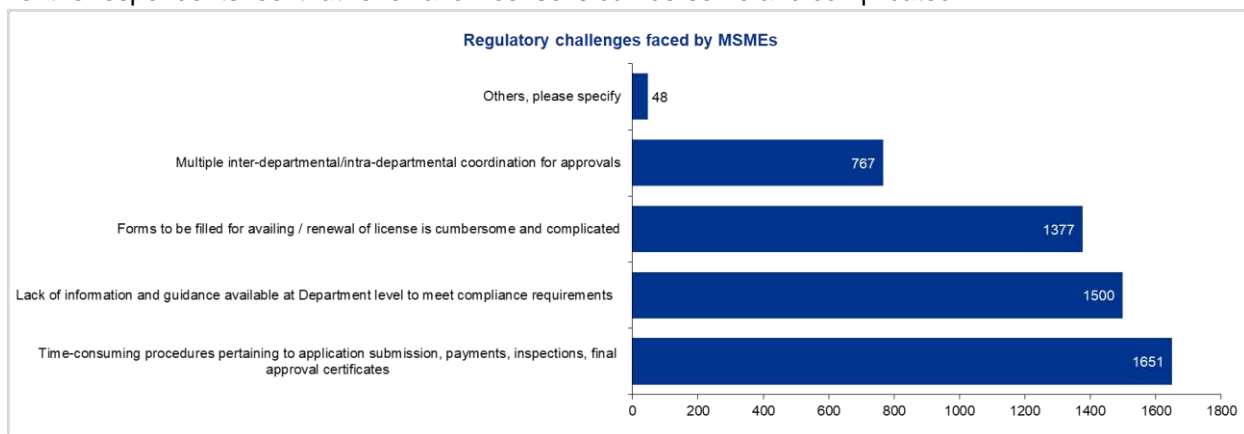


Figure 74: Regulatory challenges faced by MSMEs.

VII. Access to Skilled Manpower

a) Awareness about MSME SAMPARK portal

More than half of the respondents were found to be unaware of the online placement portal MSME SAMPARK for MSME Technology Centre Trainees.

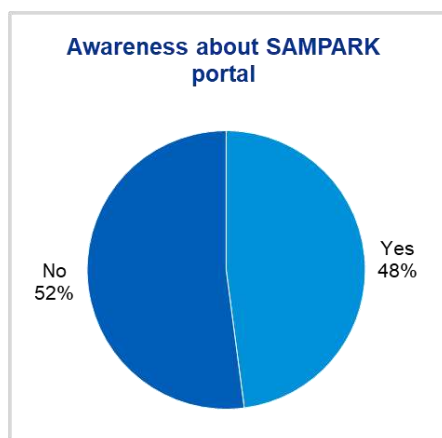


Figure 75: Awareness about SAMPARK portal

b) Categorical breakup of the organizational structure and education qualification of employees in the surveyed MSMEs

47 per cent of the employees are in the top management of the organizational structure of the MSMEs, 25 per cent of the employees are in production, 5 per cent of the employees are in marketing and 2 per cent work in finance. 59 per cent of the employees in the surveyed MSMEs are permanent staff and 41 per cent of them are contract employees. 40 per cent of the employees in the surveyed MSMEs have had schooling of 12th or below, 48 per cent of the employees are graduates or post-graduates, and 16 employees have had PhD.

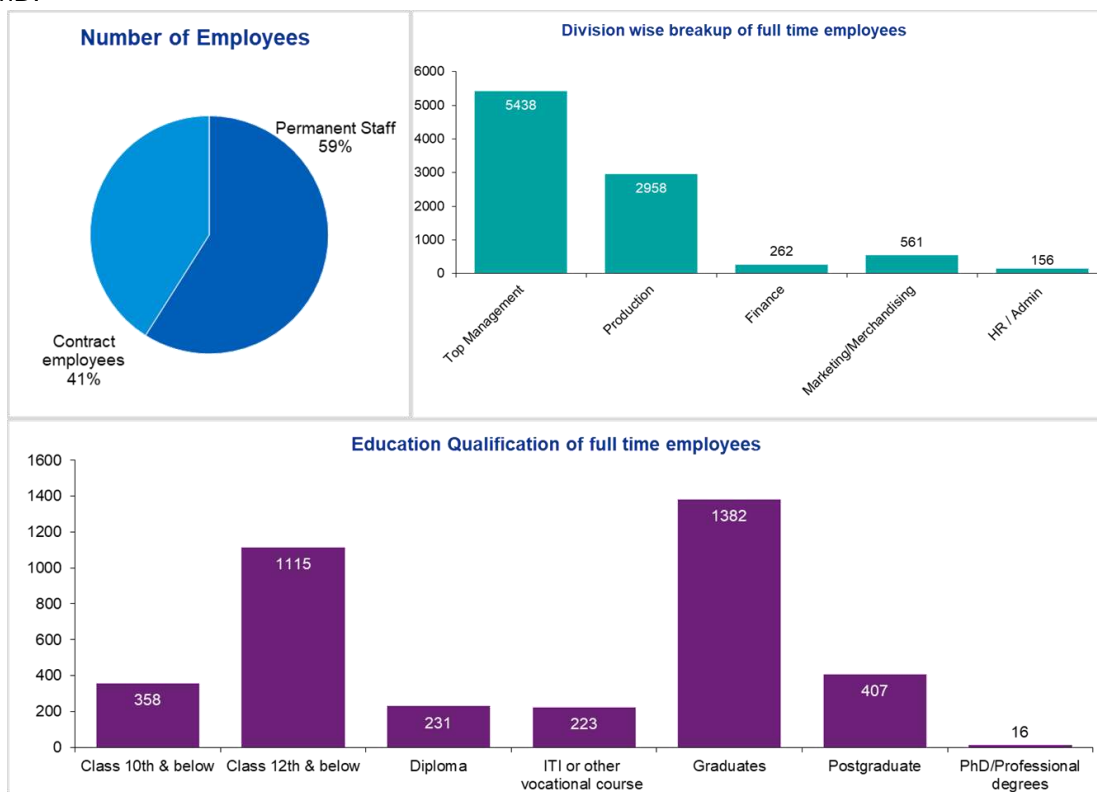


Figure 76: Proportion Contract and Permanent staff; Division wise breakup of full-time employees; Education Qualification wise breakup of employees

c) Rating of skill level of employees

335 MSME units reported that, on an average, 71 per cent of the employees across different levels of the organizational structure only have a basic level of skillset. 432 respondents reported that, on an average 32 per cent of the respondents feel that they have insufficient number of skills for various fields like inventory management, process planning, scheduling, marketing, packaging, quality, and production planning. 36 per cent of respondents feel that they have insufficient number of soft skills for various fields like communication, adaptability, team development, leadership, problem solving, critical thinking, and time management.

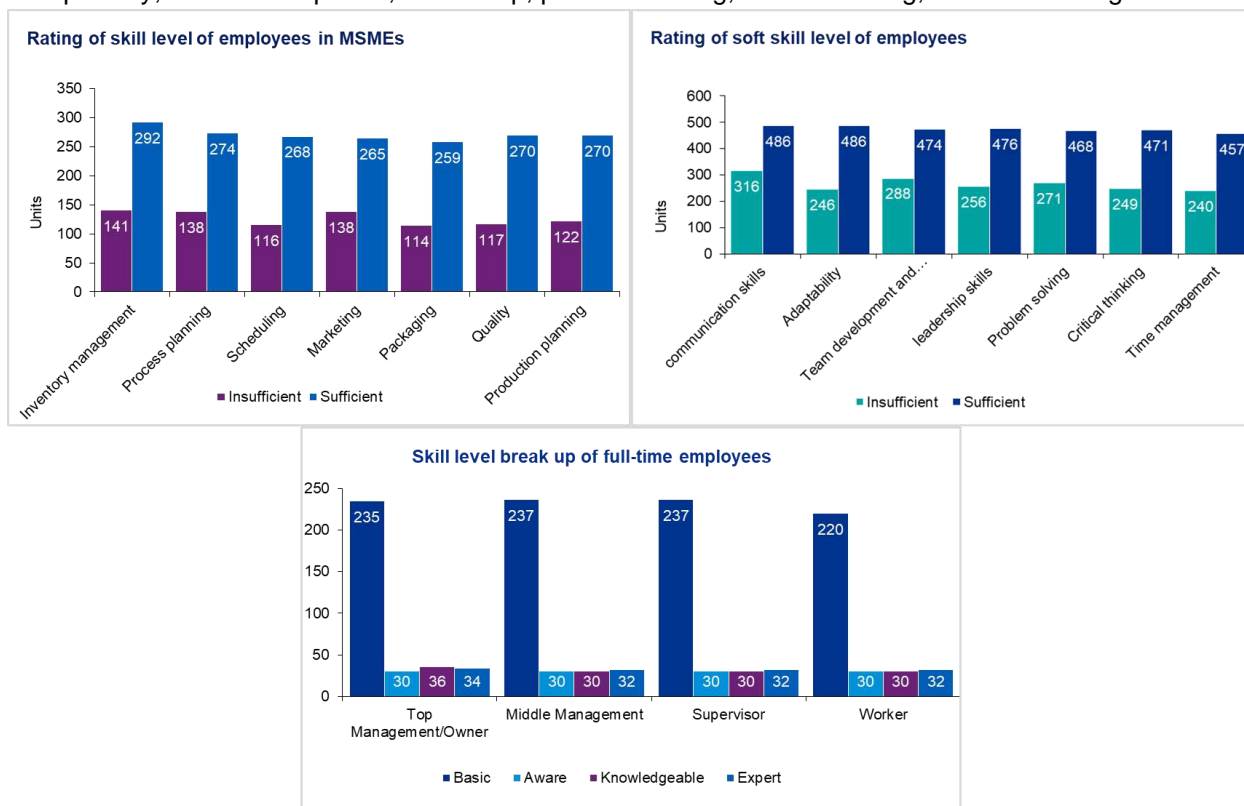


Figure 77: Ratings of skill level of employees and Ratings of soft skills level of employees in MSMEs; Skill level breakup of permanent employees

d) Challenges in skilling

Among the respondents, 55 per cent of the respondents face a lack of knowledge and awareness on new-age sector skills, 50 per cent of the respondents face a lack of knowledge on entrepreneurial development programs, domain-specific training programs and re-skilling/up-skilling programs, 33 per cent of the respondents feel there is a lack of capital or incentives for MSMEs to train workers or invest in skill development.

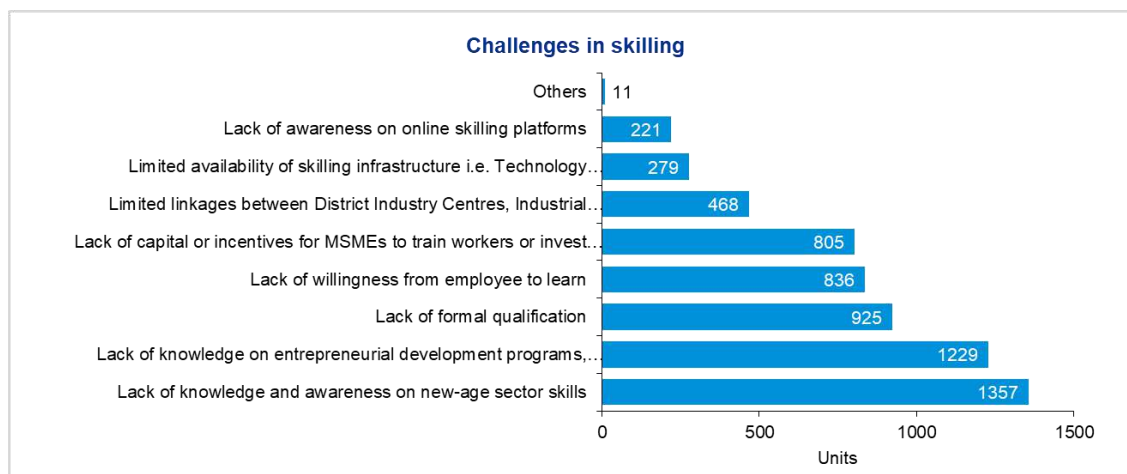


Figure 78: Challenges in skilling

VIII. Access to Service Providers

a) Breakup of MSMEs according to service provider and the type of service availed

Among the respondents, 47 per cent of the respondents have availed business development services through Common Facility Centres and 28 per cent of the respondents have availed them through District Industry Centres. 36 per cent have undertaken market services, 29 per cent have undertaken financial services, 27 per cent have undertaken legal services and 6 per cent have undertaken technological services.

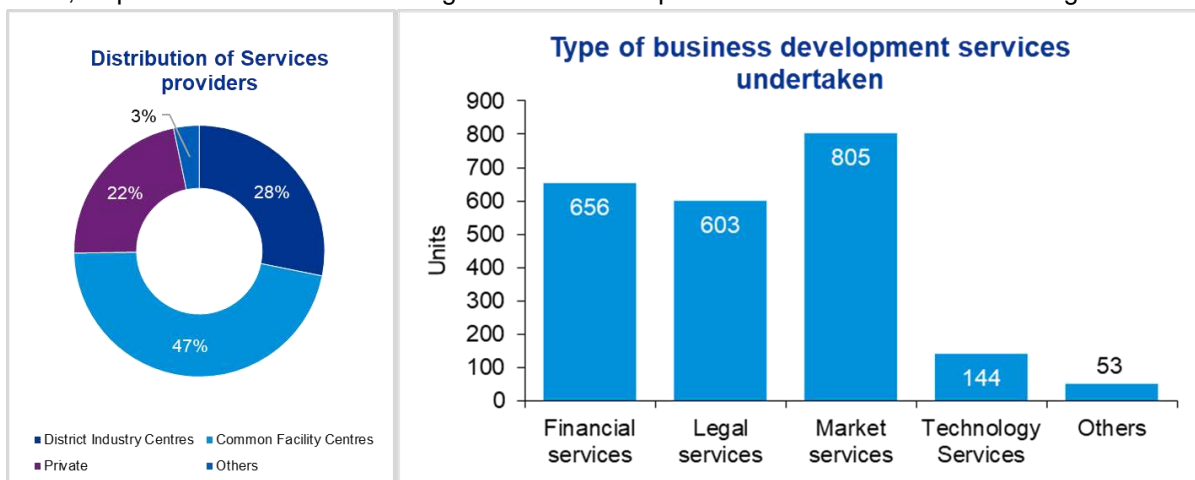


Figure 79: Distribution of service providers and type of services undertaken

b) Rating of experience of availing Business services

It can be observed from the ratings given by 707 respondents that private service providers have relatively less rating as compared to Common Facility Centres and District Industry Centres, 19 per cent of the MSMEs rated the private service providers at average or below average levels.

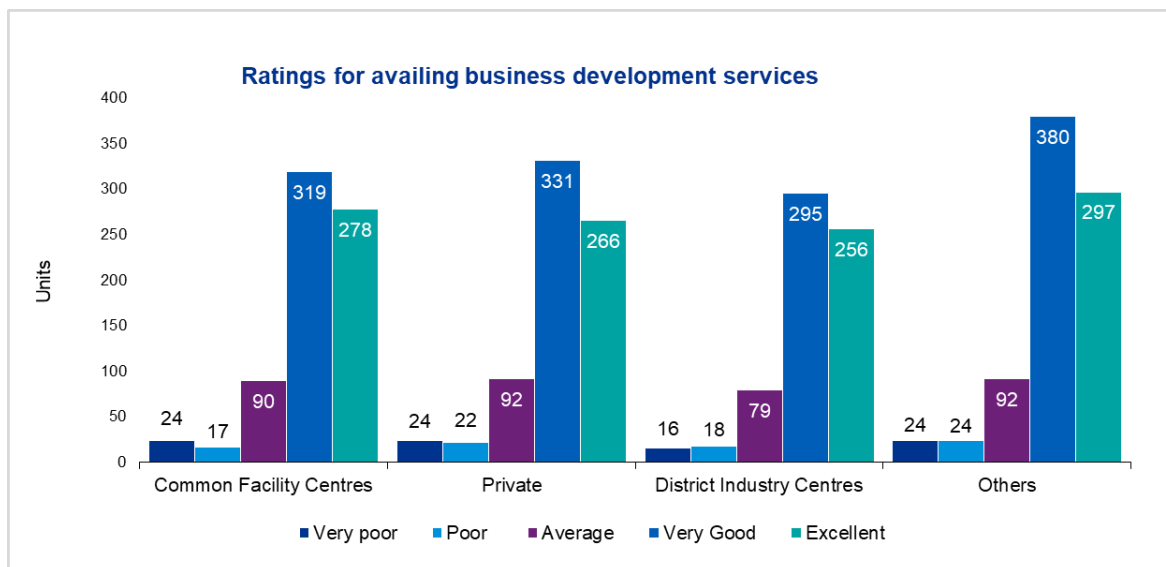


Figure 80: Ratings for availing business development services

c) Challenges of availing business services

Around 63 per cent of the respondents face the challenge of limited availability of business service providers at district level, 63 per cent of the respondents face a lack of information and awareness on the availability of technical and business service provisions, 49 per cent of the respondents agree that there are limited linkages with private technical and business service providers.

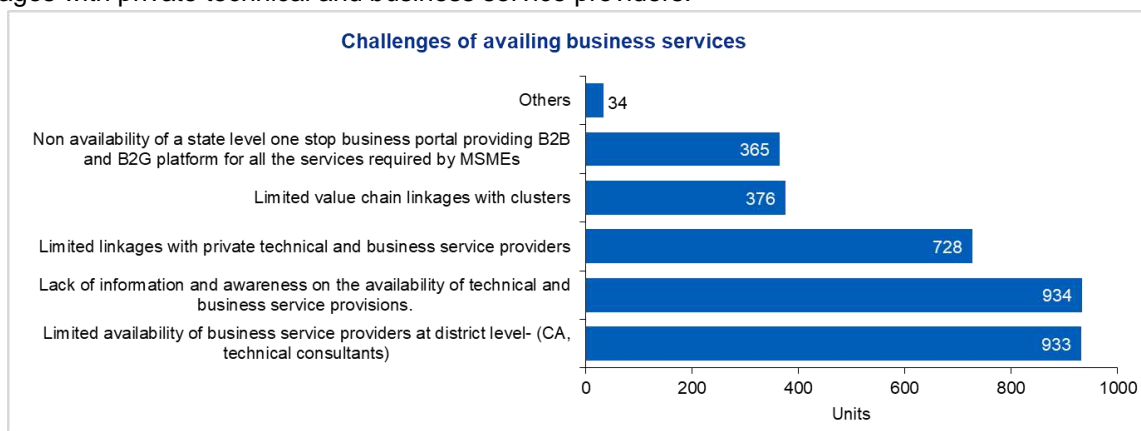


Figure 81: Challenges of availing business services

IX. Greening MSMEs

a) Aid through government schemes for adopting sustainability measures

More than 60 per cent of the survey respondents have not availed any aid under any central or state scheme for adopting sustainable practices. 48 per cent of the MSME units reported that they need government support for adopting sustainable practices.

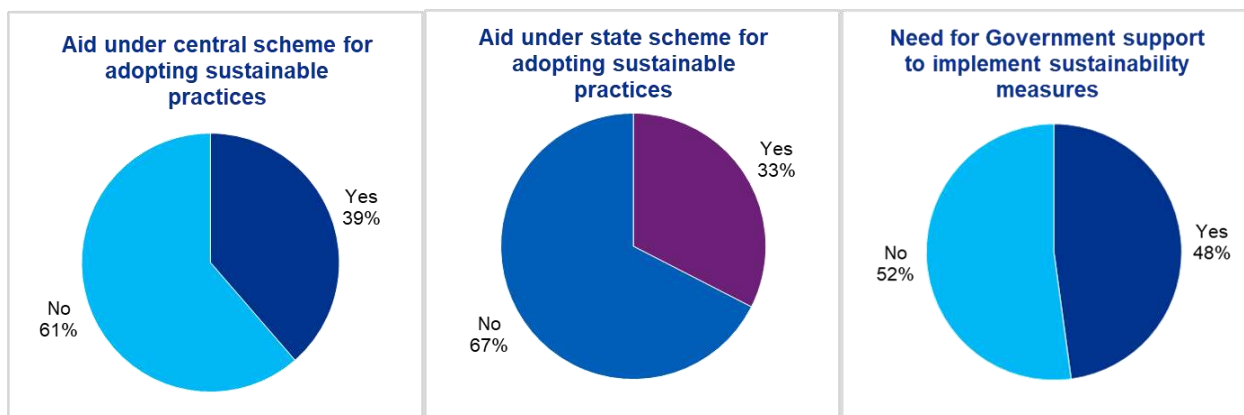


Figure 82: Aid under central and state scheme for adopting sustainability measures; Need for government support to implement sustainability measures.

b) Awareness, perception, and priorities for adopting sustainability measures

Though 79 per cent of the 1301 respondents are aware of sustainable practices, it can be observed that only 23 per cent are implementing sustainable practices and 8 per cent of the respondents are not planning to adopt sustainable practices. The major motive behind the implementation of the sustainability measures is the sense of social responsibility and business profitability. 51 per cent of the respondents do not have the relevant expertise to implement sustainability measures.

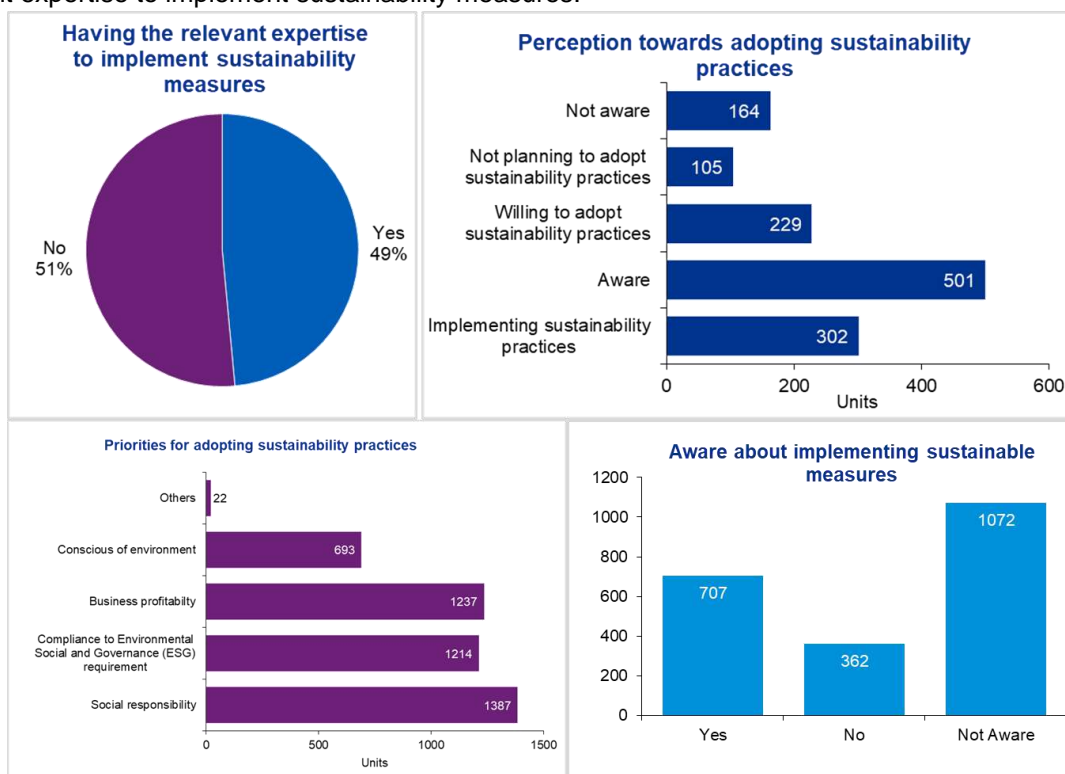


Figure 83: Having the relevant expertise to implement sustainability measures; Awareness, perception, and priorities for adopting sustainability measures

c) Sustainable measures as a part of business strategy and utilization of green finance instruments

50 per cent of the respondents implement sustainability measures as part of their business strategy and majority of them implement them through paying taxes on a regular basis. There is a lack of proper awareness about green finance instruments among 21 per cent of the respondents. Moreover, only 39 per cent of the 1054 respondents who are aware of green finance instruments have utilized such instruments to finance their sustainability initiatives.

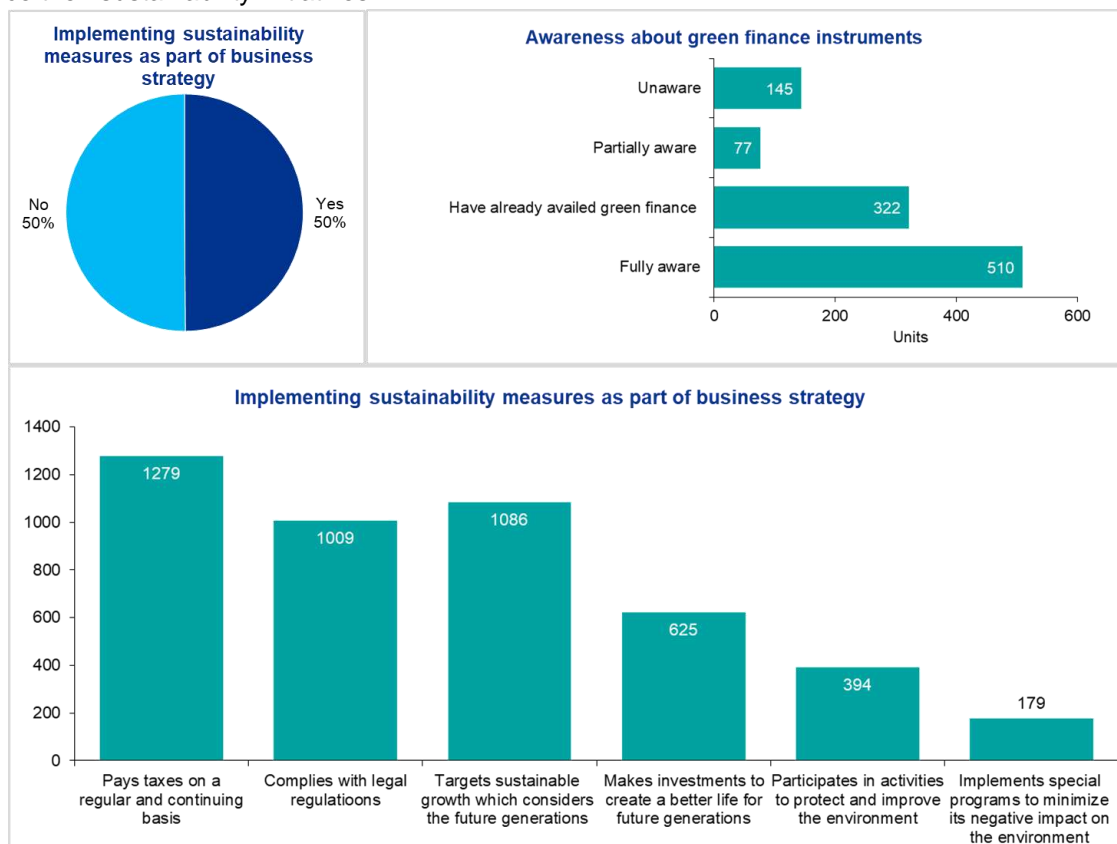


Figure 84: Priorities for adopting sustainable practices, awareness about green finance instruments, implementing sustainable measure as a part of business strategy.

d) Implementation of sustainability measures

The survey data indicates that 48 per cent of the respondents are unaware of using green energy sources and more than half of the respondents are unaware of conducting green audits to improve energy efficiency. 39 per cent of the 1223 respondents do not regularly measure the consumption or release of electricity, water, dry, wet waste, and emissions.

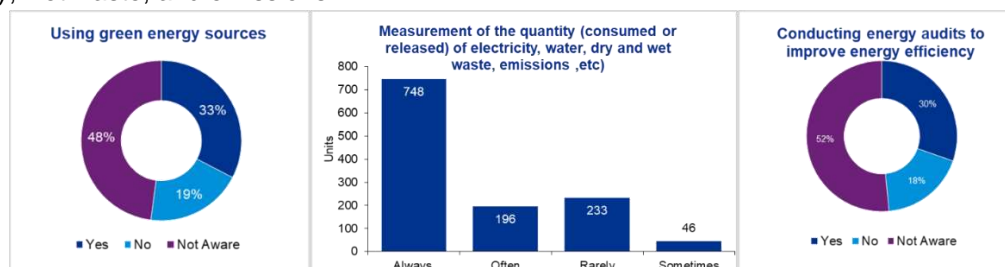


Figure 85: Using green energy sources, Measurement of the quantity (Consumed or released), conducting energy audits to improve energy efficiency

e) Total consumption of water, heat, and raw materials that is recycled

82 per cent of the 958 respondents have below 25 per cent of recycled water consumption, 81 per cent of the respondents have below 25 per cent of recycled heat consumption and 84 per cent of the respondents have below 25 per cent of recycled raw materials consumption.

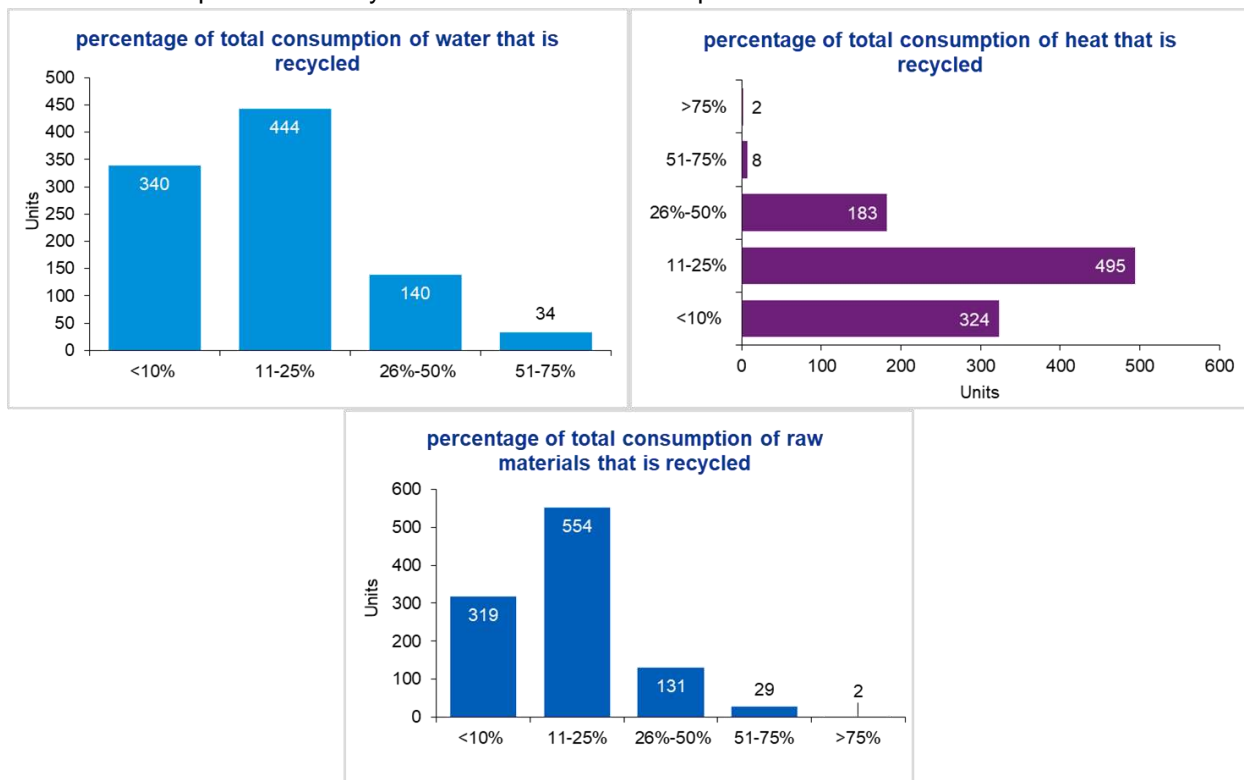


Figure 86: Percentage of total consumption of water, heat, and raw material that is recycled

f) Challenges in implementing sustainability practices

65 per cent of the respondents have a lack of awareness and knowledge on use and benefits on sustainable practices, 49 per cent of the respondents face challenges in availability of technical know-how, 32 per cent of the respondents have a lack of capital and awareness on green financing instruments.

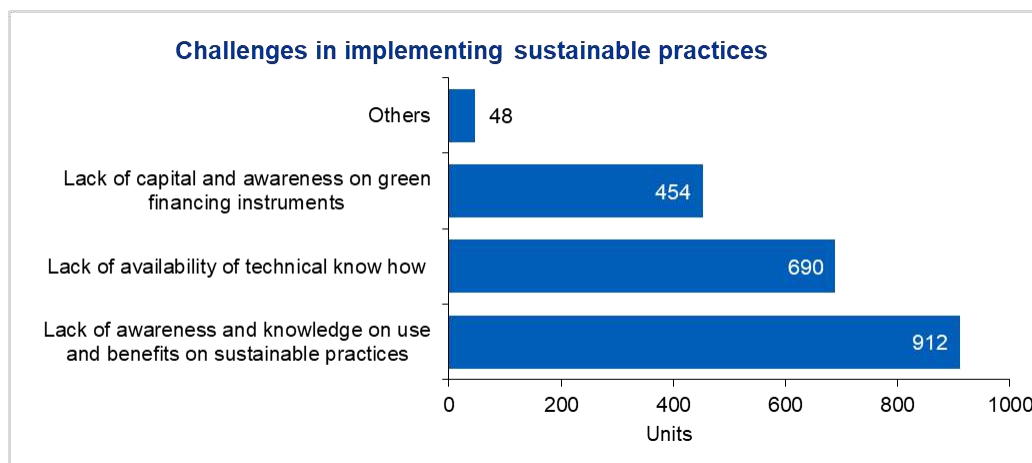


Figure 87: Challenges in implementing sustainable practices

X. Delayed Payments

a) Pending payments and SAMADHAAN portal

Among the 1197 respondents who had pending payments, 35 per cent of respondents had their payments pending from Central Public Sector Enterprises (CPSEs), 35 per cent of respondents had their payments pending from State Public Sector Enterprises (SPSEs), and 30 per cent of them were from private buyers. 55 per cent of the respondents are aware of the SAMADHAAN portal, 56 per cent of them had filed cases in the SAMADHAAN portal. 528 respondents had filed case regarding delayed payments through Online Dispute Resolution Platform.

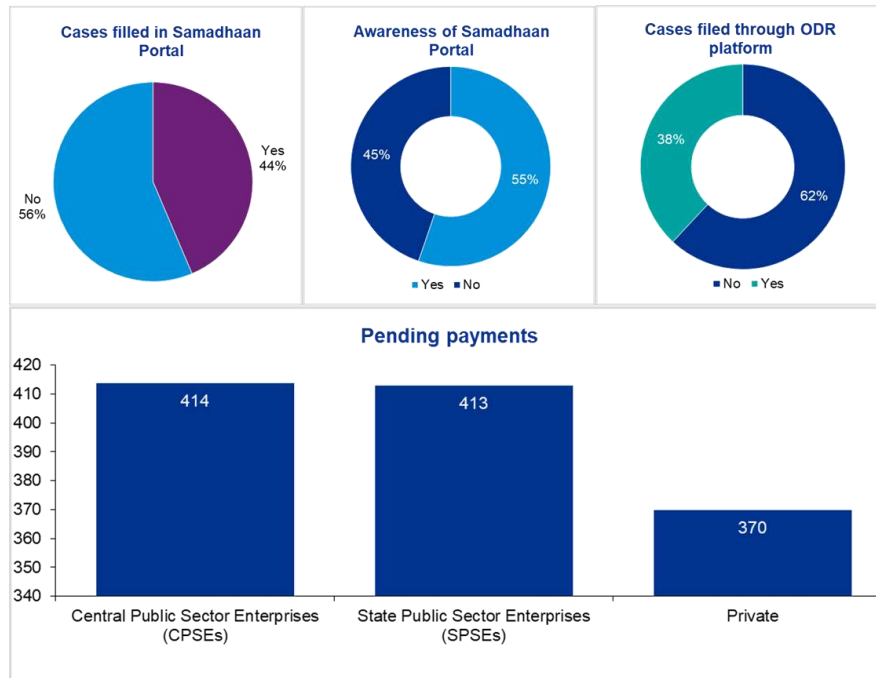


Figure 88: Pending payments; Cases filed in SAMADHAAN portal; Awareness of Samadhaan portal; Cases filed through ODR

b) Cases resolved through MSEFCs

Around 78 per cent of the cases filed by the MSMEs were solved through MSEFCs. According to the 184 survey responses, 55 per cent of the cases filed in MSEFC took less than 60 days to resolve, 33 per cent of the cases took more than 60 days to resolve, and 13 per cent of the cases took more than 90 days to resolve. 68 per cent of the cases took 1 to 3 hearings to resolve and 32 per cent of the cases took 4-7 hearings to resolve. 47 per cent of the respondents feel that more powers should be vested to MSEFCs.

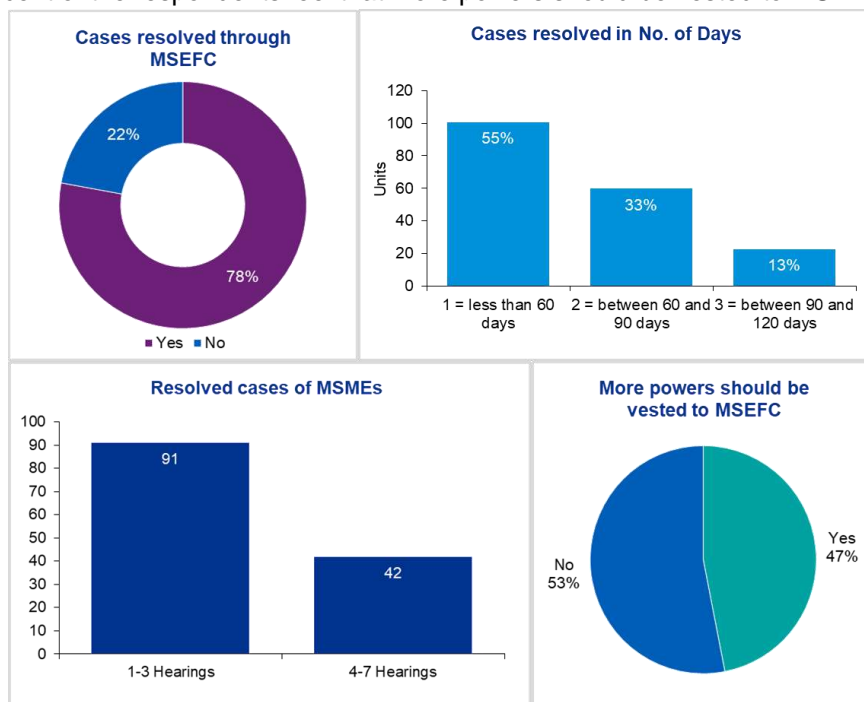


Figure 89: Cases resolved through MSEFC; Cases resolved in the No of days; Resolved cases of MSEFCs; More power should be vested to MSEFCs.

c) Challenges in resolving delayed payments

More than 75 per cent of the respondents face a lack of awareness and information about an institutional mechanism for online resolution in instances of delayed or non-payment of dues, 52 per cent of the respondents feel that existing mechanisms are cumbersome, expensive, ineffective, and slow, 37 per cent of the respondents feel there is a lack of appropriate documentation to file a case, and 17 per cent of the respondents have the fear of losing potential buyers after filing case for delayed payments.

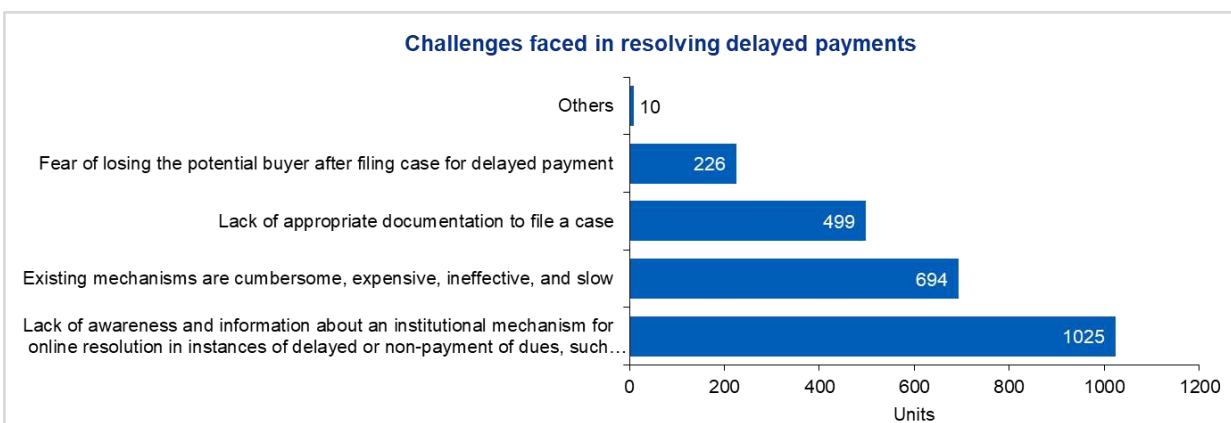


Figure 90: Challenges faced in resolving delayed payments.

3.2.2. Qualitative Analysis (FGDs and In-depth Interviews)

A total of 32 one-on-one in-depth interviews (IDIs) and 12 focus group discussions (FGDs) were conducted across 8 districts with stakeholders at all levels to gather the opinions and perceptions of relevant stakeholders. Focus group discussions (FGDs) were designed to ensure that participants are drawn in such a way that they are homogeneous across different sectors/verticals and levels. A total of 12 FGDs, each with 10-15 participants, were conducted covering stakeholders from State Govt. Departments, Industry Associations, Financial Institutions, Service Providers, Anchor Buyers, etc. The insights and understanding gained from the secondary research and initial quantitative research were further explored in the focus group discussion with the key stakeholders.

I. Focus Group Discussions (FGDs)

12 FGDs were conducted with stakeholders across 8 districts through the months of May- July 2023. The stakeholders involved in the FGDs carried out are represented in Table 21 below. The summary of the key highlights from the FGDs are represented in Figure 91 below.

Table 21: Stakeholders for Focus Group Discussions

SN	Name of the Cluster/ Industry Association	District	Sector	No. of industry units in cluster	Tentative Date of FGD	Mode of FGD
1.	Printing Cluster	Ramanagara	Printing	125	12/05/2023	Physical
2.	Electronics City Industries' Association (ELCIA Cluster)	Bengaluru	Electronic Component Manufacturing/ Testing	28	06/04/2023	Physical
3.	Peenya Industrial Association	Bengaluru	MSME (Aerospace, Electronics)	-	07/06/2023	Physical
4.	District Industries Centre, Mysore, Mysore Industries Association and Mysore District Small	Mysore	MSME	-	09/06/2023	Physical

SN	Name of the Cluster/ Industry Association	District	Sector	No. of industry units in cluster	Tentative Date of FGD	Mode of FGD
	Scale Industries Association					
5.	Women Associations [Forum of Women Entrepreneurs (FOWE) and Association of Women Entrepreneurs of Karnataka (AWAKE)]	Bengaluru	MSME	-	30/06/2023	Physical
6.	Industry Associations [Karnataka Small Scale Industries Association (KASSIA), Federation of Karnataka Chambers of Commerce & Industry (FKCCI), Federation of Indian Chambers of Commerce & Industry (FICCI), Bangalore Chamber of Industry and Commerce (BCIC) and Electronics City Industries' Association (ELCIA)]	Bengaluru	MSME	-	05/07/2023	Hybrid
7.	Grapes & Raisin Processing Cluster, Jamakhandi	Bagalkote	Raisin processing	164	10/07/2023	Virtual
8.	Raisin Processing Cluster	Vijayapura	Raisin processing	81		
9.	Utopia Cashew Cluster, Kumta	Uttara Kannada	Cashew processing	35		
10.	Food Cluster	Gulbarga	Food processing	25		
11.	Auto Components Cluster	Hubli	Auto Components Manufacturing/Service	35		
12.	Heat treatment and engineering cluster	Hubli	Engineering	100		

Key Discussion Points from FGDs

The discussion on key parameters such as access to market, delayed payments, regulatory set up, access to capital, technology and infrastructure support, skilling and an MSME portal were deliberated upon along with the stakeholders during the FGDs. Challenges such as need for timely payments to MSMEs; upgrading the clusters, common facility centres and strengthening of MSEFC courts; need for capital for technology

upgradation; setting up incubations centres for skilling and developing a common MSME portal were identified. The suggestions as an outcome of the FGDs have been presented in figure 91 below.

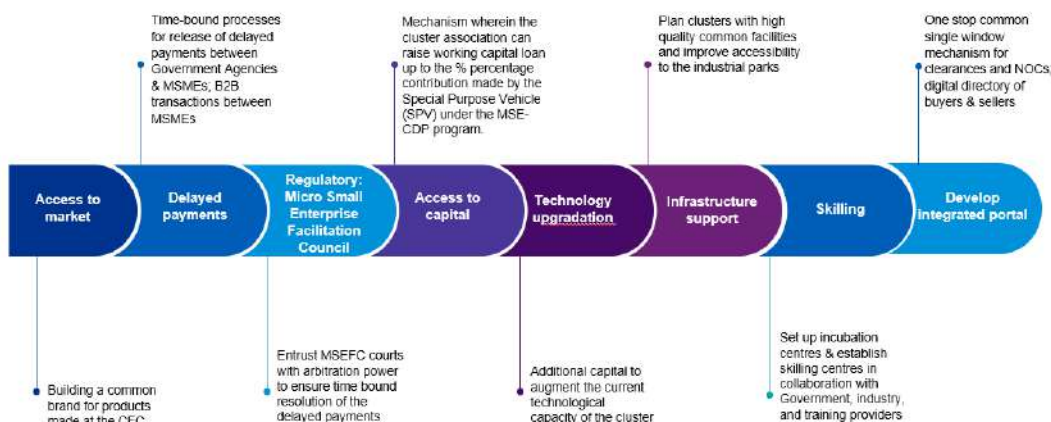


Figure 91: Key highlights from FGD

Photographs from the FGDs conducted

i. FGD with Printing Cluster, Ramanagara



ii. FGD with Electronics City Industries' Association (ELCIA Cluster), Bangalore



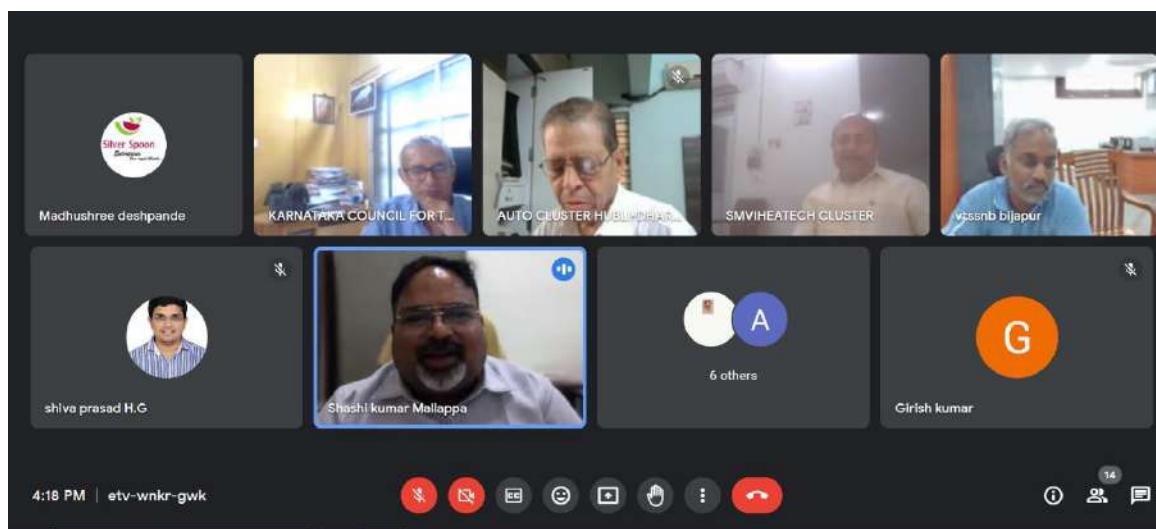
iii. FGD with District Industries Centre, Mysore, Mysore Industries Association and Mysore District Small Scale Industries Association, Mysore



iv. FGD with Women Associations [Forum of Women Entrepreneurs (FOWE) and Association of Women Entrepreneurs of Karnataka (AWAKE)], Bangalore



v. FGD with Grapes & Raisin Processing Cluster, Bagalkote; Raisin Processing Cluster, Vijayapura; Utopia Cashew Cluster, Kumta, Uttara Kannada; Food Cluster, Gulbarga; Auto Components Cluster and Heat treatment and engineering Cluster, Hubli



II. In-Depth Interviews (IDIs)

32 IDIs were conducted with stakeholders through the months of March- July 2023. The details of stakeholders of the IDIs and the key highlights from the discussions are represented in Table 22 below.

Table 22: Stakeholders and Key Highlights of In-Depth Interviews

Stakeholders for In-Depth Interviews				
S N	Name of the Cluster/ Industry Association/ State Level Department	Tentative Date of IDI	Mode of IDIs	Key Highlights
State Level Departments				
1.	Joint Director and Deputy Director, MSME Development and Facilitation Office, Bengaluru	26/04/2023	Physical	<ul style="list-style-type: none"> • Discussion on Champion Schemes
2.	Review meeting under the chairmanship of Secretary to Government, Commerce & Industries Department (MSME)	08/05/2023	Physical	<ul style="list-style-type: none"> • Review meeting on SIP preparation
3.	Inter- Departmental Meeting regarding RAMP under the chairmanship of Director (MSME), Department of Industries and Commerce	17/05/2023	Physical	<ul style="list-style-type: none"> • Discussion held for data collection on SIP preparation under RAMP program
4.	Sanjeevini- Karnataka State Rural Livelihood Mission (KSRLM)	24/05/2023	Physical	<ul style="list-style-type: none"> • There are 2,50,000 SHGs registered under KSRLM with an approximate of 25,00,000 members. The SHG enterprises can be categorized as Micro enterprises based on turnover and investment but are not categorized as MSMEs, as they are not formally registered under UDYAM • An e-commerce platform is being setup by in collaboration with Pantech Enterprises. 2,000 products from 50 SHGs will be showcased to be traded in the open market through the platform. However, the success rate is minimal compared to the products being traded on platforms such as Amazon & other e-market places. <p>Recommendations are:</p> <ul style="list-style-type: none"> • Training/ awareness workshops on financial literacy on compliances such as GST registration

Stakeholders for In-Depth Interviews				
S N	Name of the Cluster/ Industry Association/ State Level Department	Tentative Date of IDI	Mode of IDIs	Key Highlights
				<ul style="list-style-type: none"> Need for a mechanism to map the products manufactured by SHGs and Women Entrepreneurs with the requirement of the various Government institutions/departments. eg: Corporate gifting, Health/Tourism Department can purchase consumables from these entrepreneurs will initiate market linkages. Relaxation in the State public procurement policy for SHGs and women entrepreneurs
5.	MSME- Development Facilitation Office (DFO), Rajajinagar Industrial Area	24/05/2023	Physical	<ul style="list-style-type: none"> It was informed the biggest challenge is awareness about the champion scheme (ZED, LEAN, IPR, Digital, IPR, Incubation) under MSME- DFO scheme amongst MSMEs The challenge for implementing the lean cluster lies in the exclusivity of the enterprises- biggest hindrance in forming a lean cluster as the enterprises hesitate to share the technology with the other SPV members of the lean cluster There is a need to conduct the awareness sessions/ workshops on champion schemes in collaboration with Industry Association covering all the districts in the State
6.	BESCOM	29/05/2023	Physical	<ul style="list-style-type: none"> Discussion held for the data template required for SIP Preparation under RAMP.
7.	Commercial Taxes Department	08/06/2023	Physical	
8.	Karnataka Skill Development Corporation (KSDC)	08/06/2023	Physical	
9.	Karnataka Council for Technological Upgradation	21/06/2023	Physical	
10	Karnataka Udyoga Mitra (KUM)	03/08/2023	Physical	
11	Karnataka Industrial Areas Development Board (KIADB)	17/05/2023	Physical	

Stakeholders for In-Depth Interviews					
S N		Name of the Cluster/ Industry Association/ State Level Department	Tentative Date of IDI	Mode of IDIs	Key Highlights
12	Karnataka State Small Industries Development Corporation Ltd (KSSIDC)		17/05/2023	Physical	
13	Directorate of Economics & Statistics		17/05/2023	Physical	
14	Karnataka State Pollution Control Board (KSPCB)		17/05/2023	Physical	
15	Visvesvaraya Trade Promotion Centre (VTPC)		17/05/2023	Physical	
Industry Associations					
16	Women Association- Association of Women Entrepreneurs of Karnataka (AWAKE)		25/05/2023	Physical	<ul style="list-style-type: none">•Request for upgrading business incubator facility.•Suggested for an exclusive MSME Women policy to focus on the challenges and constraints faced by the women entrepreneurs and interventions supporting women MSMEs.•Delay of allotment and poor infrastructure at plots by KIADB to women entrepreneurs in the Women Industrial Park located at Harohalli Industrial Area, Ramnagara district.•Capping of sanctioned loan amount per branch at district level is a challenge.•Suggested to create awareness campaigns on financial literacy and on compliances such as GST•Create a knowledge sharing platform wherein the incubators located at higher educational institutes are ready to share the technology and support the women MSME till commercialization stage. Such incubation facilities are currently underutilized because unable to mobilize the women MSMEs and create awareness about the program.

Stakeholders for In-Depth Interviews				
S N	Name of the Cluster/ Industry Association/ State Level Department	Tentative Date of IDI	Mode of IDIs	Key Highlights
				<ul style="list-style-type: none"> Recommended to have representation of key women associations such as AWAKE in key MSME related Government Committees
17	Women Association (UBUNTU)	05/06/2023	Physical	<ul style="list-style-type: none"> It was mentioned that women/SHG group entrepreneurs/enterprises are not provided with any special aid or schemes. There should be proper EXIT policy framed in the current schemes like pension scheme for the entrepreneurs, where the sum percentage of tax paid by the entrepreneurs will be allocated every month/year as pension contribution. The interest rate charged are on higher side. It was suggested that the rate of interest of these loans to be on par with any housing/vehicle loans provided by the banks. To boost the skills, government should introduce incubation centres, common marketing centers, training centers industry area wise for the women entrepreneurs/associations/SHG's to attend training on regular basis. Training/ awareness workshops on financial literacy and compliances should be conducted on regular basis. Re-introducing old school mechanism such as seed funding for the cap of up to INR 1 Cr, technological upgradation fund & etc. <p>Cases which are pending with MSEFC, for that period tax & other charges should not be charged to the entrepreneur. Government should initiate new policy on the same</p>
18	Karnataka Small Scale Industries	05/06/2023	Physical	<ul style="list-style-type: none"> Discussions were held on KASSIA's various challenges/ interventions like

Stakeholders for In-Depth Interviews				
S N	Name of the Cluster/ Industry Association/ State Level Department	Tentative Date of IDI	Mode of IDIs	Key Highlights
	Association (KASSIA)			Anchor supplier development, skill development, market access and on upliftment of small-scale industries in this regard
Trade Receivables Discounting System (TReDS)				
19	Receivables Exchange of India Limited (RXIL)	16/05/2023	Physical	<ul style="list-style-type: none"> Discussions were held on Delayed Payments from MSMEs
20	Invoicemart	19/05/2023	Physical	<p>Suggestions include:</p> <ul style="list-style-type: none"> Registrar of companies should come forward and issue letter to the firms to get registered on TReDS portal. Strict timelines to get registered on TReDS portal. Penalty to be levied on the buyers who are not transacting TReDS portal <p>Suggestion that PSUs and CPUs must do minimum 25% - 30% of transactions on TReDS portal; GO should be issued by State government</p>
21	M1 Exchange	01/06/2023	Virtual	<ul style="list-style-type: none"> Discussions were held on Delayed Payments from MSMEs
Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)				
22	CGTMSE	05/06/2023	Virtual	<ul style="list-style-type: none"> Discussions were held on the Credit guarantee Schemes.
Financial Institutions (Apex Bodies, Banking, NBFCs)				
23	State Level Bankers Committee (SLBC)	09/05/2023	Physical	<ul style="list-style-type: none"> The reasons for low disbursement of credit were highlighted such as: lack of proper documentation including business plan/project report; stage wise disbursement- based on project report, Govt. approvals, surprise inspection checks. The reasons for credit rejection were also discussed such as: lack of awareness about the scheme-beneficiary type whether eligible or not, no business acumen, marketing support, lack of collateral- bankers require converted lands (multiple Govt approvals for conversion), etc.

Stakeholders for In-Depth Interviews				
S N	Name of the Cluster/ Industry Association/ State Level Department	Tentative Date of IDI	Mode of IDIs	Key Highlights
				Recommendations: <ul style="list-style-type: none"> • Create a mechanism where department can assist MSMEs with basic knowledge on preparation of business plans, marketing, sales, connecting with business service providers and linkages with e-commerce platforms. • For MSME schemes a mechanism needs to be established to carry out scrutiny at every stage of the application • More Micro Small Enterprise Facilitation Council (MSEFC) courts in Bengaluru Urban District as 60-70% of the applications are from Bengaluru. • Conducting regular awareness sessions/workshops at district level regarding the MSME central and state schemes
24	Kinara Capital	23/05/2023	Physical	<ul style="list-style-type: none"> • Kinara capital majorly deals with MSME loans. They are involved in greening of MSMEs and have their own team which handles ESG fundings. <p>Kinara capital uses CGTMSE services and have their own invoice factoring tool</p>
25	Small Industries Development Bank of India (SIDBI)	23/05/2023	Physical	<ul style="list-style-type: none"> • Discussion held on access to credit
26	Karnataka State Financial Corporation (KSFC)	22/06/2023	Virtual	<ul style="list-style-type: none"> • Discussion held on access to finance
Open Network for Digital Commerce (ONDC)				
27	Open Network for Digital Commerce (ONDC)	23/06/2023	Physical	Challenges identified are: <ul style="list-style-type: none"> • There is a lot of competition from existing e-commerce platforms. Lack of awareness of ONDC among businesses and consumers needs to be addressed.

Stakeholders for In-Depth Interviews				
S N	Name of the Cluster/ Industry Association/ State Level Department	Tentative Date of IDI	Mode of IDIs	Key Highlights
				The way forward is: <ul style="list-style-type: none"> Increasing awareness of ONDC among businesses and consumers in India Facilitating the onboarding of more sellers and buyers on ONDC platform
Cluster Associations				
28	Mysore Industries Association and Mysore District Small Scale Industries Association	09/06/2023	Physical	<ul style="list-style-type: none"> Single window clearance should be made more effective and binding timelines for clearance should be introduced. Common application form through single window mechanism for obtaining clearances and approvals from various line departments should be provided. There should be effective integrated portal providing a multitude of services to MSMEs (obtaining basic infrastructure, obtaining loans, applying for any clearances & obtaining NOC's/ certificates, details on training, support for technology upgradation, etc.) Government should introduce regulatory authority such as Industrial Township Body to develop industrial estates, D&C types of sheds, to be made available on rental basis/ lease basis for certain period. More binding / demand vs supply mechanism should be introduced for financial institutions (eg. 90 minutes clearance for loan application) Introduce policies and programs for MSMEs that provide a continuous umbrella of support across key areas viz. market, credit, technology to ensure the MSMEs business lifecycle is sustainable. Re-introduce Provisional Registration Certificate and Permanent

Stakeholders for In-Depth Interviews				
S N	Name of the Cluster/ Industry Association/ State Level Department	Tentative Date of IDI	Mode of IDIs	Key Highlights
				<p>Registration Certificate to ensure an effective monitoring mechanism for MSMEs.</p> <ul style="list-style-type: none"> • Requested for lower interest rate for MSME loans and suggested to relax the current 90-day NPA rule to 1 year for it to be considered as NPA • Establish skilling centres in collaboration with Government, industry, and training providers to skill and upskill the employees. • Provide awareness on various schemes on regular intervention in collaboration with industry associations. <p>Adoption of advanced technologies such as industry 4.0 technologies viz. automation, artificial intelligence (AI) and data analytics to enhance the productivity in the industries</p>
29	Grapes & Raisin Processing Cluster, Jamakhandi	14/06/2023	Physical	<p>Challenges identified are:</p> <ul style="list-style-type: none"> • The CFC can currently cater to a maximum of 200 cluster units. However, there is a demand from the producers within a 10 km. radius from the CFC whose total production is 25,000 ton and requires 2,500-ton storage capacity cold storage • There are only 1 cold storage facility of 2,500 tons storage capacity from GoK and another of 5,000 tons capacity from Karnataka State Agricultural Produce Processing & Export Corporation Limited (KAPPEC) <p>The way forward is:</p> <ul style="list-style-type: none"> • Increase the capacity of cold storage facility. • Need for diversifying the packaging unit (number of packaging units and the type of packaging) • Develop export related linkages including exposure visits, national and

Stakeholders for In-Depth Interviews				
S N	Name of the Cluster/ Industry Association/ State Level Department	Tentative Date of IDI	Mode of IDIs	Key Highlights
				<p>international events regarding export of raisins, food expos, exhibition etc.</p> <ul style="list-style-type: none"> • Bring in training consultancy for skilling the units in pre- processing (production) and processing phase of the crop. For example: 1-day long sessions on raisin processing and drying etc. • Conduct workshops on business development. <p>Support for meeting market specific Quality and Certification requirements for exporting produce to countries such as Europe, UAE etc.</p>
30	District Industries Centers (DICs)	26/04/2023	Virtual	Review meeting regarding data collection of MSMEs
Sector Experts				
31	Ms. Srikala- representing Toys sector	12/06/2023	Virtual	Discussed the challenges being faced by entrepreneurs in the sector and the way forward
Government e Marketplace (GeM)				
32	Mr. Anurag Awasthi, Chief Manager, GeM	07/08/2023	Virtual	Discussion held on the registered MSME onboarded in GeM portal.

04

Main challenges/Key constraints to MSME growth



4. Main Challenges/Key Constraints to MSME Growth

4.1. Key Challenges

MSMEs have been accepted as multipliers of economic growth and employment. To maintain its niche in the international and global markets, MSMEs are required to remain globally competitive. They must continuously update themselves to meet the challenges emerging out of changes in technology, changes in demands, emergence of new markets, etc. Many challenges continue to persist, impeding the growth and development of the MSMEs. In Karnataka, MSMEs take up a large footprint spread across remote geographies with a considerable degree of business diversification. A huge portion of MSMEs still operate in the informal sector, thereby limiting their access to public support measures and institutional finance. Therefore, unearthing the fortune at the bottom of the pyramid requires a targeted strategy to address the issues and key challenges faced by the MSME sector. Karnataka is home to more than 10.2 lakh MSMEs employing over ~80 lakh people, some of the key challenges faced by the MSMEs in Karnataka is mentioned below.

4.1.1. Business environment

Karnataka has improved its overall ease of doing business ranking but still, MSMEs in the State face numerous challenges in doing business in Karnataka and undergoing the complex regulatory environment. The paperwork to start a new business is lengthy and expensive, and availing permits from the government is time-consuming and cumbersome. Apart from the difficulties related to obtaining required licenses and permits, another factor impacts an MSMEs setup process and product prices is taxes. According to the world bank estimates, filing and paying taxes in India takes an average of 252 hours per year.³⁰ The Karnataka MSME market study across 17 districts in the State revealed that, 19 per cent of the respondents are unaware of Udyam portal and 23 per cent are not registered under the portal. 40 per cent of the surveyed MSME units are not aware of the single window mechanism e-biz Karnataka the single window portal. Even in the presence of the single window mechanism, 20 per cent of the respondents said that they fill 5 or more forms to apply for clearances from 1 to 5 departments.

4.1.2. Infrastructure: Identify key infrastructure gaps

The inadequate and depleting industrial infrastructure in industrial areas and estates at district level is one of the gripping challenges faced by the MSMEs. As per the industrial body KASSIA, MSMEs face challenges regarding the availability of basic industrial infrastructure despite paying a substantial amount of property tax. The request to suitably amend the Land Reforms Act to enable KSSIDC to acquire land for SMEs at affordable price has also been submitted by the State industrial bodies. Bengaluru's Peenya Industrial Area is home to more than 3,500 MSMEs from different sectors, making it one of Asia's largest Industrial areas. The issue of inadequate infrastructure availability has also been raised by the association regarding lack of availability of proper roads, drainage, or other basic amenities at Peenya due to which the association is losing out on foreign investors and buyers. Infrastructure gaps is one of the key challenges that hinders MSME growth. Some of the challenges identified viz. a) limited availability of serviced industrial land and basic industrial infrastructure such as power, water, roads, common facility centres; b) limited availability of infrastructure provided through third party providers (such as warehousing, cold chains, transportation); c) limited availability of soft infrastructure such as laboratory facilities and inspection capacity; quality testing facilities; d) lack of capital for infrastructure development. In the Karnataka MSME market study conducted across 17 districts in the State, 78 per cent of the MSMEs

³⁰ Ease of Doing business Ranking, The World Bank, 2020
<https://archive.doingbusiness.org/en/doingbusiness>

indicated that adequate maintenance of core public infrastructure like power, water, roads, and common facility centres is required. On an average, 20 per cent of the units rated the basic industrial infrastructure in KIADB industrial areas at average or below average levels, out of which water supply and drainage infrastructure received the lowest rating. Similarly, 21 per cent of the units rated the basic industrial infrastructure in KSSIDC industrial estates at average or below average levels out of which supply of electricity (express feeders, transformers, poles, conductors) and common facility centres received the lowest rating.

4.1.3. Credit

The MSME sector is exceedingly heterogeneous in terms of diversity of products & services, size of the enterprises and levels of technology adopted. MSME owners commonly have limited access to credit. This compels them to borrow from unregulated lending sources which results in paying a much higher rate of interest. Not only does this affects the pricing of products, but it also limits the enterprise's ability to add value, upgrade technology, improve quality and implement modern digital techniques. As per the Reserve Bank of India UK Sinha Committee report in 2019, the overall credit gap in the MSME sector is estimated to be INR 20-25 trillion. The data from RBI on financial institutions (Non-Banking Financial Companies and Banking Companies) extending credit to corporate borrowers in 2021-22, reveals that out of the total amount of INR 9.7 lakh crores extended only 28 per cent has been extended to MSMEs.³¹

The challenge is not only limited to access to finance but also with availing credit under the existing Government financial schemes such as the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) due to stringent credit evaluation criteria. As per the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) data for Karnataka for the years (2019-2020 to 2021-22) there has been a decline in the number of units availing credit under the scheme. The number of units being extended credit under the scheme in 2021-22 has come down from 68,572 in 2019-20 to 41,028 in 2021-22, a drop of almost 40 per cent. However, though the number of units being extended credit under the scheme has declined significantly but the approved credit extended to MSMEs under the scheme has increased from INR 4069 crores in 2019-20 to INR 4308 crores in 2021-22.

Some of the challenges identified viz. a) limited availability of working capital products; b) requirement of collateral for MSME loans; c) lack of credit availability with Non-Banking Financial Corporations (NBFCs); d) stringent due-diligence processes and evaluation criteria/credit ratings; e) limited uptake of TReDS (Trade Receivables Discounting System) due to MSME buyer not being registered on the portal.

In the Karnataka MSME market study conducted across 17 districts in the State, 64 per cent of the respondents rely on debt financing for capital, but 51 per cent of them face challenges in availing credit from Non-Banking Financial Companies. More than 58 per cent of MSMEs face challenges in providing collateral for MSME loans and feel documentation is very cumbersome, unclear, and complex. Schemes targeted at MSMEs are not effectively reaching them as it can be observed that less than 50 per cent of the respondents have availed financial assistance under any central scheme or under the Karnataka Industrial Policy or under Chief Minister Employment Generation Scheme. Only 44 per cent of the respondents are aware of the TReDs platform and 77 per cent of the MSME units have less than 50 per cent or no buyers registered on TReDs platform. 12 per cent of the respondents pointed out their concern about buyers not registered on the three operating TReDS platform for invoice discounting.

³¹ Table 2.4 [Type of Account and Organisation-Wise Classification of Outstanding Credit Of Scheduled Commercial Banks] from RBI Basic Statistical Return on Credit by Scheduled Commercial Banks in India - March 2022 and Table 46 [Sectoral Deployment of Non-Food Credit], Reserve Bank of India

4.1.4. Delayed Payments to MSMEs

According to a recent study by the Global Alliance for Mass Entrepreneurship (GAME),³² the issue of delayed payments to MSMEs is in the magnitude of INR 10.7 lakh crore, with 80 per cent of this comprising of delayed payments to micro and small enterprises. As per the study, the challenges pertaining to delayed payments is broadly categorized into two categories: i) increased working capital gap and ii) institutional barriers for a raising a dispute through the MSME SAMADHAAN Portal. The access to credit challenges has been discussed in Section 4.1.3

The Micro Small Facilitation Council (MSEFC) of the State acts as an arbitrator for settlement of any dispute regarding the payment between the MSME units. The data from the State MSEFC reveals that the number of applications filed against the number of MSMEs present in the state is at a very marginal per cent. During the year 2020-21, as per the Udyam registration data, state was home to 3,63,998 MSME units but during the same year only 414 MSMEs filed an application for delayed payments with the State MSEFC. This attributes to the lack of awareness on the availability of such an institutional mechanism amongst MSMEs and also reveals the resistance of MSMEs coming forward to file an application or case due to the high turnaround time, cost and also the fear of losing the potential buyer after filing the application in MSEFC. Data from the State MSEFC also shows that the success rate for successfully resolving or closing the application is between the range of 30 to 45 per cent. This indicates the low success rate for delayed payment resolution through the MSEFC. Another challenge exacerbating the delayed payment is the irregularity in conducting the MSEFC every week. On an average the MSEFCs conducted in the State during a year fall between the range of 44 to 61 per cent of the actual scheduled MSEFCs for the year.

Some of the challenges that hinders MSMEs from availing resolution through institutional mechanisms viz. a) lack of awareness and information about a mechanism where MSME could file a case in instances of delayed or non-payment of dues, such as MSME SAMADHAAN; b) long turnaround time for resolution of a case filed on MSME SAMADHAAN portal and through MSEFC; c) cumbersome, unclear, and complex documentation; d) high cost of availing resolution through institutional mechanisms; e) non-filing of complaint or case due to the fear of losing future orders from the buyer; f) irregularity in the schedule of holding MSEFCs.

The Karnataka MSME market study conducted across 17 districts in the State revealed that among the respondents, 34 per cent of the respondents have pending payments from Central Public Sector Enterprises, 35 per cent of the respondents have pending payments from State Public Sector Enterprises, 31 per cent of the respondents have pending payments from Private buyers. 52 per cent of the respondents feel that existing mechanisms for dispute resolution are cumbersome, expensive, ineffective, and slow. Lack of awareness about an institutional mechanism is one of the major challenges reported by the MSMEs, 45 per cent of the respondents are still not aware of the SAMADHAAN Portal for dispute resolution of MSMEs. 43 per cent of the respondents stated that it took 60 to 120 days to resolve a single dispute. Moreover, 33 per cent of the respondents stated that it takes 4 to 7 hearings to resolve one single dispute.

4.1.5. Target Markets and product standards

MSMEs face particular challenges in regard to access to their market and new markets. Market access for MSMEs into both domestic and international markets can be hampered due to the following challenges: a) lack of knowledge and awareness on potential markets, b) limited adoption of quality control standards

³² Global Alliance for Mass Entrepreneurship. (2022). Unlocking the Full Potential of India's MSMEs Through Prompt Payments. <https://massentrepreneurship.org/wp-content/uploads/2022/06/Delayed-Payments-Report.pdf>

and certifications, c) high logistic cost and inability to procure raw material at competitive prices, d) lack of awareness on digital marketing channels for brand promotion, e) lack of expertise in product development, designing, packaging, and marketing strategy, f) limited access to logistics and sales support, and information and communication technology (ICT) support, g) limited linkages with online marketplaces, h) limited linkages with Public State Undertakings, Government Departments, Wholesalers, Retailers and i) limited value chain linkages with clusters.

In the Karnataka MSME market study conducted across 17 districts in the State, 65 per cent of the MSMEs lack the knowledge and awareness on potential markets, 74 per cent of the MSMEs have not registered under GeM portal and 77 per cent have not registered under the ONDC platform. 46 per cent of the respondents stated that there is limited adoption of quality control standards and certifications, only 23 per cent of the respondents have ZED certifications. 32 per cent of the respondents lack awareness on digital marketing channels for brand promotion, 56 per cent of the MSMEs have not availed marketing support under any central government scheme and 64 per cent of the MSMEs have not availed marketing support under any state government scheme.

4.1.6. Technology

Technology adoption presents an opportunity to rethink and remodel the MSME ecosystem, opening a window for digital pathways / technologies to create the new digitally enabled sustainable and inclusive business models for MSMEs. The digitally enabled platform business models are transforming the landscape in which Indian MSMEs operate. Technology is seen as having a major impact with growing internet and mobile penetration, rise of e-commerce impacting the way business is being done for MSMEs. India has 755 million internet subscribers, 2nd highest after China worldwide.³³ With one of the largest internet subscribers bases in the world, this represents a significant opportunity for MSMEs to engage with customers beyond local boundaries and grow their business online. Further, several MSMEs with technology enabled innovations such as digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements are now leveraging digital technologies for critical business processes such as procurement, sales, marketing, and production. This has helped MSMEs grow at a much faster pace. But, however, despite the benefits, as per the CRISIL survey, currently, less than 10% of MSMEs are leveraging technology.³⁴ Also as per a study by KPMG and Google India, a staggering 68 per cent of Indian Small, Medium, Businesses (SMB) are completely offline, with only 2 per cent actively selling or promoting their business online.³⁵ Therefore, given significant digital dividends, the digital impact on the growth of MSMEs could be huge.

Some of the challenges identified which resists MSMEs from adopting technology viz. a) lack of innovation; b) lack of knowledge and awareness of sector specific technologies for production; c) lack of knowledge and awareness on digitization i.e., adoption of digital technologies and use of digital platforms, d) lack of capital for adoption of digital technologies, e) lack of technical skilled manpower, f) high cost and resistance for adoption of digital technologies and g) limited linkages of MSMEs with R&D labs and centres, academia constraining technology transfer and access.

In the Karnataka MSME market study conducted across 17 districts in the State, 56 per cent of the MSMEs stated that there is a lack of knowledge and awareness of sector specific and digital technologies for production. On an average, 20 per cent of the MSMEs are unaware of the various Industry 4.0 technologies. 60 per cent of the respondents stated that there is a lack of confidence to adopt innovative

³³ Data Centres- The Next Charged Up Wave, CBRE Research 2020

³⁴ MSMEs back to the grind, ASSOCHAM and CRISIL, April 2022

³⁵ <https://assets.kpmg.com/content/dam/kpmg/in/pdf/2017/01/Impact-of-internet-and-digitisation.pdf>

technologies, and 37 per cent still use manual machinery for production. 50 per cent of the MSMEs stated that it is challenging to avail capital for adoption of innovative technologies, 55 per cent of the respondents are not aware of Technology Upgradation Scheme for availing financial assistance.

4.1.7. Strengthening of Firm capabilities and adoption of Resource Efficient and Cleaner Production (RECP) practices by MSMEs

India's commitment to reduce 45 per cent of emission reduction and achieve 50 per cent renewable energy, and 500 GW of non-fossil fuels by 2030, and net zero by 2070 provides a new narrative towards adoption of low carbon and green transition across various sectors including the MSME sector. The transition to sustainable and green pathways has posed an additional layer of challenges to MSMEs.

The Sustainability Perception Index (SPeX), for MSMEs in India is an initiative launched by SIDBI and Dun & Bradstreet which measures perception across the three dimensions of sustainability (willingness, awareness, and implementation). The index ranges from 0 to 100. Higher the index value, higher is the perception of sustainability. Karnataka SPeX is between the range of 30 and 40. According to the SPeX report for the quarter ending December 2022, the perception sub-index for willingness is highest at 61 amongst the three stages of sustainability (willingness, awareness, and implementation). Implementation and awareness perception is in lower middle range, with sub-index value of 41 and 40, respectively. As per the index, awareness of sustainability measures is low amongst MSMEs, 69 per cent are only partially aware of the opportunities and long-term growth benefits from implementing sustainability measures such as: access to new markets; reduced regulatory risks; access to finance; cost saving ³⁶. As per the index, 52 per cent of MSMEs are unaware of green finance policies, and only 3 per cent have availed green finance.

The index also looked at how do MSMEs measure their environment initiatives- the data from the index reveals that only 42 per cent of MSMEs recycle/recover heat/energy, 26 per cent recycle water and 19 per cent recycle raw materials. Furthermore, a small fraction of the studied MSMEs measure water or waste released, electricity and emissions. The major challenges in implementation of sustainable practices viz. a) Availability of technical know-how (22%); b) Established operating procedures (22%); c) Clarity on long term growth benefits (18%); d) Internal willingness to change (18%); e) availability of capital (18%) and lack of awareness about green finance policies (52%).

The Karnataka MSME market study conducted across 17 districts in the State revealed that more than 60 per cent of the respondents have not availed aid under any central or state scheme for adopting sustainability practices. 35 per cent of the MSMEs stated that there is a lack of capital and awareness on green financing instruments, 49 per cent are unaware of the benefits of implementing sustainability measures and 19 per cent of the units stated that there is a need for adequate awareness about the green financial instruments. 51 per cent of the respondents lack the technical know-how and expertise to implement sustainable measures.

4.1.8. Market for Service provision to MSMEs

Providing common services such as marketing centers, testing laboratory centers, quality measuring centers in clusters helps the MSMEs to reduce their operational costs and investment along with time management, creating a symbiotic ecosystem in the cluster areas. There is a lack of information and awareness in the market on the availability of technical and business service provisions. In the Karnataka MSME market study conducted across 17 districts in the State, 65 per cent of the survey respondents feel there is limited availability of business service providers at district level. 63 per cent of the MSMEs lack

³⁶ Sustainability Perception Index of MSMEs in India, SIDBI and Dun & Bradstreet, Dec 2022

the information and awareness on the availability of technical and business service provisions. 50 per cent of the MSMEs feel that linkages with private, technical, and business service providers needs to be strengthened. 25 per cent of the MSMEs rated the experience of availing business development services to average and below average levels.

4.1.9. Gender Gaps

MSMEs are poised to play a pivotal role in achieving India's ambitious aim of becoming a USD 1 trillion digital economy by 2025. With a growing focus on the adoption of financial technology and digital payments, the limited knowledge and awareness among women MSMEs about the advantages of digital financial inclusion limits their ability to access credit. As per a study conducted by ICRIER supported by NABARD, a primary survey of 308 women (86 owners and 222 employees) involved in MSMEs, across eight sectors - (a) food processing, (b) garments and textiles, (c) handicrafts, (d) electronics and engineering, (e) leather, (f) retail, (g) information technology and information technology-enabled services (IT/ITeS), and (h) tourism and hospitality was administered across four Indian states – Rajasthan, Gujarat, Karnataka and West Bengal. As per the findings of the survey study, though account ownership by women in MSMEs is high but the usage of financial services is limited.³⁷ Not only is the usage of financial services limited but another a gripping challenge faced by the surveyed MSME women owners was access to finance, with 60.5 per cent MSME owners finding it difficult to avail credit due to the hidden perception of gender bias and due to the limited digital penetration which hinders their ability to avail credit from various other fintech credit gateways. Therefore, there is a need to address the gaps on advancing women's access, ownership, participation in the digital economy and provide government support to women MSMEs in terms of simplified procedures for obtaining loans, reduced paperwork, faster approvals, and more time for repayment.

Among the 4007 MSMEs that were surveyed as part of the market study, 36 per cent of the MSMEs are led by women. On an average, 23 per cent of the employees are women in the MSMEs that were surveyed in the market study. 51 per cent of the surveyed MSMEs do not have a single woman employee.

4.1.10. Skills

MSMEs face acute shortage of skilled labor in both technical and soft skills which affects their productivity and growth. The Karnataka Udyam registration data for the period July 2020 to December 2022 reveals that around 86 per cent of MSMEs employ less than 10 workers where in the absence of even a few of them can cause a major dent in productivity. This was seen during the covid period where the industrial body KASSIA has estimated at least 20-25 per cent of MSME units in Karnataka will not restart their factories. Hence, adequate availability of skilled labor is an integral requirement to avoid disruptions in growth and productivity of MSMEs. According to a study conducted by SIDBI and Dun & Bradstreet,³⁸ there is acute shortage of operators to work on computerized machines and processes. Similarly, skill gaps have been observed in shop floor and management level for process planning including marketing management, production planning, scheduling, inventory management, quality control etc. Apart from technical skills, managers and supervisors also lack soft skills such as communication skills, team development and motivation skills for undertaking their activities.

Some of the challenges identified viz. a) lack of knowledge and awareness on new-age skills emerging in different domains required by the MSMEs, b) lack of awareness on the digital job portal MSME SAMPARK,

³⁷ Digital Financial Inclusion of Women in MSMEs G20 and India, ICRIER, NABARD

https://icrier.org/pdf/ES_Digital%20Financial%20Inclusion%20of%20Women%20in%20MSMEs.pdf

³⁸ Study on Skill Development in the MSME Sector, SIDBI and Dun & Bradstreet

<https://sidbi.in/files/publicationreport/Study-on-Skill-Development-in-MSME-Sector-Report-on-Finding-from-Skill-Development-Survey-in-MSME-Clusters-DB-MS.pdf>

c) lack of knowledge on entrepreneurial development programs, domain- specific training programs and re-skilling/up-skilling programs, d) lack of capital or incentives for MSMEs to train workers or invest in skill development, e) limited linkages between DICs, ITIs and Industrial Clusters. In the Karnataka MSME market study conducted across 17 districts in the State, 55 per cent of the respondents stated that a lack of knowledge on the new age sector skills is the reason behind their employees lacking the required skills. 31 per cent of the respondents stated that their employees have insufficient skills, especially in aspects like process planning and marketing. 36 per cent of the respondents stated that their employees have insufficient soft skills, especially in aspects like communication and team development.

4.2. Sector specific constraints

Karnataka ranks among the top 5 industrially developed States in India. On an average, there are 5,029 industrial units per 1,000 sq km geographical area of the state. As per SDG India Index 2020 of NITI Aayog, Karnataka has ranked 6th among the states with respect to SDG 9 on Industry, Innovation, and Infrastructure with a score of 64 out of 100. The State's several exemplary initiatives such as the Karnataka Industrial Policy 2020 has resulted in Karnataka emerging as an attractive investment destination. The industrial sector GDP has increased to INR. 4,28,721 crores with a growth rate of 10.8 per cent in 2022-23. Karnataka's industrial sector has the second highest share in GSVA at 21 per cent after the services sector³⁹. As per the Karnataka Economic Survey 2022-23, it is projected that the growth in industry will increase from 9.1 per cent to 17.6 per cent and GDP is forecasted to grow from 4.29 lakh crores to 21.4 lakh crores by 2032. The manufacturing sector in Karnataka constitutes 13.28 per cent of the State's GSDP (at current prices 2022-23 AE).

Karnataka ranked highest on the Indian Manufacturing Innovation Index (IMII) 2022 with a score of 33.41. The index is developed by the Department of Science and Technology (DST), in collaboration with the United Nations Industrial Development Organization (UNIDO) for guiding decision-making in innovation policy with respect to manufacturing and related services. Karnataka has a high share of innovative firms at 39.10 per cent and the highest share of product innovators (25.07 per cent), when compared to the total manufacturing firms surveyed from other states⁴⁰. There are 9,65,644 MSME units from Karnataka registered on the Udyam portal as of April 2023, providing employment to more than 80 lakh people. Out of these total MSME units, about 25 per cent of the units are related to manufacturing. Based on the number of MSME units registered on the UDYAM portal in Karnataka, the four largest industries in the manufacturing sector of Karnataka are food processing (55,066), apparel & leather products (32,078), textiles (31,067) and machinery & equipment (26,774). Together they contribute to ~65 per cent of the total MSME units of the manufacturing sector in Karnataka. The following table illustrates some of the key attributes of these key manufacturing sectors including percentage of industrial units, percentage of employment and key industrial hubs within the state.

³⁹ Karnataka Economic Survey 2022-23

⁴⁰ National Manufacturing Innovation Survey 2021-22: Summary for Policymakers. Key findings and opportunities, March 2023











Sector		Number of units registered on Udyam	% of Sector units in total units	Total Employment as per Udyam	% of Sector share in total employment	Districts where sector Industrial Clusters as per MSE-CDP
	Textile	31067	3.39%	340715	3.95%	Belagavi, Bagalkote, Chikkaballapur
	Apparel & Leather	32078	3.50%	287397	3.33%	Belagavi, Dharwad, Mysore
	Aerospace & Defence	253	0.03%	5456	0.06%	Tumakuru, Belagavi, Bagalkote
	Food Processing	55066	6.01%	560175	6.49%	Belagavi, Dharwad, Dakshina Kannada
	Automotive, Auto-components and Electric Vehicles	2347	0.26%	26552	0.31%	Belagavi, Bidar, Dharwad
	Engineering & Machine Tools	26774	2.92%	246703	2.86%	Belagavi, Dharwad, Mysore
	Pharmaceuticals & Medical Devices	3079	0.34%	41425	0.48%	Mysore, Belagavi, Dharwad
	Electronics	2414	0.26%	30409	0.35%	Mysore, Belagavi, Dharwad
	Logistics	80804	8.81	696496	8.07%	Belagavi, Ballari, Tumukuru
	Handicrafts	245	0.03	1550	0.02%	Bangalore Urban, Mysore, Ramanagara

Figure 92: Key attributes of the key manufacturing sectors in Karnataka

The following section document identifies the challenges that each of the sector's face and sets out the strategies that it intends to follow to overcome these. This section outlines the proposed sector specific soft interventions representing 9 core sectors. These strategic interventions will be the key milestones for realization of the RAMP scheme and will enable Karnataka's structural transformation across the key focus sectors.



Figure 93: Key Focus Sectors

1. Textiles, Apparel and Leather

India holds a prominent position in the global textiles and apparel industry, being the second-largest producer of textiles and garments and the fifth-largest exporter of textiles, including apparel, home, and technical products. This industry significantly contributes to the country's economy, accounting for 2.3 per cent of the GDP, 13 per cent of industrial production, and 12 per cent of exports. Approximately 45 million people are employed in the textile sector, with 3.5 million working on handlooms. The Indian textile and apparel industry is projected to maintain a compound annual growth rate (CAGR) of 10 per cent from 2019-20, reaching USD 190 billion by 2025-26.⁴¹ Additionally, India has a strong presence in the leather industry, accounting for 13 per cent of the world's total leather production. It is the 2nd largest exporter of leather garments, the 3rd largest exporter of saddlery & harness, and the 4th largest exporter of leather goods. In August 2022, the total leather exports stood at USD 473.87 million.⁴²

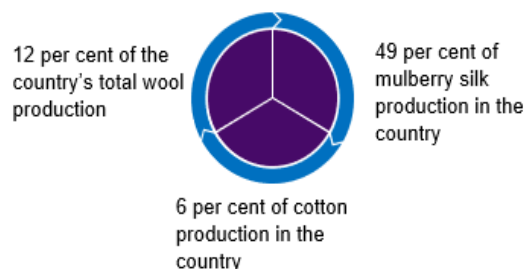


Figure 94: Contribution of Textile sector at National Level

Karnataka stands out as a leading destination for the textile and apparel sector in India, earning the title of 'Garment Capital of India' and 'Apparel and Silk Hub of India'. The state contributes 20 per cent

⁴¹ Textiles and Apparel Industry Report, India Brand Equity Foundation (IBEF), November 2022

⁴² Leather Industry and Exports, IBEF, November 2022

of the garment production in the country and plays a significant role in the textile industry, contributing nearly 2/3rd of the state's industry output. The first integrated textile park has been established in Doddaballapura. Karnataka has achieved milestones in the technical textiles sector, particularly in areas like Builtech, Clothtech, Hometech, and Medtech with Mysore, Hassan, and Bengaluru leading the growth in this field. The state has robust manufacturing capacities throughout the textile value chain, including natural and manmade fibre production, spinning, weaving, knitting, processing, garmenting, made ups, and technical textiles⁴³. Bengaluru serves as the major production center for footwear, leather, and leather products in Karnataka, constituting 0.62 per cent of the state's manufacturing industry⁴⁴. The value of leather products exported from Karnataka in the year 2022-23 (April to September) amounts to around INR 281 crores⁴⁵.

As of April 2023, around 63,145 MSMEs from Karnataka are registered under the textiles, apparel, and leather sector, providing employment to around 6,28,112 people, which accounts for approximately 6.9 per cent of the total employment generated by all MSMEs in the state. To further boost the industry, key state budget announcements for FY 2023-24 include plans to upgrade the technology department in S.K.S.J.T.I Engineering College, Bengaluru, as a Smart and Technical Textile Centre under the National Technical Textile Mission and PM- Mega Integrated Textile Region and Apparel (Mitra). A special cell called 'Mahatma Gandhi Vastrodyama' in the textiles department has been proposed to bring together designers, weavers, yarn producers, and allied workers on a common platform to revive the declining handloom industry in the state.

Sector Challenges

The textile exports from Karnataka have remained stagnant in recent years. The industry is dominated by small and medium-sized companies resulting in fragmented supply chains and poor cost competitiveness. There is a concern regarding the absence of skilled labor in this sector. Karnataka is heavily dependent on migrant labor, which necessitates the development of large pools of trained labor within the state. The industry needs to focus on developing clusters in strategic locations with good port connectivity and an ample supply of skilled labor. There is an absence of large-scale investment for manufacturing and better facilities that is required. Capital infusion, technology transfer and world-class infrastructure are vital. Investment in manufacturing world-class facilities and a special emphasis on developing technical textiles, which has a huge national and international market will play a crucial role in driving the industry forward and attracting more investments.

The MSME market study revealed that 20 per cent of the MSMEs in the textiles, apparel, and leather sector face challenges in access to skilled manpower. 30 per cent of the respondents from the respondents need financial assistance from the government for the purpose of technological upgradation. Financial assistance under Karnataka Industrial Policy or Chief Minister Employment Generation Scheme has not been utilized by 75 to 80 per cent of the surveyed MSMEs.

2. Aerospace and Defence

India's aerospace and defence (A&D) sector is poised for significant growth, with the market projected to reach approximately USD 70 billion by 2030⁴⁶. In FY 2022-23, India's defence production was valued

⁴³ New Textile and Garment Policy of Karnataka, 2019-24

⁴⁴ Source: Central Statistics Office (IS Wing), Kolkata

⁴⁵ Economic Survey of Karnataka 2022-23

⁴⁶ Government of Karnataka's Industrial Policy 2020-2025

at INR 17,885 crore (USD 2.24 billion), and defence exports stood at INR 4,794.13 crore (USD 583.13 million)⁴⁷.

Karnataka, particularly Bengaluru, plays a crucial role in India's A&D industry, having robust defense industrial infrastructure, including the hi-tech defence & aerospace park, enabling ecosystem for public sector undertakings (PSU)s, original equipment manufacturers (OEM)s, and MSMEs, prestigious research and development (R&D) organizations such as Defence Research and Development Organization (DRDO) and Indian Space Research Organization (ISRO) and skilled workforce. Karnataka accounts for a significant portion of the country's aircraft and helicopter manufacturing for defence services (67 per cent), aircraft and spacecraft industry (25 per cent), aerospace-related exports (65 per cent)⁴⁸ and India's supplier base executing niche sub-contracting work for defense PSUs (70 per cent). The state is home to essential PSUs in the aerospace industry, including Aeronautical Development Agency (ADA), National Aerospace Laboratories (NAL), Bharat Heavy Electricals Limited (BHEL), Gas Turbine Research Establishment (GRE), Bharat Earth Movers Limited (BEML), ISRO and Aeronautical Development Establishment (ADE). It also houses India's first private aerospace special economic zone (SEZ).

Under the UDYAM portal of the Ministry of MSME as of April 2023, around 253 MSMEs from Karnataka are registered under the A&D sector providing employment to around 5,456 people. Under the key state budget announcements for FY 2023-24, it has been proposed to establish a state-of-the-art Karnataka Aerospace Technology Centre at the Aerospace and Defence Park in Devanahalli, Bengaluru to strengthen the aerospace sector in the state with a special focus on the MSMEs.

Sector Challenges

India's aerospace policy has set a target of adding 60,000 more workers to the sector in Karnataka. However, the availability of industry-ready talent is a pressing issue as they cannot compete with the workforce that has the experience of working with cutting-edge technology abroad; thereby causing an impediment to the A&D sector in the state. Workers lack the necessary knowledge and managerial skills, making them less competitive on a global scale. The sector needs to focus its efforts to develop niche technologies and skill sets in this domain. As in the rest of the country, infrastructure is a key challenge in Karnataka. An issue facing the industry, particularly the maintenance, repair, and operations (MRO) sector is the shortage of land. MRO units should be located close to airports. That said, the land acquisition process is time-consuming under the Land Acquisition Act. Further, there is a need for development of a robust supply chain including: vendor ecosystem, MSMEs, subcontractors, raw materials, suppliers, and infrastructure including shared facilities and amenities⁴⁹.

The market study surveyed MSMEs in the aerospace and defence sector stated that 27 per cent of their employees lack skills like product planning and 16 per cent of the employees lack soft skills like adaptability and managerial skills. It was reported that 24 per cent of the MSMEs had to wait for 2 to 6 weeks and fill up to 10 forms to avail clearances from various departments under the single window clearance mechanism e-Biz Karnataka.

3. Handicrafts

India is one of the largest handicrafts exporting country. The sector is dominated by female artisans and most of the manufacturing units are in rural and small towns. During April 2022 to February 2023,

⁴⁷ Defence Manufacturing Industry Report, IBEF, Nov 2022

⁴⁸ Government of Karnataka's Industrial Policy 2020-2025

⁴⁹ USD 1 Trillion Economy Karnataka's Vision, FKCCI, March 2023

the total exports of handicrafts stood at USD 3 billion. Major handicraft goods exported by India include handmade woolen, woodware, embroidered & crocheted goods, art metal ware, hand printed textile & scarves, agarbattis & attars, zari goods and imitation jewellery⁵⁰.

The State of Karnataka is rich in handicrafts. The major crafts are sandalwood carvings, rosewood inlay, channarayana lacquer ware & toys, Mysore traditional paintings, bidri ware, kinhal toys, Navalgund durries, stone carvings, other wood carvings, traditional jewellery, mirror and embroidery, banana fiber, terracotta, bronze icons, pile carpets among others. The Karnataka State Handicrafts Development Corporation Limited (KSHDCCL) has been exporting the goods through its retail sales outlets 'Cauvery'. As of April 2023, there are 245 MSMEs registered on the UDYAM portal under the handicrafts sector in Karnataka, providing employment to 1,550 employees. Karnataka currently stands as the 3rd largest toy market in India, with a value of USD 159 million, contributing around 9 per cent to the national market. Notably, Karnataka is home to India's 1st dedicated toy manufacturing cluster in Koppal, making the state well-positioned to cater to half of India's toy market.⁵¹ The Koppal toy cluster is aligned with the Government of India's AatmaNirbhar Bharat Abhiyan to become self-reliant and a global force to reckon with. The cluster is poised to facilitate transformation in the region across areas of transport, health, hospitality, education, housing, among others. The cluster will also allow an SEZ for exports, apart from a domestic tariff area, to tap the Indian market – an ideal mix for local manufacturers and overseas participants to make their presence felt in both the markets. As of April 2023, the toys sector in Karnataka has around 329 MSMEs registered under the UDYAM portal, providing employment to approximately 2850 people.

Sector Challenges

The sector faces several challenges, one of which is a lack of artisans with entrepreneurial skills, even though there is no shortage of artisans overall. Karnataka has many industrial training institutes (ITIs), polytechnic institutes, and even design and R&D institutes such as NID Bengaluru, IIT Dharwad. Despite the support from these training institutes, the artisans are not being efficiently trained in the areas of business and marketing. The sector remains fragmented, with 90 per cent of the market being unorganized. This lack of organization hinders the establishment of a robust supply chain and distribution network. Furthermore, artisans struggle with limited access to innovation and resources for investing in modern equipment and technology, as well as inadequate capital to scale up production. Inadequate access to formal education/skilling institutes restricts their ability to innovate and diversify their skills, while financial constraints and expensive raw materials hinder investment in quality materials. The lack of exposure and knowledge of new technologies results in an inability to keep up with competition and adapt to evolving market dynamics. Artisans are also often unaware of consumer preferences and trends. Addressing these issues will result in growth and development of the handicraft sector. The MSME market study revealed that employees in 19 per cent of MSMEs in the toys sector lack basic skills like production planning and packaging. 4 per cent of the surveyed MSMEs in the sector not being registered on the Udyam portal and 19 per cent of the MSMEs unaware of the Udyam assist portal shows the lack of formalization in the sector.

4. Food Processing

The food processing sector in India has witnessed a commendable average annual growth rate of approximately 11.18 per cent in the last five years (based on 2011-12 prices). Notably, the Indian food processing industry constitutes a significant 32 per cent of the country's total food market, making it one of India's largest industries. It holds the 5th rank in terms of production, consumption, export, and

⁵⁰Indian Handicrafts Industry & Exports, IBEF, 2023

⁵¹ Toys Sector- Invest Karnataka

anticipated growth (at 2011-12 prices)⁵². The sector contributed 9.87 per cent to the gross value added (GVA) in manufacturing and 11.38/ per cent in the agriculture sector.⁵³ Around 20.05 lakhs of individuals were engaged in the registered food processing sector,⁵⁴ while the unregistered sector provided employment to approximately 51.11 lakh workers⁵⁵, comprising 14.18 per cent of employment in the unregistered manufacturing sector.

Within Karnataka, the food processing sector is vibrant, with approximately 55,066 MSMEs registered under the UDYAM portal as of April 2023, providing employment to over 56,000 employees. The state government's budget announcements for FY 2023-24 propose significant support for various initiatives, including providing INR 5 crore to support Farmers Producers Organizations (FPOs), start-ups, and micro food processing entrepreneurs through the Karnataka State Agricultural Produce Processing and Export Corporation Limited (KAPPEC). The aim is to promote the export of agricultural and horticultural produce from the state. Additionally, the plan includes setting up of 8 cold storage units and processing units for horticultural produce, developing animal products processing and value addition units, and creating modern markets with private participation. Moreover, the establishment of 100 forest products processing units in tribal areas, in collaboration with Tribal Cooperative Marketing Development Federation of India (TRIFED), will further promote the processing and promotion of forest products. The government is also keen on formulating a new policy to foster the growth of agro-processing industries.

Sector challenges

A large number of units in the food processing sector operate informally, with nearly 25 lakh units falling into this category, accounting for 74 per cent of employment in the sector. Most of these units, about 66 per cent, are in rural areas⁵⁶. To avail themselves of the benefits being offered by the state, these MSME entrepreneurs need to formalize their operations and gain recognition from the state government. Cluster development, streamlining registration process and raising awareness of registration are needed to address this issue. As per the latest estimate, the state has more than 47,00,000 MT of market surplus across essential fruits and vegetables but the capacity for processing and storage for most surplus produce is unavailable.⁵⁷ There is unavailability of basic infrastructure to set up MSME food-processing units in rural areas. The state also grapples with various gaps in the supply chain infrastructure (including inadequate primary processing, storage, and distribution facilities, limited connectivity between production and processing centers, seasonality of operations, and low-capacity utilization). Furthermore, dependence on agricultural produce market committee (APMC) markets, lack of emphasis on quality and safety standards, and insufficient focus on product development and innovation further contribute to the challenges in the sector.

Among the food processing MSMEs surveyed in the market study, 14 per cent have not registered on the Udyam portal. On an average, 6 per cent of the MSMEs rated the basic infrastructure of the KIADB industrial areas at average and below average levels. 18 per cent of the MSMEs in the sector still use manual machinery in production processes.

5. Automotive, Auto-components and Electric Vehicles

⁵² Agriculture in India: Information About Indian Agriculture & Its Importance, IBEF, 2023

⁵³ National Accounts Division, Central Statistics Office

⁵⁴ Annual Survey of Industries (ASI) for 2018-19

⁵⁵ NSSO 73rd Round, 2015-16

⁵⁶ NSSO 73rd Round, 2015-16

⁵⁷ USD 1 Trillion Economy Karnataka's Vision, FKCCI, March 2023

The automotive industry is a significant driver of the Indian economy, playing a key role in the country's manufacturing sector. India is a major player in the global automotive market, being the 2nd largest manufacturer of 2-wheelers, the largest manufacturer of 3-wheelers, and the 3rd largest manufacturer of passenger cars. The industry provides direct employment to over 42 lakh people and indirect employment to 2.65 crore people. It contributes to approximately half of the manufacturing GDP.⁵⁸ The Indian auto component industry accounts for 6 per cent of India's GDP and has a substantial export market worth USD 19 billion. In the financial year 2021-22, the auto component industry achieved its highest-ever turnover of USD 10 billion, with a remarkable growth rate of 33 percent.⁵⁹ The automotive market in India is rapidly growing and is projected to reach USD 300 billion by 2026. Furthermore, the auto components industry is expected to experience a 5-fold growth in exports in the next decade, and the automotive aftermarket segment is anticipated to reach USD 32 billion by 2026.⁶⁰

Karnataka holds the 4th position in automobile production in India and contributes to more than 8.5 per cent of the automobile GDP of the country. The automotive industry in Karnataka provides employment to over 55,000 workers and has a substantial local market with more than 17.87 million registered vehicles in the state.⁶¹ In addition to global OEMs, Karnataka's automotive component industry comprises numerous MSMEs that supply components to large automobile players and spare parts to the aftermarket segment. Auto clusters are located at Hoskote in Bengaluru Rural, Bidadi in Ramanagara, and Dharwad, while industrial valve clusters are found in the Hubballi-Dharwad belt and auto components clusters located in Shivamogga and Belagavi districts.⁶² Karnataka's government is actively driving the electric mobility initiative in the country, supporting MSMEs involved in component manufacturing, assembly line, charging equipment, and other services within the electric vehicle (EV) sector. Karnataka was the 1st Indian state to launch an electric vehicle and energy storage policy in 2017. The state has become a hub for electric vehicle innovation, housing more than 45 EV innovation start-ups, and being home to the first indigenously built electric car in India⁶³. Under the UDYAM portal, as of April 2023, around 2,347 MSMEs from Karnataka are registered under the automotive, auto-components, and electric vehicles sector, providing employment to more than 26,552 employees.

Sector challenges

The Indian automobile manufacturers, including those in Karnataka, heavily rely on imports for machinery and raw materials like semiconductors, which makes them vulnerable to global price fluctuations. Any increase in raw material or commodity prices, such as steel and copper, directly affect manufacturing costs and leads to higher automobile prices, ultimately impacting consumer demand. The automotive sector's workforce face skills gap, particularly in utilizing modern technology and industry trends like automation, 3D printing, and artificial intelligence. To boost productivity and to keep up with technological advancements, the workforce in Karnataka's automobile sector must continuously upskill themselves and drive the industry forward.

The MSME market study of the Automotive and Auto-components industry revealed that 6 per cent of the surveyed MSMEs are unaware of the industry 4.0 technologies like Automation and 3D printing. 36 per cent of the MSMEs in the sector face challenges in the knowledge and awareness of sector specific and digital technologies for production.

⁵⁸ Annual Report 2022-23, Department of Heavy Industries, Government of India

⁵⁹ Automotive Components Manufacturers Association of India

⁶⁰ Auto-components Sector, Invest India

⁶¹ USD 1 Trillion Economy Karnataka's Vision, FKCCI, March 2023

⁶² Karnataka Industrial Area Development Board

⁶³ Auto, Auto Components & Electric Vehicles – Invest Karnataka

6. Engineering and Machine Tools

The capital goods sector plays a crucial role in bolstering manufacturing activities by providing essential inputs, such as machinery and equipment. India's production of machine tools amounts to approximately INR 9,500 crores. However, the country also imports machine tools worth around INR 11,000 crores, while exports reach up to INR 1,300 crores. The domestic consumption stands at nearly INR 19,300 crores. The machine tools industry has displayed a steady growth rate of 8 to 9 per cent CAGR⁶⁴. This sector directly employs approximately 1.4 million people and indirectly provides employment to around 7 million individuals⁶⁵.

Karnataka stands out as a leading state in the machine tools industry, with Bengaluru alone contributing 60 per cent (in terms of value) of the country's machine tools production. It ranks as the 2nd highest producer of special purpose machinery and heavy electrical machinery in India. Karnataka's significance in the machine tool industry is further highlighted by the establishment of India's first integrated machine tool industry park, a joint venture between the Department of Heavy Industries, Government of India, and the Government of Karnataka, situated in Tumakuru district⁶⁶. Additionally, the state houses 1 of the 5 identified foundry clusters in the country and excels in manufacturing high-value machinery. The foundry cluster in Belagavi is unique, with the capacity to reclaim 10,000 tons of sand per month. The presence of an advanced machine tool testing facility (ANTTF) at the Central Manufacturing Technology Institute (CMTI) in Bengaluru, along with a highly skilled workforce further enhances the ecosystem for engineering manufacturing. Despite the challenges posed by the COVID-19 pandemic, the machinery sector has displayed resilience, with significant growth of 12 per cent over the past 5 years and an impressive year-on-year growth of 30 per cent in the financial year 2021-22⁶⁷. Under the UDYAM portal, as of April 2023, around 26,774 MSMEs from Karnataka are registered under the machinery sector, providing employment to more than 2,46,703 employees.

Sector Challenges

India heavily relies on imports for subsystems like computerized numerical control (CNC) systems, ball screws, and linear motion (LM) guides. Karnataka possesses the potential to establish local manufacturing centers for these tools and reduce dependency on imports; warranting a need for establishment of clusters focused on the iron and steel product industry around iron ore production areas such as Bellary and neighboring regions like Raichur, Koppal, Chitradurga. Partnering with domestic technology firms can lead to the incorporation of the internet of things (IoT) based assembly-line and distribution productivity enhancements such as digital twins and analytics-based process automation chatbots, ultimately improving operational efficiency across key metrics like yield, quality, and cycle time.

The MSME market study revealed that only 34 per cent of the MSMEs in the sector use domestic machinery. Awareness about industry 4.0 technologies like Internet of Things is as low as 74 per cent of the total MSMEs in the sector. 6 per cent of the MSMEs in the sector rated the Common Facility Centres at average and below average levels.

7. Pharmaceuticals & Medical Devices

India holds the 3rd position in pharmaceutical production by volume, demonstrating a commendable CAGR of 9.43 per cent over the past 9 years. India is a global leader in providing generic medicines,

⁶⁴ USD 1 Trillion Economy Karnataka's Vision, FKCCI, March 2023

⁶⁵ National Capital Goods Policy, Department of Heavy Industry, Government of India

⁶⁶ Karnataka Industrial Policy 2020-25

⁶⁷ USD 1 Trillion Economy Karnataka's Vision, FKCCI, March 2023

accounting for a 20 per cent share in the global supply by volume⁶⁸. During FY 2021-22, the total annual turnover of pharmaceuticals reached USD 42.3 billion, with exports amounting to USD 2.9 million⁶⁹. The country boasts the highest number of US-FDA compliant pharmaceutical plants outside the USA and houses over 3,000 pharmaceutical companies, supported by a robust network of more than 10,500 manufacturing facilities and a highly skilled resource pool. Notably, India contributes to 60 percent of global vaccine production. Forecasts indicate that the annual turnover is expected to surpass USD 130 billion by 2030⁷⁰. In terms of the medical devices market, India stands as the 4th largest in Asia, after Japan, China, and South Korea, and ranks among the top 20 global medical devices markets. The Indian medical device market holds an estimated share of 1.65 per cent in the global market and is the fastest-growing medical devices market among emerging economies, with an estimated market size of USD 11 billion. Projections indicate that it is expected to reach USD 50 billion by 2030. Over the last 5 years, the export of medical devices sector has grown at a CAGR of 9.37 percent, and by 2025, the expected export of medical devices is anticipated to reach approximately USD 10 billion.⁷¹ There are more than 250 MedTech startups in India that work on developing more than 6,000 types of medical devices.⁷²

Within Karnataka, the pharmaceutical sector has displayed remarkable growth at a CAGR of 24 per cent, outperforming the national growth rate. The state contributes to more than 9 per cent of the national turnover in the pharmaceutical sector and 6 per cent to the country's pharmaceutical output, with a turnover of around USD 2 billion. The high quality of manufacturing in Karnataka is evident as over 40 per cent of the production is exported. The state houses more than 250 drug manufacturing units and 25 approved laboratories, providing direct employment to over 25,000 people and indirect employment to over 50,000 people.⁷³ As of April 2023, Under the Udyam portal, around 3,079 MSMEs from Karnataka are registered under the pharmaceuticals & medical devices sector, providing employment to more than 41,425 employees.

Sector challenges

Human capital development programs are needed to foster capability building among employees, as there is a shortage of 16,959 personnel in the state, including medical officers, pharmacists, laboratory technicians, and multiskilled group workers⁷⁴. Expanding training facilities is imperative to address this shortfall. Additionally, establishing incubation centers for research and promoting cross-country working groups can boost pharmaceutical-related research and drug production.

In the MSME market study conducted across the state, 12 per cent of the MSMEs involved in Pharmaceutical and Medicinal Devices sector complained that the conditions of basic infrastructure at KIADB and KSSIDC industrial areas are average or below average.

8. Logistics

The logistics sector in India is a major contributor to the economy, accounting for about 14 per cent of GDP⁷⁵. From being transport and storage driven, the sector has evolved to being specialized covering

⁶⁸ Pharmaceuticals sector, Invest India

⁶⁹ Annual Report 2022-23, Department of Pharmaceuticals, Government of India

⁷⁰ Pharmaceuticals sector, Invest India

⁷¹ Medicinal Devices Sector, Department of Pharmaceuticals, Government of India

⁷² Annual Report 2022-23, Department of Pharmaceuticals, Government of India

⁷³ Sector Profile – Drugs and Pharmaceuticals, Invest Karnataka

⁷⁴ USD 1 Trillion Economy Karnataka's Vision, FKCCI, March 2023

⁷⁵ Economic survey 2021

end to end management of goods, value added services to delivery, among others. The Indian logistics market is expected to grow at 10-12 per cent CAGR from FY 21 to FY25⁷⁶. Roads forms the major component of the sector, followed by railways, water and air⁷⁷. Currently, Karnataka stands 4th among States that are leading logistic hubs in the country⁷⁸. The State has identified logistics as an important service sector and has created a logistics division. The Karnataka Industrial Policy 2020 - 2025 has also identified logistics as a key focus sector. As of April 2023, there are 80,804 MSMEs registered on the UDYAM portal under the logistics sector in Karnataka, providing employment to 6,96,496 employees.

Sector challenges

One of the significant challenges faced by the logistics industry is inadequate infrastructure. Roads, ports, and airports are often overcrowded and poorly maintained, leading to delays and higher costs. Higher logistics costs lead to lower level of competition and efficiency. Development of infrastructure, R & D Centre, training, and testing centres are required to augment the logistics sector and growth of exports⁷⁹. Further, manpower plays a significant role in logistics. The sector needs skilled manpower and shortage of drivers is a challenge. Furthermore, slow adoption of automation slows down the progress of the sector further. Adoption of technological advancements like RFID, tracking, warehouse management system, etc. can resolve the issues.

The MSME market study revealed that 15 per cent of the surveyed MSMEs from the logistics sector are unaware of the Udyam registration portal. 24 per cent of the respondents from the logistics sector have delayed payments from Central and State PSUs and from private buyers.

9. Electronics

The Indian electronics industry is experiencing rapid growth and is poised to become a significant player in the global market. India is expected to achieve a USD 1 trillion digital economy by FY26. At present, the electronics market in India is valued at USD 140 billion, with domestic production accounting for 62 per cent of it. The country's domestic production is projected to reach USD 300 billion by FY26, displaying a remarkable CAGR of 15 percent in FY22. Furthermore, India's electronics export is anticipated to reach USD 120 billion by FY26, with a growth rate of 22 per cent in electronic goods exports⁸⁰. This has the potential to make electronics as India's top 3 export category by 2025 -26. The contribution of domestic production value of electronics to Indian GDP is currently about 2.7 per cent, which is estimated to increase to 4.7 percent by the financial year 2026⁸¹. The Indian semiconductor market was valued at USD 27.2 billion in 2021 and is expected to reach USD 64 billion in 2026.

Aligned with the national vision, Karnataka has been a leader in enabling India to achieve its electronics manufacturing target, in terms of investments and exports. Karnataka contributes to 10% of India's electronic industrial output. The State's national share is 40% in electronic design and 50% in electronic product companies. Karnataka stands as the preferred destination for investment in electronic system design and manufacturing (ESDM) in the country. It is the 2nd largest chip design hub in India, housing more than 85 chip designing houses and employing over 3,000 skilled professionals. The state is also

⁷⁶ The Logistics and Warehousing Market in India, KPMG, October 2022

⁷⁷ Logistics on the cusp of a transformation, Motilal Oswal, October 2021;

⁷⁸ Government of Karnataka Industrial Policy 2020-25

⁷⁹ Government of Karnataka Industrial Policy 2020-25

⁸⁰ Electronic Components Manufacturing, Invest India

⁸¹ Contribution of electronics domestic production to GDP India FY 2017-2026, Statista

the 4th largest producer of ESDM, contributing 10 per cent to the national output⁸². Karnataka has achieved an impressive CAGR of 18 per cent during 2008-13 in this sector, creating numerous opportunities for livelihoods and attracting tech-savvy entrepreneurs⁸³. It has created approximately 21 lakh jobs in Bengaluru alone to this date⁸⁴. Karnataka is also home to ESDM clusters at Bengaluru, Mysuru and a proposed upcoming cluster in Dharwad. With such a strong base of R&D and innovation, Karnataka currently stands ready to further expand into electronics manufacturing and to bring in more investments into the State, especially in Tier 1 manufacturing.

Under the UDYAM portal of MoMSME, as of April 2023, around 2,414 MSMEs from Karnataka are registered under the electronics sector, providing employment to approximately 30,409 people. The state government's key budget announcements for FY 2023-24 include the development of a Technology Innovation Park in 100 acres of land at Kadugodi in Bengaluru. This park will cater to testing, design, innovation, research, and development of semiconductors, in addition to housing a technical research institute.

Sector challenges

Despite the rapid growth in the electronics sector, there are certain challenges that need to be addressed. Karnataka has immense scope for improvement in manufacturing of high value add electronics components. Like India's position in the electronics value chain, currently, the State's industry presence is largely dominated by manufacturing of electronic components like integrated and printed circuits, passive IC components and electrical components like insulators, wires and cables, accessories, and electronic sub-assemblies. While technology development for high value add products is being observed, the presence of Tier 1 manufacturing and Original Equipment Manufacturers ("OEMs") and Lead Firms is at a nascent stage. There is a need to support efforts by creating plug-and-play cluster zones around established OEM and large industry setups. The sector also requires more incubators to facilitate further growth. It is essential to establish a strong link between the commercialization of technologies in academic, technical, and the R&D institutions. Moreover, there is a need to develop a skilled human capital that understands the deep technology needs of the industry. Marketing the Karnataka electronics brand globally and strengthening relationships with ESDM industry associations will attract overseas investments. The manufacturers of smartphones and smart devices are adopting advanced nanotechnology in their manufacturing process to keep up with the trend of making devices smaller and more efficient. The manufacturing process often involves micro dispensing technologies that require precise amounts of adhesive and silicones and shortages of these materials can pose challenges to the industry. Heavy reliance on imports for parts makes finished goods expensive and vulnerable to global price fluctuations. Additionally, there is a lack of skilled workers having the knowledge of producing sophisticated and complex parts, which hinders the sector's progress.

Electronics sector surveyed in the market study, only 25 per cent of the MSME units are empaneled with Original Equipment Manufacturer (OEMs). 38 per cent of the MSMEs in the sector rated their experience in ease in applying, documentation, and time taken for credit disbursement of central and state schemes as poor. The sector wise challenges analyzed from the Karnataka Market study of 4007 MSMEs across 16 districts is mentioned in Table 23 below.

⁸² Keynote address of the Principal Secretary, Commerce and Industries Department at Industry Interaction and Stakeholder Consultation on ESDM sector at Karnataka Udyog Mitra, Bengaluru, 2019

⁸³ ESDM Report, Government of Karnataka, Invest Karnataka, 2016

⁸⁴ Karnataka ESDM Policy 2017–22

Table 23: Sector wise challenges analyzed from the Karnataka market study.

NIC Code	Sector Name	Constraints
1	Agro based activities and machinery	1) 18 per cent of the MSMEs in the sector avail debt financing from informal credit market 2) 31 per cent of the MSMEs in the sector have pending payments
10	Food Processing	1) 6 per cent of the MSMEs rated the basic infrastructure of the KIADB industrial areas at average and below average levels 2) 18 per cent of the MSMEs in the sector still use manual machinery in production processes.
13	Textiles	1) 75 per cent of the MSMEs have not availed financial assistance under any state and central schemes 2) Inadequate support for exports
14	Apparel & Leather Products	1) 75 per cent of the MSMEs have not availed financial assistance under any state and central schemes 2) Inadequate support for exports
28	Machinery & Equipment (General purpose, metal, and fabricated metal, electrical, textile, apparel and leather, mining, printing, transport)	1) The market study revealed that only 34 per cent of the MSMEs in the sector use domestic machinery 2) Awareness about industry 4.0 technologies like Internet of Things is as low as 74 per cent of the total MSMEs in the sector
30	Aerospace & Defence	1) 27 per cent of the employees have Inefficient levels of skills like production planning and managerial skills 2) 24 per cent of the MSMEs complained about complexities in documentation and departmental clearances
63	IT & ITES	1) 53 per cent of the MSMEs in the sector face challenges in access to market 2) 37 per cent of the MSMEs in the sector complained about limited availability of working capital products
26	Electronics	1) only 25 per cent of the MSME units are empaneled with Original Equipment Manufacturer (OEMs) 2) 38 per cent of the MSMEs in the sector rated their experience in ease in applying, documentation, and time taken for credit disbursement of central schemes as poor
5	Mining	1) 71 per cent of the MSMEs have availed financial assistance under any central government scheme, but less than 35 per cent of the units have availed financial assistance under any state scheme
35	Energy	1) 29 per cent of the respondents in the sector stated that they face regulatory constraints in doing business 2) More than 38 per cent of the MSMEs take at least 5 days and 2-8 weeks for departmental clearances

NIC Code	Sector Name	Constraints
41	Construction	1) 21 per cent of the units are unaware of the LEAN manufacturing techniques 2) 21 per cent of the MSMEs haven't availed assistance under any state government scheme
20	Chemicals	1) Only 33 per cent of the MSMEs are involved in exports 2) Only 12 per cent of the MSMEs in the sector have ZED certifications
85	Education	1) 34 per cent of the MSMEs lack the knowledge and awareness on new-age sector skills 2) 19 per cent of the MSMEs have stated that there is limited availability of business service providers like CA, technical consultants at district level
18	Printing	1) Majority of the MSMEs feel that there is limited availability of serviced industrial land and core public infrastructure like power, water, roads, common facility centres 2) 75 per cent of the MSMEs feel there is lack of capital or incentives to train workers or invest in skill development
55	Tourism & Hospitality	1) 33 per cent of the MSMEs in tourism hospitality sector surveyed in the market study need financial assistance for the adoption of innovative technology including digitization 2) Around 40 per cent of the MSMEs in the sector have not availed financial assistance under any central or state scheme.
61	Telecommunication	1) 63 per cent of the MSMEs have a lack of confidence to adopt new technologies 2) 62 per cent of the respondents stated that procedures pertaining to application submission, payments, inspections, final approval certificates are time-consuming
49	Logistics	1) 15 per cent of the MSMEs are unaware of the Udyam registration portal 2) 24 per cent of the respondents have delayed payments from various stakeholders
16	Wood & Allied Products including Furniture	1) 16 per cent of the units stated that their experience in applying and documentation of central and state schemes as poor 2) 51 per cent of the units are not aware of the benefits of implementing sustainability measures
24	Metals & Fabricated Metal Products	1) 36 per cent of the MSMEs are unaware of the Sampark portal 2) 24 per cent of the MSMEs lack basic skills like process planning
29	Automotive and Auto Components	1) 6 per cent of the surveyed MSMEs are unaware of the industry 4.0 technologies like Automation and 3D printing 2) 36 per cent of the MSMEs in the sector face challenges in

NIC Code	Sector Name	Constraints
		the knowledge and awareness of sector specific and digital technologies for production
21	Pharmaceuticals & Medical Devices	1) 12 per cent of the MSMEs involved in Pharmaceutical and Medicinal Devices sector complained that the conditions of basic infrastructure at KIADB and KSSIDC industrial areas are average or below average
23	Non-Metallic Mineral Products	1) Only 11 per cent of the respondents are involved in exports 2) 19 per cent of the MSMEs stated that credit disbursement is too much delayed under CMEGP
17	Paper and Paper Products	1) 49 per cent of the MSMEs do not have the relevant expertise to implement sustainability measures
22	Rubber and Plastic products	1) 60 per cent of the MSMEs face challenges in access to market 2) 20 per cent of the respondents are unaware of the Credit Linked Capital Subsidy & Technology upgradation Scheme
32	Toys	1) 19 per cent of MSMEs in the toys sector lack basic skills like production planning and packaging 2) 4 per cent of the surveyed MSMEs in the sector not registered on the Udyam portal and 19 per cent of the MSMEs unaware of the Udyam assist portal
32	Jewelry	1) All the MSMEs surveyed in the sector are unaware of the LEAN manufacturing techniques 2) No MSME has availed financial assistance under Credit Linked Capital Subsidy & Technology upgradation Scheme
77	Services (Financial, Healthcare, Legal and Accounting, Real Estate, R&D)	1) 15 per cent of the MSMEs rated the infrastructure at Common Facility centres as average or below average 2) 8 per cent of the MSMEs reported that their employees lack communication skills required for management and marketing
45	Trading	1) 27 per cent of the MSMEs lack LEAN manufacturing techniques like minimizing inventory 2) 21 per cent of the MSMEs lack awareness and knowledge on use and benefits on sustainable practices

4.3. Geography specific constraints

The geographic specific challenges identified from the Karnataka Market study for 4007 MSMEs across 16 districts is mentioned in Table 24 below.

Table 24: Geographical specific challenges in district of state

SN	Name of the District/ Geographical cluster	Challenges/ constraints
1.	Bagalkote	1) 55 per cent of the respondents stated that a lack of knowledge on the new age sector skills is the reason behind their employees lacking the required skills
2.	Bengaluru Rural	2) 36 per cent of the respondents stated that their employees have insufficient soft skills, especially in aspects like communication and team development
3.	Bengaluru Urban	3) 31 per cent of the respondents stated that their employees have insufficient skills, especially in aspects like process planning and marketing
4.	Belagavi	4) On an average, 23 per cent of the employees are women in the MSMEs that were surveyed in the market study
5.	Bellary	5) 51 per cent of the surveyed MSMEs do not have a single woman employee
6.	Bidar	6) 65 per cent of the survey respondents feel there is limited availability of business service providers at district level
7.	Chamarajanagar	7) 63 per cent of the MSMEs lack the information and awareness on the availability of technical and business service provisions
8.	Chikkaballapura	8) 50 per cent of the MSMEs feel that linkages with private, technical, and business service providers needs to be strengthened
9.	Chikmagalur	9) 25 per cent of the MSMEs rated the experience of availing business development services to average and below average levels
10.	Chitradurga	10) More than 60 per cent of the respondents have not availed aid under any central or state scheme for adopting sustainability practices
11.	Dakshina Kannada	11) 49 per cent are unaware of the benefits of implementing sustainability measures and 19 per cent of the units stated that there is a need for adequate awareness about the green financial instruments
12.	Davanagere	
13.	Dharwad	
14.	Gadag	
15.	Hassan	
16.	Haveri	
17.	Kalaburagi	

SN	Name of the District/ Geographical cluster	Challenges/ constraints
18	Kodagu	<p>12) 56 per cent of the MSMEs stated that there is a lack of knowledge and awareness of sector specific and digital technologies for production</p> <p>13) 20 per cent of the MSMEs are unaware of the various Industry 4.0 technologies</p> <p>14) 55 per cent of the respondents are not aware of Technology Upgradation Scheme for availing financial assistance</p> <p>15) 65 per cent of the MSMEs lack the knowledge and awareness on potential markets, 74 per cent of the MSMEs have not registered under GeM portal and 77 per cent have not registered under the ONDC platform</p> <p>16) 46 per cent of the respondents stated that there is limited adoption of quality control standards and certifications, only 707 out of the 4007 MSMEs have ZED certifications</p> <p>17) 52 per cent of the respondents feel that existing mechanisms for dispute resolution are cumbersome, expensive, ineffective, and slow</p> <p>18) 43 per cent of the respondents stated that it took 60 to 120 days to resolve a single dispute</p> <p>19) 64 per cent of the respondents rely on debt financing for capital, but 51 per cent of them face challenges in availing credit from Non-Banking Financial Companies</p> <p>20) More than 58 per cent of MSMEs face challenges in providing collateral for MSME loans and feel documentation is very cumbersome, unclear, and complex</p> <p>21) Only 44 per cent of the respondents are aware of the TReDS platform and 77 per cent of the MSME units have less than 50 per cent or no buyers registered on TReDS platform</p> <p>22) 78 per cent of the MSMEs indicated that adequate maintenance of core public infrastructure like power, water, roads, and Common Facility Centres is required</p> <p>23) 19 per cent of the respondents are unaware of Udyam portal and 23 per cent are not registered under the portal</p> <p>24) 40 per cent of the surveyed SME units are not aware of the single window mechanism e-Udyami</p>
19	Kolar	
20	Koppal	
21	Mandya	
22	Mysore	
23	Raichur	
24	Ramnagar	
25	Shivamogga	
26	Tumakuru	
27	Udupi	
28	Uttar Kannada	
29	Vijayanagara	
30	Vijayapur	
31	Yadgir	

05

Key gaps in MSME support, policy development and delivery



5. Key gaps in MSME support, policy development and delivery

MSMEs require the support of various stakeholders during their business lifecycle consisting of State institutions, agencies, and private players. MSMEs are supported by government agencies for policy and regulatory framework, technological assistance, incentives/subsidies, loans, logistics & warehousing, marketing, quality assurance, skill development, talent acquisition etc. Therefore, with an aim to foster a dynamic MSME ecosystem in the state and increase the competitiveness of the MSME sector it is necessary to understand the key gaps that exist in providing support services to MSMEs.

5.1 Mapping of the Institutions and Agencies in the State for MSME development - Includes other Departments in the State related directly or indirectly to MSME development; District Industry Centers; agencies working on MSME development etc.

a) Key State Institutes and Agencies for MSME development

The key State institutes and agencies play a crucial role in fostering the growth and sustainability of MSMEs by developing strong forward and backward linkages across areas such as access to finance, business development services, technology adoption assistance, skilling, market access facilitation, policy advocacy, and networking opportunities helping MSMEs enhance their capabilities. Through policy advocacy, the State agencies address regulatory barriers and promote entrepreneurship-friendly policies. Furthermore, agencies facilitate networking and matchmaking and collaboration among MSMEs, industry associations, and research institutions, fostering knowledge sharing and partnership opportunities. Their efforts drive the growth and development of MSMEs in state. Through the state institutes and agencies MSMEs can establish direct communication channels and stay informed about MSME schemes, programs, and policy changes taking place in the sector.

Karnataka's holistic MSME ecosystem comprising of key State Institutes and Agencies providing support across key areas such as: Infrastructure, Skilling and Training, Finance, Technology, Regulatory and Institutional support is listed in Figure 95 below.

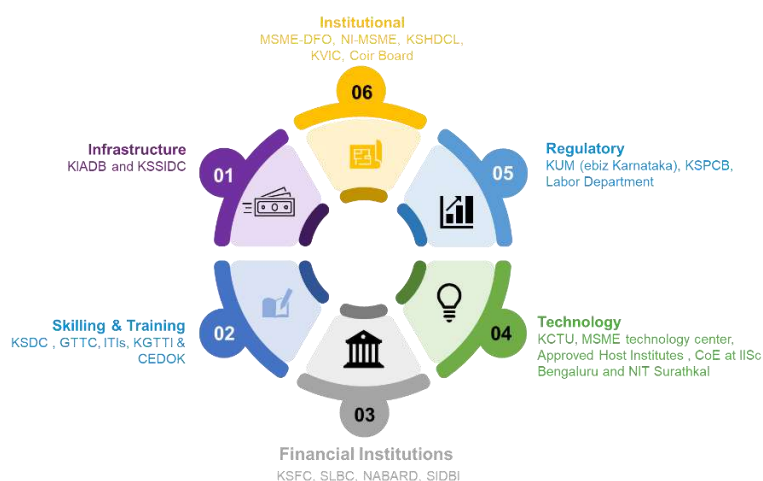


Figure 95: Key State Institutes and Agencies providing support to MSMEs.

1. Infrastructure:

Infrastructure is an indispensable input in an enterprise's value chain and has potential to create spillover benefits across processes like production, consumption, and distribution of the products. Hence, it is critical for the government to ensure MSMEs have access to all types of infrastructural facilities like transport (railways, waterways, roadways, and airways), proper channels of telecommunication, adequate supply of power and other supporting facilities like tool rooms, testing labs, design centres, etc. The Government of Karnataka is focused on leveraging the existing central government schemes in addition to supporting other infrastructure development programs focused on MSMEs through its two apex government agencies i.e., the Karnataka Industrial Areas Development Board (KIADB) and the Karnataka Small Scale Industries Development Corporation (KSSIDC) that provide infrastructure support to MSMEs in Karnataka.

Both KIADB and KSSIDC play an important role in the development of MSMEs in Karnataka. KIADB is committed to promoting industrial development in Karnataka and is working to create a conducive environment for MSME businesses to thrive by providing a range of support services to help MSMEs grow and succeed. KIADB has developed 170 Industrial Areas spread over 82,289 acres across the State and has allotted to over 20,188 units. KIADB has also acquired 74,727 acres of land in favor of 483 units under SUC scheme. KIADB has 25,820 plots in the state out of 18,623 are allotted. KSSIDC a government-owned corporation was established in 1972 to promote and develop small-scale industries in the state of Karnataka. KSSIDC provides a variety of services to small-scale entrepreneurs. It has allotted Industrial Sheds/ Plots to 13,793 units in its 190 industrial estates across the State. The State also has 38 Operational Special Economic Zones⁸⁵

2. Skilling and Training:

While vocational skilling is a major challenge for MSMEs, MSMEs have neither the incentive nor the necessary fiscal/human capital or scale to train workers. Therefore, to provide access to skilled manpower to MSMEs, developing and implementing a vocational demand-driven skill development program for MSMEs is essential comprising of creating linkages between clusters and ITIs, polytechnics, technology centres, training institutes etc. and development of customized training programs for MSMEs.

Under the aegis of Skill Development, Entrepreneurship and Livelihood Department, Government of Karnataka, The Karnataka Skill Development Corporation (KSDC), Government Tool Room and Training Centre (GTTC), Department of Industrial Training and Employment, Karnataka German Technical Training Institute (KGTTI), Centre for Entrepreneurship Development of Karnataka (CEDOK) are all government-run organizations that play an important role in providing demand driven vocational skilling and training opportunities to MSMEs in Karnataka. KSDC is the apex institution for short-term vocational training in Karnataka. KSDC trains more than 60,000 students annually under the State Government's flagship scheme for skill development - Chief Minister's Kaushalya Karnataka Yojane (CMKKY). With District Skill Development Offices in every district and a network of 800+ accredited private (incl. industries) and government training partners, KSDC offers National Skills Qualification Framework (NSQF) aligned courses in various sectors such as capital goods, iron & steel, automotive, IT, logistics, BFSI, agriculture and so on. These short-term courses range from 200 to 500 hours, depending on the job role. Under CMKKY, KSDC reimburses the operational expenses incurred by the accredited training partner on a 'per hour per trainee' basis in adherence to the national common cost norms. Currently KSDC is implementing various initiatives to scale and accelerate the growth of MSMEs in the state viz. skill demand survey, Karnataka skill connect portal, industry linkage cell, decentralization for demand-driven skilling through District Skill Committees, etc.

⁸⁵ Karnataka Industrial Policy 2020, Government of Karnataka

UDYOGA Industry 4.0 upgraded is an initiative heralded by the Department of Industrial Training and Employment wherein 150 government Industrial Training Institutes (ITIs) have been upgraded through the setting up of uniform and standard infrastructure and workshops across Karnataka in association with an industry consortium led by TATA Technologies. One of the aims of the UDYOGA scheme is to facilitate the adoption of Industry 4.0 technologies by industries. GTTC provides training in various engineering and technical disciplines and has 35 technical training centers all around the state. CEDOK has a wide range of classroom programs comprising of entrepreneurship awareness program, entrepreneurship development program, sector specific entrepreneurship development program and management development program. These programs are aimed at creating opportunities to sharpen entrepreneurial competencies in the state. Karnataka German Multi Skill Development Centre (KGMSDC), a Society promoted by Government of India and Government of Karnataka with technical support of German International Services (GIZ-IS) has set up Karnataka German Technical Training Institute (KGTTI) having centers at Bengaluru and Kalaburagi. The centres conduct broad based multidisciplinary vocational training in various industrial technical fields such as industrial automation, welding technology, automobile technology, manufacturing technology, etc.

3. Financial Institutions:

MSMEs often have limited access to finance and no access to hybrid or alternative debt and equity options. In order to facilitate access to finance to MSMEs, key apex financial institutions like Karnataka State Financial Corporation (KSFC), State Level Bankers' Committee (SLBC), National Bank for Agriculture and Rural Development (NABARD) and Small Industries Development Bank of India (SIDBI) play an important role in providing access to capital through loan and credit facilities helping MSMEs in their businesses, expand operation and meet working capital expenses. These financial institutions regularly conduct awareness sessions at district level for sensitization on central and state government schemes focused on providing credit lines for MSMEs, supports capacity building of MSMEs on financial literacy, record keeping/ accounting, product costing and managing financial viability. SLBC plays a key role regarding sensitization of bankers to the needs and requirements of MSMEs.

4. Technology:

Digitization, innovations, and emerging technologies have been disrupting businesses across industries at an increasing rate. With an increasing number and variety of use cases for technology, a new world order is emerging that is changing the way MSMEs operate. Karnataka Centre for Technological Upgradation (KCTU) assists and facilitates MSMEs for obtaining technology transfer, quality certifications and runs workshops and seminars for SME entrepreneurs to increase awareness for adoption of new technologies. The State Industrial Policy 2020 offers incentives to MSMEs for upgradation of existing technologies and installation of new technologies, quality certifications, and installation of new technologies for cleaner environment-friendly production. KCTU under the MSE-CDP scheme advises the clusters on the adoption of latest state of the art technologies at the Common Facility Centres. Currently, under the MSME Champion Scheme (Incubation) there are four approved host institutes in Karnataka viz. Reva University, Ambedkar University, Bengaluru Bio Innovation Centre, and the MSME Centre of Excellence at Indian Institute of Science (IISc) running incubation programs for MSMEs to promote adoption of latest technologies and enable MSMEs tide-over the problem of technological backwardness and enhance their access to new technologies. With a common objective of creating new product verticals for MSME sector and to assist them in their product design and development, a MSME Centre of Excellence has been set-up at Indian Institute of Science, Bengaluru, and National Institute of Technology Surathkal Mangalore. The state is also home to renowned technology institutes like Central Manufacturing Technology Institution (CMTI), Central Food Technological Research Institute (CFTRI), Central Institute of Petrochemicals Engineering and Technology (CIPET), etc.

5. Institutional:

The Government of India has established several institutions to provide policy advocacy and support MSMEs, such as the Micro, Small and Medium Enterprises Development Facilitation Offices (MSME-DFO) having regional offices at Bengaluru, Hubballi, Gulbarga and Mangalore, the National Institute for Entrepreneurship and Small Business Development (NI-MSME), and the Khadi and Village Industries Commission (KVIC). These institutions provide MSMEs with a range of support, including access to information and resources, networking opportunities, and advocacy. By providing MSMEs with the resources and support, these institutions help MSMEs to overcome challenges and grow their businesses. Similarly, Government of Karnataka through institutions and corporations such as Karnataka State Industrial & Infrastructure Dev. Corp. Ltd. (KSIIDC), Karnataka State Women Development Corporation (KSWDC), Karnataka State Handicrafts Development Corporation (KSHDCL), Karnataka State Textile Infrastructure Dev. Corporation Ltd. Karnataka State Minerals Corporation Ltd.- Karnataka Handloom Dev. Corporation Ltd. Karnataka State Coir Development Corporation Ltd. implements various programmes/schemes for promoting the growth and development MSMEs in the State.

6. Regulatory:

Karnataka Udyog Mitra constituted under the aegis of the Commerce & Industries Department promotes and facilitates the entrepreneur through the entire business cycle right from pre-investment stage (pre-approval) to implementation stage (post approval of project) and to post implementation stage (renewals). Karnataka was the first State to bring out the Karnataka Industries (facilitation) Act, 2002 and constituted the Single Window Clearance Mechanism for District Level and State Level for approvals of all project proposals in the State. The Government of Karnataka has been successful in simplifying the procedures and fast tracking the approvals along with providing an effective entrepreneur facilitation for the entrepreneurs to seek clearances and approvals through the single window system. On the e-biz Karnataka, the single window portal for Karnataka 24-line departments have been integrated wherein the approvals/ clearances including their subsequent renewals for 67 services can be availed. The State and District Level Committees have been formed for single window clearance comprising of: a) District Level Single Window Clearance Committee (DLSWCC) headed by Deputy Commissioner, concerned district for granting approvals for projects up to INR 15 crores; b) State Level Single Window Clearance Committee (SLSWCC) headed by Hon'ble Minister Large & Medium Industries for granting approvals for projects above INR 15 crores and up to INR 500 Crores and c) State High Level Clearance Committee (SHLCC) headed by Hon'ble Chief Minister of Karnataka for granting approvals for projects above INR 500 Crores. In addition, more than 115 services have been brought under the purview of SAKALA or time-bound delivery.

b) District Industries Centre

Karnataka is home to 31 District Industries Centre (DIC) which play an integral role in strengthening the MSME ecosystem in the State. The DICs assist the entrepreneurs in every aspect of setting up an enterprise, starting from the concept planning to the postproduction stage including the application for licenses, subsidies, loans, etc. and for establishing better coordination with the stakeholder agencies and departments. The activities carried out by the DICs is as under:

- **Awareness programs about central and state schemes:** DICs organize awareness programs to sensitize MSMEs on central and state MSME schemes. They play a pivotal role in implementing various government schemes and programs aimed at promoting industrial development and MSME growth. They act as nodal agencies for schemes such as Prime Minister's Employment Generation Programme (PMEGP), and Skill Development Initiatives. DICs assist entrepreneurs in availing benefits under these schemes by providing guidance, documentation support, and monitoring the progress of projects.

- **Access to Credit Facilitation:** DICs aide MSMEs by facilitating MSMEs obtain loans from banks and other financial institutions. The activities of DICs comprises of facilitating loan applications, evaluating loan application, coordination with financial institutions, providing information on loan scheme, monitoring loan utilization, post loan assistance.
- **Support for MSMEs:** DICs are instrumental in providing support and assistance to MSMEs by offering a range of services including obtaining necessary licenses and permits, technical guidance, marketing support, and export promotion. DICs also facilitate participation in trade fairs, exhibitions, and buyer-seller meets to promote MSME products and create market linkages.
- **Regulatory Approvals & Clearances:** DICs assist MSMEs in providing guidance and support to entrepreneurs who are seeking regulatory approvals, reviewing, and approving applications for regulatory approvals, monitoring compliance with regulatory requirements, enforcing regulatory requirements etc.
- **Entrepreneurship Development:** DICs actively promote entrepreneurship by organizing training programs, workshops, and skill development initiatives. They help aspiring entrepreneurs understand the intricacies of starting and managing a business, providing them with the necessary knowledge and skills. DICs also offer guidance on business planning, market research, technology adoption, and project management, enabling individuals to transform their ideas into viable enterprises.

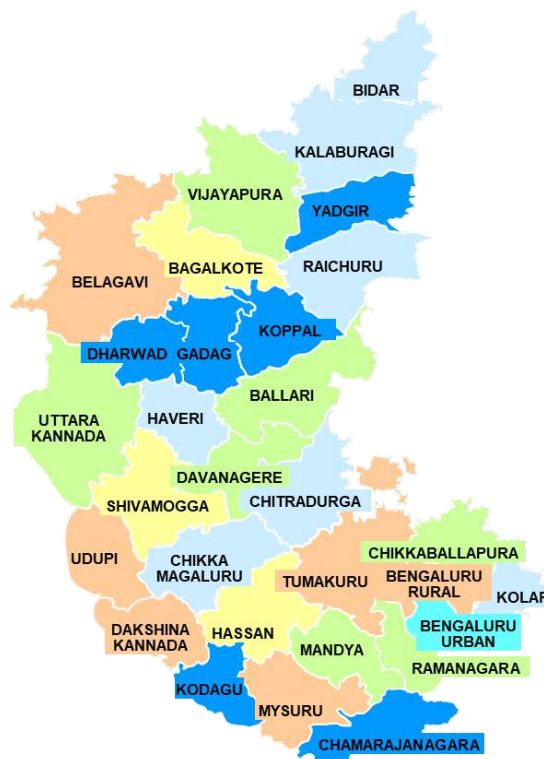


Figure 96: Karnataka district Map

5.2 Existing Capacity- Summary of existing capacity of Industries Department and DICs by functional areas and other key support agencies. [ex. Policy development, Programme delivery, M&E, data systems, environmental and social compliance, procurement]

Capacity building plays a crucial role in ensuring the effectiveness and efficiency of institutional mechanisms. It involves enhancing the knowledge, skills, and abilities of officers and state agencies to effectively carry out their roles and responsibilities. However, despite its importance, the Directorate/DIC's are facing several capacity gaps. These gaps arise from various factors such as limited resources, inadequate/timely skilling/reskilling/upskilling training programs, outdated technologies, and organizational structures that hinder innovation and growth. Identifying and addressing these capacity gaps is essential to enable the officers/staff to meet the evolving demands of their constituents and deliver quality services. By understanding these gaps, Directorate of MSME can develop targeted strategies and interventions to build the necessary capacities and drive positive change among various internal & external stakeholders/ line departments.

An assessment was carried out to study the key gaps in MSME support, policy development and delivery across the 31 District Industries Centre where the Joint Director (JD) of the DIC was the key respondent for the assessment. The assessment aimed at understanding the existing institutional structure at the DIC level and understand the current roles and responsibilities of the officers. The assessment revealed that more than 90 per cent of the respondents (~28 districts) feel that shortage of manpower is a common challenge faced at the DIC level and is also one among the top priority which needs to be addressed. The lack of timely recruitment process has resulted in shortage of technical manpower across functional areas in roles such as field level officers, extension officers at taluk level, administrative staffs etc. which has affected the day-to-day functioning at DIC level and increased the workload on the existing staff. Around 84 per cent of the respondents (~ 25 districts) have submitted that regular trainings for skilling, re-skilling and upskilling of officers/staff were hardly conducted and cross learning interdepartmental / line department trainings on ICT tools-e office, tally, MIS, upskilling training on financial and regulatory norms, induction training pertaining to land, taxation and other various mandatory compliances etc. were also not conducted regularly.

Due to these challenges/gaps officers/staffs at DIC level are lacking with essential capacities required to do regular activities such as updated information pertaining to various State/Central schemes on timely manner, access to upgraded ICT tools, updated reporting techniques, program management, handling various compliances, data mechanisms, etc. The Directorate of MSME would develop a capacity building plan aimed at implementing improvements in the existing organizational structure, the change in roles and responsibilities of the officers and conducting regular officer/staff level training programs on technical and soft skills and cross learning training programs with other line departments to increase information and knowledge dissemination on specific areas. The capacity building plan would address the following key gaps:

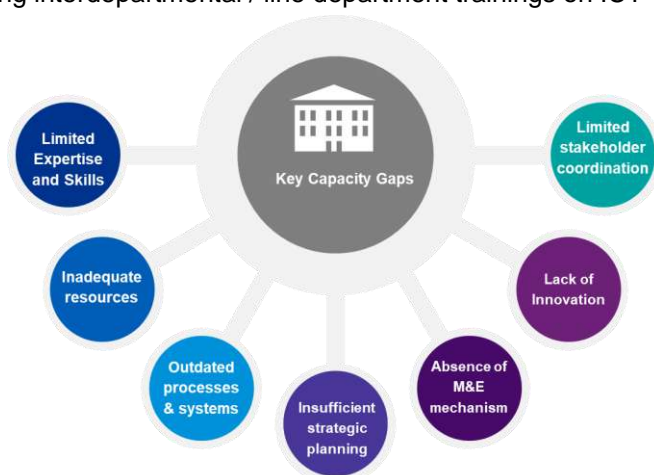


Figure 97: Key Capacity Gaps

- **Limited expertise and skills:** As per the assessment the major challenge being faced at DIC level is the shortage of skilled manpower to carry out the day-to-day functions effectively. The assessment also elaborated on lack of timely training programs conducted for staff/officers for skilling, upskilling & reskilling, and lack of collaboration between inter-departments for conducting cross learning training programs.
- **Inadequate resources:** The non- availability of dedicated funding allocation for conducting capacity building programs at DIC level has prevented from initiating training programs or hiring qualified external agencies to conduct these programs. This is hindering their ability to deliver services efficiently and meet the demands of the entrepreneurs.
- **Outdated processes and systems:** The day-to-day activities which are carried out at DIC level are still relied upon traditional/old processes and technologies, which can create inefficiencies and hinder ability to adapt to changing circumstances. Lack of modernization efforts can lead to bureaucratic bottlenecks, delays, and difficulties in accessing and utilizing data effectively.
- **Limited interdepartmental coordination:** Ineffective coordination and collaboration between line departments has resulted in capacity gaps, duplication of efforts, gaps in service delivery, and inadequate response to complex policy challenges that require a multi-sectoral approach.

- **Insufficient strategic planning:** A lack of long-term planning and predefined schedule / timeline for capacity building/ training/ skilling/reskilling and upskilling programs for officers/staff at DIC has resulted in lack of clear direction to address the traditional and systemic challenges leading to short-term thinking and lack of foresight in decision making.
- **Inadequate performance management and accountability mechanisms:** The absence of clear metrics, targets, and evaluation processes can hinder effective decision-making, resource allocation, and overall performance improvement. Without a robust monitoring and evaluation mechanism at the DIC level, Directorate of MSME is unable to review the performance of the DICs on a regular basis and suggest areas for improvement.

To address the above-mentioned gaps the Directorate of MSME would be introducing a capacity building plan comprising of two key programs: i) imparting skilling/re-skilling/up-skilling training to the officers of Directorate of MSME, District Industries Centres and other MSME support agencies, organizing exposure visits to anchor and vendor units ii) organizing workshops, developing training modules, and imparting training for cross learning between inter-departments which support MSME development and growth. The capacity building plan will include identification and partnerships with relevant public and private training institutions and development of training calendar, initiating the process to recruit/hire the required technical staff/ consultants. The effective interventions in capacity building program will enhance skills & knowledge among the officers/staffs/stakeholders and result in improved performance resulting in sustainable development.

5.3 Coordination mechanisms: Assessment of co-ordination mechanisms across State Institutions and Departments on the MSME development agenda.

Coordination mechanism is a process that helps different departments and agencies that support MSMEs to work together more effectively. Strong collaboration and coordination are essential for effectively monitoring the growth of MSMEs in the state. This can involve creating shared goals and objectives, developing communication channels, and establishing clear roles and responsibilities. To create a more MSMEs-friendly environment in the state, all key stakeholders should jointly work towards strengthening Karnataka's MSME ecosystem through a collaborative and an inclusive approach across the State.

Further, for stimulating the growth of MSMEs and to further increase the number of micro enterprises transitioning to small and small enterprises transitioning to medium enterprises there is a need for joined efforts by all the key MSME support institutions to come together in a unified platform to support MSMEs in their business lifecycle — right from providing funding at various stages, procurement, technology support, market linkages, skilling and training, etc. to facilitate the growth of the MSMEs.

Currently, there is limited integration and collective action towards developing the State MSME ecosystem between the Directorate of MSME and other line departments, central and state institutes, and agencies. There is a need to build a robust MSME framework comprising of key stakeholders to nurture and promote MSME ecosystem in the State and to provide insights and strategies for strengthening MSME support, leveraging government schemes for maximizing investments in the MSME sector, facilitation of credit flow to MSMEs, improving competitiveness of MSME, promotion of MSMEs through cluster-based approach, marketing support, promoting entrepreneurship, and implementing framework for supporting innovation, etc.

The existing co-ordination mechanism between Directorate of MSME and other line departments, central and state institutes and agencies was assessed based on the below mentioned key parameters viz. policy alignment, interdepartmental collaboration, information sharing, resource allocation, capacity building and stakeholder engagement.

- Policy Alignment:** A conducive policy environment is essential for MSMEs to grow and thrive. Karnataka has laid down the beneficial policy measures facilitating the growth of the MSME. A wide range of fiscal and policy incentives for businesses under Industrial Policy 2020, investor-friendly specific sector policies to promote industries such as IT, Biotechnology, Startups, Agriculture and Food Processing, Tourism, ESDM, Aerospace, Textile, Energy, Infrastructure. However, the current policy framework lacks convergence and synergy among various stakeholders to enhance MSME productivity. Coherent policymaking among various institutions and departments within the MSME sector is essential for decision-making. With an aim to bring together a comprehensive framework of strategies and actions for suitable adaptation and inclusion in the state level policies, **1st State MSME Policy** would be launched with a vision to propel the growth of MSMEs in the State by fostering a conducive climate for entrepreneurship, innovation, investments. The policy will aim at tapping the full growth potential of the MSMEs in the State by creating a robust policy environment by incentivizing the industry and by creating economic opportunities and significant trickle-down effects (multiplier effects), in supporting economic activity in allied industries/services through forward and backward linkages.



Figure 98: Key aspects to assess the coordination mechanism.

- Interdepartmental Collaboration:** Meetings were conducted with officials from the state agencies and departments that directly or indirectly support MSMEs in the state. It has been observed that there is a lack of inter-departmental co-ordination and collaboration due to different goals and objectives. Moreover, inter-departmental coordination is lacking due to the reluctance and resistance in sharing resources and information amongst each other. This poses a hurdle to the MSMEs which are seeking help when needed, causing a delay in receiving the full range of services available to them from the departments. To promote inter-departmental collaboration, Government would be creating a mechanism such as inter-agency task forces, MSME vision group, MSME councils, cross-departmental committees, and regular coordination meetings. These platforms will serve as avenues for communication, knowledge sharing, and joint decision-making among the departments. Developing a platform to create an integrated database for MSMEs will play a vital role in fostering a collaborative culture within the government bodies and will support promoting the growth of MSMEs in state.
- Information Sharing:** Currently, there is very limited inter-departmental information sharing. While there are challenges to information sharing, information is currently only shared on an ad hoc basis, as and when /needed. As information sharing is a critical factor in assessing the co-ordination mechanism between the state institutions and departments for development of MSMEs in the state, government aims to leverage the power of data through accessibility and re-usability of data for innovation and economic growth of MSMEs. The government's interdepartmental collaboration mechanisms will provide a foundation for making available large amounts of MSME data across verticals in a unified platform and enable new opportunities for key stakeholders to innovate and collaborate to boost MSME growth in the State.
- Resource Allocation:** There is a need to establish periodic reviews to assess the effectiveness of coordination mechanisms and make recommendations for changes. Co-ordination platforms could be used to bring together line departments and state agencies to discuss and plan for the MSME sector. These

mechanisms will enable sharing of information on resource allocation decisions, which will facilitate transparency, accountability, and learning across state institutions and departments.

- **Capacity Building:** Capacity building training programs are essential for the effective delivery of services to MSMEs. Currently, there are very limited cross learning capacity building development programs for driving relevant capacities across line departments and state institutions and agencies who work towards the development and promotion of MSMEs. Through these capacity building training programs, officers from different departments can share resources, knowledge, and expertise to help MSMEs to succeed. This necessitates the need to develop state level capacity building programs, workshops, seminars and cross-learning visits, etc. of key government officials across departments involved in implementation of MSME related schemes/programs.
- **Stakeholder Engagement:** To assess the stakeholder engagement and its impact on coordination, State MSME departments can evaluate the participation and representation of stakeholder in decision making processes, the level of satisfaction among stakeholders, and the extent to which stakeholder input are incorporated in the policies and initiatives. It can also measure the effectiveness of feedback mechanism and strengthen of relationships built with stakeholders.

5.4 Monitoring and Evaluation (M&E) systems: Assessment of existing M&E for State Government interventions in the MSME sector including MIS systems; tracking of inputs; outputs; outcomes for MSME interventions; availability of gender disaggregated data and data by other social groups etc.

Monitoring and evaluation (M&E) are an essential component of any development program, including those targeting micro, small, and medium enterprises (MSMEs). Government of Karnataka has initiated M&E practices for its line departments and are being implemented to assess the effectiveness and impact of the government programs. The State government has taken various initiatives and introduced interventions to encourage department to adopt M&E practices to aide in enhancing the effectiveness and establishing clear links between past, present, future interventions and results. Monitoring and evaluation can help the department to extract from past and ongoing activities, relevant information that can subsequently be used as the basis for programmatic fine-tuning, reorientation, and planning. The absence of a monitoring and evaluation framework/tools will hinder to assess the implementation of the projects regarding inputs, outputs, and the desired outcomes.

An assessment was carried out to study the key gaps in MSME support, policy development and delivery across the 31 District Industries Centre where the Joint Director (JD) of the DIC was the key respondent for the assessment. The assessment aimed at understanding the current monitoring and evaluation framework being adopted at the DIC level. From the assessment, it was inferred that the current mechanism for monitoring and evaluation regarding aggregated data for MSMEs, gender specific data, MSME scheme implementation data

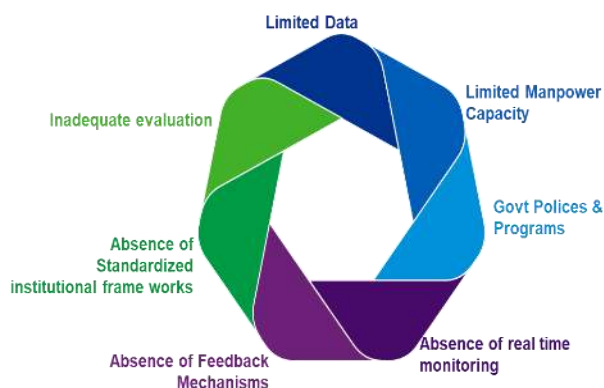


Figure 99 Factors affecting in absence of M&E

is not uniform across DICs and different data sources are being used to capture the district level MSME data. In the said assessment, it was noted that in all the 31 districts JD's opined that UDYAM portal is widely used at DIC level to capture MSME data at district level and apart from UDYAM, as per respondents the

data is also obtained from other sources. Among responded JD's of the respective district, 13 JD's responded that data is collated based on the applications submitted by the entrepreneurs received through single window clearance portal-eBiz Karnataka. Around 96 per cent of the respondents (~ 30 districts) informed that data is also collated based on the physical applications appraised through State level single window clearance committee (SLSWCC) and District level single window clearance committee (DLSWCC). And through this assessment it was observed that lack of uniformity is maintained in data compilation at district level. Most of the compiled data is saved/stored in physical document/files that shows the absence of a common unified digital/MIS system. In the absence of an MIS tracking system, the data is not regularly updated or monitored to assess output/outcomes of the program.

The current monitoring and evaluation followed by the Directorate of MSME/DIC is normally practiced only on need basis rather on regular intervals and these processes are conducted through external agencies/consultants. These agencies/consultants follow their unique techniques and there are no standard uniform methodologies that is followed to evaluate the impact of the programs. The absence of a dedicated M&E for MSMEs in the State has resulted in lacking readily availability of the data pertaining to scheme registration details, sector-wise distribution of MSMEs at district level, investment, employment, gender disaggregated data, & etc. The present M&E is only restricted to tracking of beneficiaries and is based only on registrations, funds released vs expenditures and not on performance of the entrepreneurs or based on desired output KPIs.

It has been felt necessary to establish and promote a centralized M&E driven mechanism for helping and promoting the State MSMEs and to address the following key gaps:

- **Limited data availability:** Access to accurate and comprehensive data based on DIC level details can be limited, making it difficult to monitor and evaluate the performance effectively. Incomplete or outdated data can hinder the identification of sector trends, challenges, and opportunities.
- **Inconsistent data collection methods:** The lack of standardized data collection methods/MIS system in place at district/DIC level and in department can lead to inconsistencies in data reporting. This can hinder the review and evaluation methods for analyzing MSME data at district level.
- **Lack of standardized institutional framework:** A well-defined institutional framework is essential for effective monitoring and evaluation. Currently, there is a lack of standardized institutional framework at the DIC level. There may be a need to strengthen the institutional capacity, coordination, and collaboration among relevant stakeholders responsible for DIC/State level monitoring and evaluation in Karnataka.
- **Limited Manpower capacity:** The availability of skilled human resources, particularly with expertise in M&E, is limited. The assessment revealed that more than 90 per cent of the respondents (~ 28 districts) feel that shortage of manpower and existing skill levels of the staff is one among the top challenges faced at the DIC level which has resulted in limited technical expertise to undertake monitoring and evaluation process.
- **Lack of real-time monitoring:** Many M&E activities are conducted on need basis and rely on periodic assessments and surveys, which may not capture real-time data. Real-time monitoring mechanisms, such as capturing data in uniformed MIS/digital platforms or systems, could provide more timely and accurate information on MSME performance and facilitate quicker decision-making.
- **Inadequate evaluation of government policies and programs:** Evaluating the impact and effectiveness/output vs outcome of government policies and programs targeting MSMEs is crucial for evidence-based decision-making. However, currently the evaluation of schemes and programs is limited, making it challenging to assess their outcomes and make necessary improvements.

- **Insufficient feedback mechanisms:** Due to the lack of communication channels to provide feedback, complex processes, lack of timely responses and limited options/platforms for collaboration at DIC level has led to inefficiencies and delays in decision making.

In the absence of a monitoring and evaluation mechanism, the Directorate of MSME is facing several challenges such as in-effective assessment of project progress, desired outcomes and impact created and there is unavailability of segregated data based on sector, export, gender, and social groups. The M&E is a critical component for policy formulation to get valuable insights and realistic data to make informed decision making, improve program performance and to ensure accountability. To address these challenges, it is crucial for Directorate of MSME to establish a robust M&E mechanism at the DIC level, by setting up of clear indicators, introducing standard operating procedures (SOP's), defining roles and responsibilities of the staff to ensure sustainable growth and development of MSMEs in the State.

5.5 Portals: Mapping existing State Government portals that deliver services to MSMEs and their current usage; assessment of these portals in delivering services and gaps if any;

The Government of Karnataka has been successful in simplifying the procedures and fast tracking the approvals along with providing an effective entrepreneur facilitation for the entrepreneurs in Karnataka through the single window system. Through ebiz Karnataka, the single window portal for Karnataka, the approvals/ clearances including their subsequent renewals, can be sought from more than 24-line departments (67 services). In addition, more than 115 services have been sought under the purview of SAKALA or time-bound delivery. However, the single window clearance system of the State still has several windows behind itself, which need to be further reduced. Majority of the line departments are still practicing offline procedures, individual department timelines, different payment procedures, time-consuming inter-departmental/intra-departmental coordination for approvals, etc. Though the single window portal is in place, the effectiveness of portal and mechanism lacks in terms of entrepreneur facilitation, integration with the concerned departments, efficient monitoring mechanism from entrepreneur's perspective regarding pendency and approval status of the requested services as well as department user for monitoring status of various applications and their status in officer's dashboard.

Currently, the Directorate of MSME under the aegis of Commerce and Industries Department is yet to establish a portal dedicated for MSMEs. The absence of a dedicated portal for MSMEs in the State has resulted in non-availability of information in a unified platform required by entrepreneurs pertaining to information on central and state schemes, financial institutions, regulatory compliances, preferential market access (procurement), infrastructure facilities, original equipment manufacturer/ anchor buyer connect, business service providers, technology centres, R&D and testing centres, skilling centres, quality control standards and certifications, etc.

It has been felt necessary to put up and promote a unified, robust, centralized technology driven platform for helping and promoting the State MSMEs and to address the following key gaps:

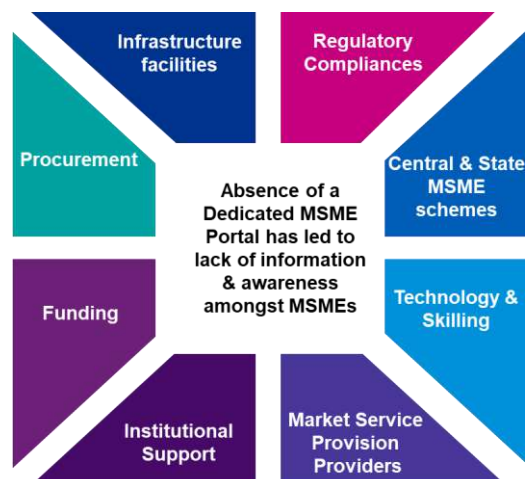


Figure 100: Key gaps due to the absence of a State MSME Portal

- **Limited access to information:** Without a dedicated MSME portal, it can be challenging for entrepreneurs to access important information and resources. This includes information on government schemes, funding opportunities, market trends, business support services, and regulatory guidelines. MSMEs may struggle to find relevant information and miss out on opportunities for growth and development.
- **Lack of interoperability and integration with National portals:** In the absence of a dedicated State MSME portal it's difficult to create awareness on the different scheme related national portals that are available for MSMEs, and this has resulted in a small proportionate of State MSMEs accessing the services from these portals.
- **Difficulty in networking and collaboration:** Entrepreneurs rely on networking and collaboration with other businesses and stakeholders for growth and success. However, the absence of a dedicated portal makes it harder to connect with potential partners, suppliers, customers, and industry experts. The lack of networking opportunities hinders the entrepreneur's ability to expand their business and tap into new markets.
- **Limited visibility and marketing opportunities:** Entrepreneurs struggle with marketing their products and services effectively, especially in a competitive business environment. A dedicated MSME portal could provide a platform for businesses to showcase their offerings, improve their visibility, and reach a wider audience.
- **Difficulty in accessing financial services:** Access to credit is a significant challenge for many entrepreneurs. A dedicated portal could provide information on financial institutions, loan programs, and other financial services tailored to their needs. Absence of dedicated portal, entrepreneurs may face difficulties in finding suitable financing options and may have to rely on informal sources, limiting their growth potential.
- **Lack of centralized support and guidance:** Entrepreneurs often require guidance and support in various areas such as business planning, legal compliance, technology adoption, and export/import procedures. A dedicated MSME portal could provide centralized support, guidance, and resources to help MSMEs navigate these complexities. The absence of such a portal can result in facing challenges and uncertainties without easy access to assistance.

Overall, the absence of a dedicated MSME portal in the State has resulted in reduced productivity, lack of efficiency in accessing and managing information, increased complexity, and has hindered communication and collaboration among stakeholders. Therefore, establishing a dynamic dedicated State MSME portal will aid in streamlining these processes and improve overall workflow and productivity by providing a multitude of services.

5.6 Existing Interventions in State-Mapping exercise of State MSME support schemes and interventions at State level, including in allied areas.

Considering the pivotal role of the MSME sector in the State economy, Government of Karnataka has worked on offering adequate support schemes and interventions at state and regional levels aiming to bring ample investment into the sector furthering the overall development of the economy and the individual MSMEs. The Government has strived to strengthen and promote the MSME sector to achieve inclusive industrial growth and to promote employment generation. To keep the momentum of growth and to encourage holistic development of MSMEs, the Government has rolled out numerous interventions through various sector-specific and target-specific incentives and concessions to encourage and support the MSME sector. Some of the interventions implemented by the State Government are mentioned in the Figure 101 below.



Figure 101: State level Initiatives for propelling MSME sector

1. Key Budget Announcements FY 2023-24 for supporting MSMEs

- For FY 2023-24, Government of Karnataka has sanctioned a budget outlay of INR 434 crore for supporting the development of MSME sector.
- To promote small scale industries in the state, new industrial estates will be established under the aegis of Karnataka State Small Scale Industries Development Corporation (KSSIDC) in a phased manner at seven places, namely, Hubballi, Chittapura in Kalaburagi, Kodkani in Uttara Kannada, Kanagala in Belagavi, Badanaguppe in Chamarajnagara, Indi in Vijayapura and Shahapura in Yadagiri.
- Common Facility Centers (CFC) will be started in Public Private Partnership model. This will enable MSMEs to use machineries, equipment, and common infrastructure.

- A state-of-the-art Karnataka Aerospace Technology Centre will be established at the Aerospace and Defence Park in Devanahalli, Bengaluru to strengthen the Aerospace sector in the state with a special focus on the MSMEs.⁸⁶

2. New Industrial Policy 2020-25

The New Industrial Policy envisages to attract investments, new technologies in the cutting edge and add to job creation in the priority sectors which have high growth potential. The policy focuses to utilize Karnataka's industrial infrastructure, create an investment enabling environment, and provide equitable opportunities for the people of the State. The policy aims to specifically target industrially backward districts, and Tier-2 & Tier-3 cities to ensure inclusive development in the State. The policy encompasses thrust Areas to create an ecosystem for an inclusive and sustainable development trajectory in the State as listed in the Figure 102 below.



Figure 102: Support to MSMEs under State Industrial Policy

The policy aims to boost MSMEs by introducing various incentives across sectors. It aims to provide infrastructure & credit access, skill development training, and necessary technical support for industries across the State. For the first time in India, Karnataka has adopted a turnover based incentive system to ensure balanced industrial development of the State. Policy envisages to attract investments worth INR 5 Lakh Crore and to create employment opportunities for 20 Lakh people in the next five years. The policy will focus on the development of key sectors such as Automobiles & Auto components, Pharmaceutical & Medical Devices, Engineering and Machine Tools, Knowledge-based industries, Logistics, Renewable Energy, Aerospace & Defence, and Electric Vehicles.⁸⁷ Policy provides a bouquet of MSME incentives and concessions to encourage and support the MSME sector across 5 categories listed in Figure 103 below.

⁸⁶ Karnataka Budget 2023-24

⁸⁷ New Industrial Policy 2020-25



Figure 103: Incentives and concessions to encourage and support the MSME sector.

3. Karnataka State Financial Corporation

Karnataka State Financial Corporation (KSFC) is a State Level Financial Institution established by the State Government in the year 1959 under the provisions of SFCs Act, 1951 to cater to the long-term financial needs of Micro, Small & Medium Enterprises in the State of Karnataka. The Institution plays a crucial role in the economic development of Karnataka by promoting and nurturing entrepreneurship and industrial growth. The Key objectives of Karnataka State Financial Corporation are Financial Assistance, SME Development, Project Financing, Sector-Specific Support, Promotion of Entrepreneurship, Revival of Sick Units and Collaborative Initiatives.

Karnataka State Financial Corporation has assisted more than 1,75,833 units till March 2023 with cumulative sanctions of over INR 19,680.73 crore out of which more than 90 per cent is towards SSIs indicating the major role in industrial development of the State. Since inception, the Corporation has sanctioned INR. 2762.72 crore to 22362 units belonging to SC/ST Entrepreneurs, INR. 48,595.86 crores to 31,448 units promoted by Women Entrepreneurs and as many as 41,265 entrepreneurs belonging to backward classes and minority communities have also been extended financial assistance of INR.1,906.55 crore.⁸⁸

Figure 104 shows the year wise number of units who availed the benefits under the various incentives and schemes in the past five years. The three-year moving average of the amount disbursed by the government has been consistently decreasing over the past decade, the widening gap between the sanctioned amount and the disbursement amount is also a major concern. Adequate financing will not only help in the sustenance of the budding MSMEs but also bring a multiplier effect to the growth of the sector.

⁸⁸ <https://ksfc.karnataka.gov.in>

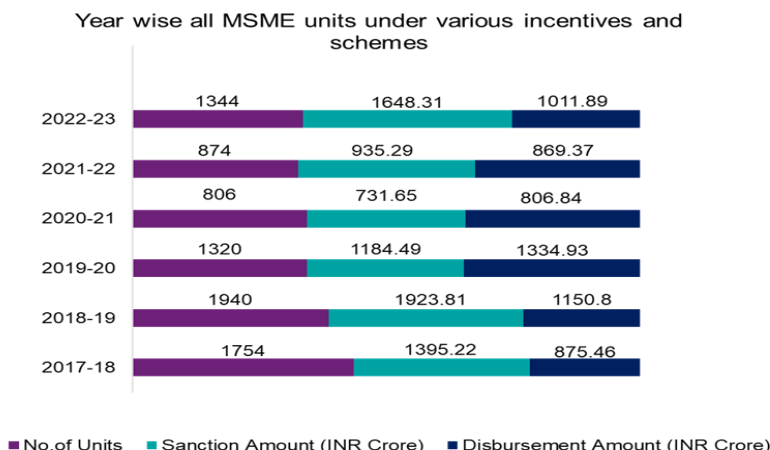


Figure 104: Year wise all MSME units under various incentives and get schemes.

4. Special Component Plan / Tribal Sub Plan Package

The Government of India created the Tribal Sub-Plan in 1975 with the objective of paying special attention to the development of the Scheduled Tribe population and later the Special component Plan was introduced to cater to the exclusive development of the Scheduled Caste population. However, allocating a budget in proportion to the population of SC/STs became mandatory along with a statutory framework only after the Government of Karnataka enacted the Karnataka Scheduled Castes Sub-Allocation & Tribal-Sub Allocation (Planning, Allocation and Utilisation of Financial Resources) Act, 2013. It ensured allocation of a budget in proportion to the population of SC/STs in the State. Karnataka became the 2nd State to have such an Act. The Government of Karnataka is encouraging the SC/ST entrepreneurs in establishment of enterprises and capacity building in entrepreneurship through various schemes under the Special Component Plan / Tribal Sub Plan Package.⁸⁹

KIADB and KSSIDC allots land at 75 per cent subsidized cost or maximum of INR 200 lakh whichever is less in all zones to domicile SC/ST entrepreneurs subject to a maximum of 2 acres. The government reimburses the loan processing fee, legal fee, loan disbursement fee, etc. charged by KSFC and other banks on the loans availed for the first time by SC/ST entrepreneurs to establish Micro and Small Enterprises after 01-04-2017.

SC/ST entrepreneurs can avail 60 per cent subsidy limited to INR 5.00 lakh on bank loans availed through financial institutions/banks/co-operative and rural regional banks for setting up cottage and micro enterprises. They can avail interest free loan at 50% of promoter's contribution for loan availed at 2:1 debt equity ratio for project cost up to INR 2.00 crore to establish new micro/small enterprises by first generation SC/ST entrepreneurs.⁹⁰ For FY 2023-24, Government of Karnataka has sanctioned a budget outlay of INR 434 crore out of which an amount of INR 203 crores has been allocated under the SCP and TSP scheme.

⁹⁰ <https://www.scsptsp.kar.nic.in>

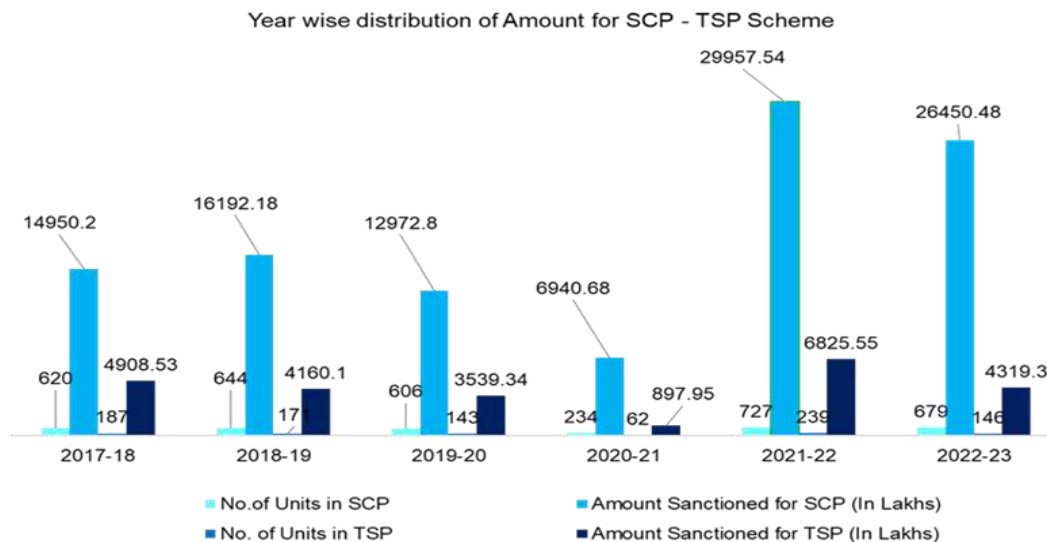


Figure 105: Year wise distribution of amount for SCP- TSP scheme

Even though the number of beneficiaries are back to the pre-covid levels a strong stimulus is necessary to attract more SC/ST entrepreneurs into MSMEs to improve holistic growth in the sector.

5. Coir Policy

Karnataka is one of the major coconut producing states in India besides Kerala and Tamil Nadu. Coir industry is one of the traditional cottage and agro based industry with high rural employment potential and export prospectus. Karnataka State Coir Development Corporation Limited was established in the year 1985 with the main objectives of developing Coir based industries and also to act as catalytic agent in developing Coir sector in private sector. Presently, the Corporation is having Twelve Defibring units, Four Curled coir units and Seven Auto Spinning Units in rural areas.⁹¹

Karnataka provides immense financial support through various central and state schemes directed towards the coir industry in India like the Coir Vikas Yojna, Scheme of Fund for Regeneration of Traditional Industries (SFURTI), Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE).⁹²

⁹¹ <https://coir.karnataka.gov.in>

⁹² <http://coirboard.gov.in>

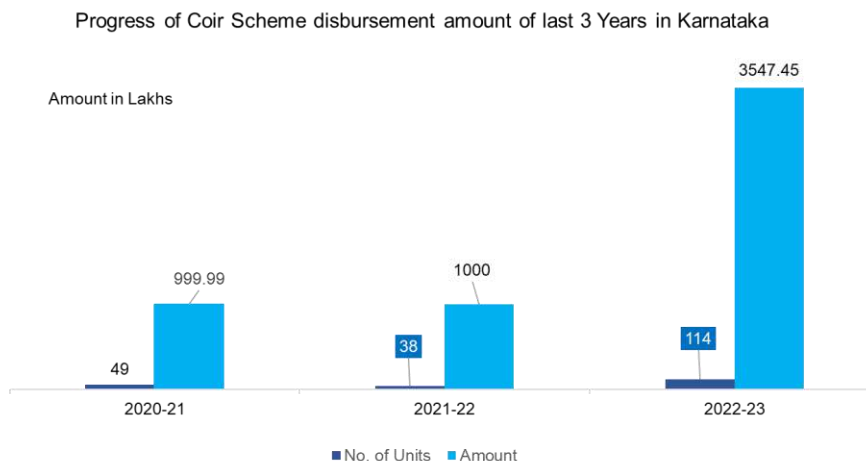


Figure 106: Progress of coir scheme disbursement amount of last 3 years in Karnataka

The covid-19 pandemic has impacted the urban and rural economies alike, but the overall slowdown in aggregate demand has affected some primary sectors in rural economies much severely given their higher reliance on tradable activities. This could be a primary reason for a minor reduction in the number of beneficiaries in the financial year 2021-22. Additionally, the amount of funds sanctioned by the government to the coir sector through various schemes remained the same at INR. 1,000 Lakhs. But the industry has steadily recovered in the following year with the amount of funds sanctioned increasing three fold at INR. 3547.45 Lakh and the number of beneficiaries reaching 114 in the following year of 2022-23.

6. Other Policy Interventions in the state

i. Aerospace Policy 2022-27

Karnataka is among the pioneer states to establish a well structured Aerospace and Defence policy back in 2013. The capital city of Bengaluru being the Silicon valley of India, has a number of multi-national companies in the IT and electronic hardware, many of them being a part of the supply chain to the aerospace sector. The state has come out as a leader in terms of aerospace and defence because of a strong ecosystem. More than a quarter of India's aircraft and spacecraft industry is based in Karnataka. Around 67 per cent of all the aircraft and helicopters manufacturing for defence services is done in Karnataka. With 70 per cent of India's supplier base which executes niche subcontracting for defence PSUs, Karnataka has potential to further grow as a leading state in Aerospace and Defence sector.

The Aerospace and Defense policy 2022-27 envisages to attract investments to the tune of INR. 45,000 crore in the sector in the next five years. It aims to facilitate enhanced mechanism to improve the ease of doing business through industry friendly policy framework which will create additional employment opportunities of 60,000 people in the next five years.

To keep the momentum of growth and to encourage holistic development of MSMEs in the sector, the Government of Karnataka is rolling out numerous incentives through the Aerospace policy 2022-27. The Government is providing Investment Promotion Subsidy of 20% to 30% of the value of fixed assets to Micro and Small Enterprises and an Investment Promotion subsidy of 2.5% of the annual turnover to Medium scale enterprises. The Government provides exemption and concessions to the MSMEs for

different expenses like stamp duty, registration charges, land conversion fee, electricity tariffs and interest on the technology upgradation loan.⁹³

ii. Electric Vehicle and Energy Storage Policy 2017

Karnataka, being home to many advanced engineering, high-tech firms and research institutes, intends to make India's Bengaluru the Electrical Vehicle (EV) Capital. To be the most competitive and attractive State in the EV sector, the Government has rolled out a list of incentives in the current Karnataka Electric Vehicle and Energy Storage Policy 2017 to encourage investments in the EV sector. The Karnataka EV Policy encourages MSMEs to develop business models focused on supporting economic applications for EVs and create dedicated testing tracks to facilitate testing of new technologies by the MSMEs.

The Government of Karnataka through the Electric Vehicle and Energy storage Policy 2017, has been supporting the electric mobility efforts in the state and has been funding research, design, development, demonstration projects and also spearheading the electric mobility initiative in the country because of the important advantages that they offer like eco-friendliness from a systemic standpoint, cheaper fuel cost and lower maintenance expenses. The Government is also trying to encourage the development of SMEs that work on component manufacturing, assembly line, charging equipment and other services constituting a huge part of the EV Sector. The Government of Karnataka brought an amendment to the policy in 2021 offering an additional 15% subsidy on capital expenditure on land along with the existing investment promotion subsidy of 20% to 25% of the value of fixed assets. The Government provides reimbursement and concessions for stamp duty, registration charges, land conversion fee and electricity tariffs. The government also offers a one-time capital subsidy upto 50% of the cost of effluent treatment Plant⁹⁴ listed in Figure 95 below. Also, Government of Karnataka has embarked on developing an Electric Vehicle Cluster in the State to maintain its lead position in Electric Mobility.

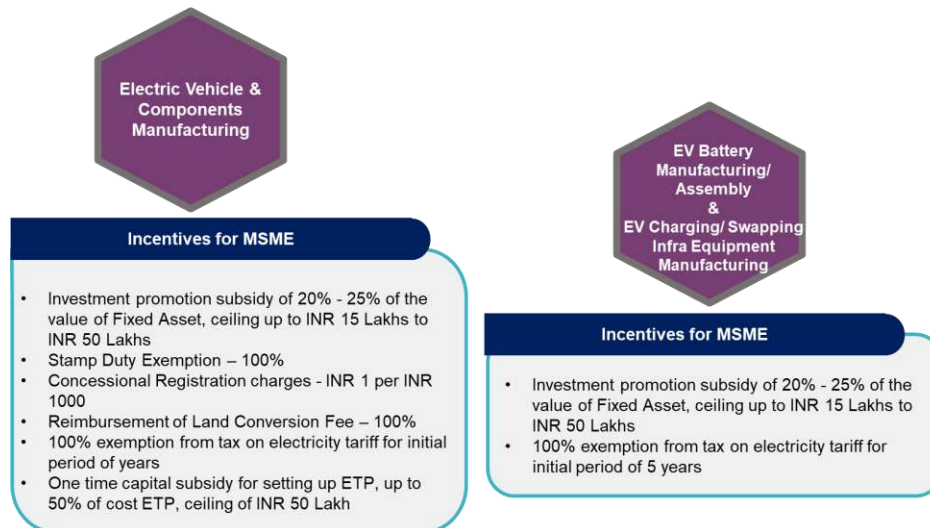


Figure 107: Key Components of EV Policy

⁹³ Aerospace Policy 2022-27

⁹⁴ Electric Vehicle and Energy storage Policy 2017

06

Interventions in the State under SIP



6. Interventions in State under the SIP

6.1. Convergence of Interventions at Central and State Level under RAMP

The State Government realizes transformation of Karnataka rests on the transformation of the MSME segment. Under the RAMP program, State Government through a comprehensive set of new interventions will develop an enabling and strong ecosystem for the MSME sector in Karnataka that will drive sustainable economic growth and generate large scale employment opportunities. The interventions to support MSMEs will address traditional and systemic challenges across key areas of regulation, infrastructure, skill development, technology, availability of finance, and other pertinent factors related to the growth of the sector. Under the RAMP program, Karnataka will herald a visionary approach for capitalizing opportunities under the aegis of 'Make in India' and 'Make in Karnataka' campaign and provide a plethora of lucrative emerging business opportunities for State MSMEs in a wide range of sectors which can be leveraged to create global value chain linkages.

Within the RAMP framework, State Government will focus on the various mechanisms on how to empower the MSME's through strengthening MSME consortiums within clusters, up-gradation of technologies and adoption of best practices, revitalization and scaling up of MSMEs in Karnataka through transformation programmes and ICT interventions focusing on vendor development, quality & labor management and access to finance, market, and knowledge. The summary of the proposed key interventions under RAMP is given in Table 25 below.

Table 25: Key Interventions with Budget Summary

Estimated Budget for Karnataka SIP			
SN	Component	Yearly Estimated Budget per annum (INR Crore)	Total Budget for 4 years (INR Crore)
1. a	Competitiveness Support	16.08	64.34
1.b	Market Access	42.89	171.57
2	Dispute Resolution for Delayed Payments:	5.86	23.42
3	Increased digitalization of MSMEs, including use of TReDS portal	5.54	22.14
4	Identification of potential Cluster level technical interventions	2.45	9.80
5	Partnership with Financial Institutions (FIs) including on-boarding with TReDs	4.34	17.36
6	Strengthening markets for service provision to MSMEs in the State	4.18	16.73
7	Support to Women-headed MSMEs	8.40	33.60
9	Funding Support to MSEs	100.00	400.00
10	Skills development	13.94	55.74
13	Sector specific intervention	33.98	135.90
14	Enterprise Facilitation Network	40.52	162.06
15	Partnership and Outreach Strategy	3.66	14.64
16	Strengthening State Portals and Integration with National portal	3.75	15.00
17	Strengthening M&E Framework for MSME Support:	4.10	16.39
18	Environmental and Social Management for MSME support:	2.80	11.20
19	Strengthening Coordination on MSME agenda in the State	0.25	1.00
20	Capacity Building of Key players to deliver on the MSME agenda, including coordination Mechanism	2.23	8.93

Estimated Budget for Karnataka SIP			
SN	Component	Yearly Estimated Budget per annum (INR Crore)	Total Budget for 4 years (INR Crore)
21	Strengthening of DICs	1.94	7.75
SUB TOTAL		296.89	1187.58
	Administration Cost @ 15%	44.53	178.14
	GRAND TOTAL	341.43	1365.72

6.1.1.Competitiveness Support: Blueprint to scale up and more effectively deploy existing competitiveness schemes in the State in a converged manner – (i) Focus on MSME Champions Scheme (ZED, Lean, Design, Digital, IPR), and market access support schemes – of MoMSME and related State interventions;(ii) leveraging existing private and public service providers for business and technical services to MSMEs; (ii) This will also include identification of the potential pool of anchor buyers to partner with on supplier development Programmes, to enhance MSME competitiveness

MSMEs today need to adopt and adhere to quality parameters of international standards in the context of a globalized market. Good quality management practices and the right enablement of technology needs to be adopted for increased productivity and quality product for competitive advantage. Certification of products to national and international standards is an important tool to enhance the product value of MSMEs. Quality infrastructure which includes standardization, accreditation, conformity assessment (such as certification and testing services) and technology upgradation plays an important role in increasing the productivity and competitiveness of the MSMEs. MSMEs face an array of barriers when it comes to adoption of quality standards such as: lack of standards knowledge, market access requirements and low adoption rates for international standards. This thereby hinders their opportunity to sell products or services internationally.

The State Government of Karnataka realizes the imperative need to raise the global competitiveness of Karnataka's MSME sector to achieve a high growth trajectory. With an aim to position Karnataka's MSME sector as a global manufacturing hub, State is determined to build the ecosystem around zero-defect, zero-effect (ZED) and LEAN manufacturing practices to enable MSMEs to compete in the national as well as international markets. ZED has presented a model where the concept of quality has a holistic change from a tool for compliance to a source of competitiveness. Along with a focus on quality of products and services, there is an equal emphasis on the elimination of impact on the environment through adequate planning at product and process design, pre-production (start-up activities), production and maintenance activities, post-production (disposal after use) and outcome of environment performance. After ZED assessment (Bronze-Silver-Gold), MSMEs can reduce wastages substantially, increase productivity, expand their market, become vendors to CPSUs, have more IPRs, develop new products and processes etc. Similarly, the adoption of LEAN practices will improve quality, productivity & performance of the MSMEs.

The proposed interventions under RAMP program to increase the competitiveness of MSMEs include the following:

A. Focus on MSME Champions Scheme (ZED, Lean, Design, Digital, IPR), and market access support schemes – of MoMSME and related State interventions.

The MSME Champion Scheme (Erstwhile CLCS-TUS) is a central government-funded scheme implemented by Ministry of Micro, Small and Medium Enterprises (MoMSME) that aims to enhance the competitiveness of MSMEs by providing them with a range of services that can help them become more efficient and productive. The scheme is being implemented to support MSMEs for upgradation of technology and processes through incubation, implementation of zero defect zero effect and lean manufacturing practices, design improvement, awareness on intellectual property rights (IPR) and digitally empower MSMEs to enhance competitiveness in the domestic and global markets. There are 4 components under the new MSME Champions scheme: MSME-Sustainable (ZED); MSME-Competitive (Lean) and MSME-Innovative (for Incubation, IPR, Design and Digital MSME).

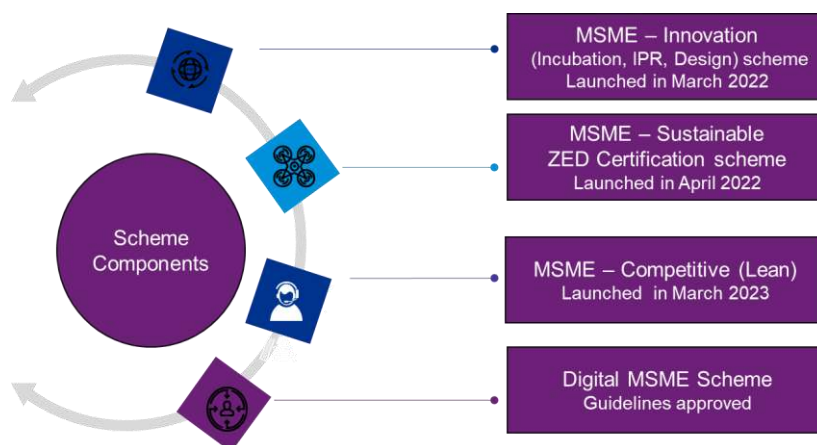


Figure 108: Champion Scheme components

The State Government believes that MSME Champion scheme can play a vital role in the growth and development of the MSME sector in the State. By providing strategic and technical support, the scheme can help MSMEs to improve their productivity, profitability, and competitiveness. The following are some of the key benefits that MSME Champion scheme can provide to MSMEs:

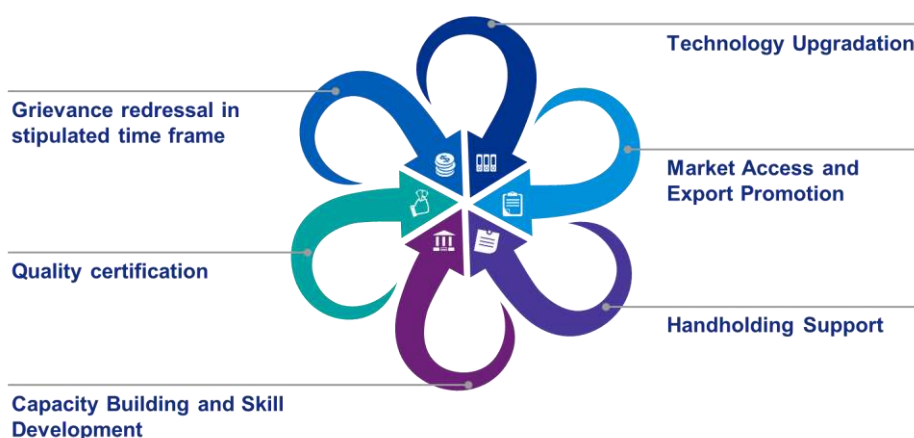


Figure 109: Key benefits that MSME Champion scheme

- **Grievance redressal in stipulated time frame:** The government launched the CHAMPIONS portal, an ICT-based system which helped MSMEs register grievances easily. During the 2022-23, the portal

had 16,262 grievance reports and during the same period, 16,221 cases were solved.⁹⁵ Recently the Government launched the CHAMPIONS 2.0 version of the portal, which includes an artificial intelligence powered-chatbot, multilingual option (Hindi, Assamese, Bengali, Gujarati, Kannada, Malayalam, Marathi, Punjabi, Tamil, Telugu, and Urdu) and real-time feedback as well as its analysis.

- **Quality certification:** The Champions scheme provides financial assistance to MSMEs to obtain quality certification. The scheme also provides training and technical assistance to help MSMEs comply with the requirements of quality standards.
- **Capacity Building and Skill Development:** The Champions scheme emphasizes the importance of skill development and capacity building for MSMEs. It offers training programs, workshops, and mentoring support to enhance the skills and capabilities of MSME entrepreneurs and their employees.
- **Technology Upgradation:** The Champions scheme encourages MSMEs to adopt modern technologies through innovation and incubation. It also provides support for the implementation of technology-driven solutions, such as Industry 4.0 technologies, digitalization, automation, and innovation.
- **Market Access and Export Promotion:** The scheme assists MSMEs in expanding their market reach and exploring new domestic and international markets. It provides guidance and support for product development, market research, participation in trade fairs and exhibitions, and export promotion activities.
- **Handholding Support:** The scheme offers handholding support to MSMEs, especially in their initial years of operation. It provides guidance on various aspects of business management, including finance, marketing, operations, and compliance.

Under the RAMP program, Government of Karnataka aims to facilitate and provide handhold support to MSMEs by incentivizing and creating awareness amongst MSMEs across the State for attaining ZED certification and LEAN levels while also encouraging them to become MSME Champions. **Under the program, its envisioned to facilitate 45,000 MSMEs for attaining ZED Bronze certification (of which 9000 women-headed), 6750 MSMEs (of which 1350 women-headed) for attaining ZED Silver certification, 675 MSMEs (of which 120 women-headed) for attaining ZED Gold certification. Also, the program will increase the number of LEAN pledges to 1000 MSMEs and facilitate ~600 MSMEs for attaining LEAN levels like Basic, Intermediate and Advanced.**

1. MSME Sustainable (ZED) Certification

The MSME Sustainable (ZED) certification is an initiative that aims to raise awareness of Zero Defect Zero Effect (ZED) practices among MSMEs and encourage enterprises to pursue ZED certification. By going through the ZED certification process, MSMEs can significantly reduce waste, boost productivity, raise environmental awareness, conserve energy, make the best use of natural resources, gain market share, etc. ZED certification scheme aims to enhance the competitiveness of an MSME by assessing their current practices, providing guidance, handholding, and making managerial and technological interventions as needed. The implementing agency for ZED certification is Quality Council of India (QCI) and MSME –DFOs (Development and Facilitation Offices). The ZED certification scheme has 3 rating levels - Bronze, Silver, and Gold. The certification is given based on a rating between 1 to 5 on parameters such as: a) Leadership;

⁹⁵ <https://www.news18.com/india/msme-ministry-launches-champions-2-0-portal-app-signs-mous-to-boost-sectors-growth-8186815.html>

b) Swachh Workplace; c) Workplace (Occupational) Safety; d) Measurement of Timely Delivery and e) Quality Management. Figure 110 below showcases the ZED rating matrix.



Figure 110: Ratings for ZED scheme

Overall, in India, 38,447 MSMEs have been registered under MSME sustainable ZED certification scheme as on 28.04.2023 out of which 3575 Bronze, 80 Silver and 94 Gold certifications have been awarded to MSMEs. In the State of Karnataka around 2167 MSMEs are registered under the ZED scheme with a share of 5.6 per cent in the total ZED registrations at the national level. Around 459 MSMEs have received ZED Bronze certifications, 6 MSMEs have received ZED Silver certification and 9 MSMEs have received ZED Gold certification. The Government's vision for the ZED scheme is to promote a culture of quality and excellence in manufacturing among MSMEs. The Government with an aim to support MSMEs achieve improvement in quality and enhance productivity and competitiveness will be providing financial assistance and technical support to MSMEs that are committed to adopt ZED practices.

The Government's vision for scaling up and increasing the coverage of ZED in the State is based on the following key principles:

- **Quality:** Quality is essential for MSMEs to succeed in the global marketplace. The ZED scheme aims to help MSMEs to improve their quality by providing them with access to quality tools and resources.
- **Excellence:** The government believes that excellence is not just about meeting minimum standards, but about striving for continuous improvement. The ZED scheme aims to help MSMEs to achieve excellence by providing them with the resources and support they need to continuously improve their products and processes.
- **Sustainability:** sustainability is essential for the long-term success of MSMEs. The ZED scheme aims to help MSMEs to become more sustainable by reducing their environmental impact and improving their resource efficiency.

Government envisages to create a 'ZED Scaling Up Strategy' for facilitating 45,000 MSMEs for attaining ZED Bronze certification (of which 9000 women-headed), 6750 MSMEs (of which 1350 women-headed) for attaining ZED Silver certification, 675 MSMEs (of which 120 women-headed) for attaining ZED Gold certification during the RAMP program implementation period (FY 2023-24- FY 2026-27). The strategy shall entail a holistic framework consisting of key building blocks such as:

- a) Appointment of consultants for handholding of ZED scheme
- b) E-modules of ZED scheme on State MSME Portal
- c) Incentives for different levels of ZED certification
- d) Awareness programs across the State in collaboration with key stakeholders and
- e) Capacity building program for officers at district level

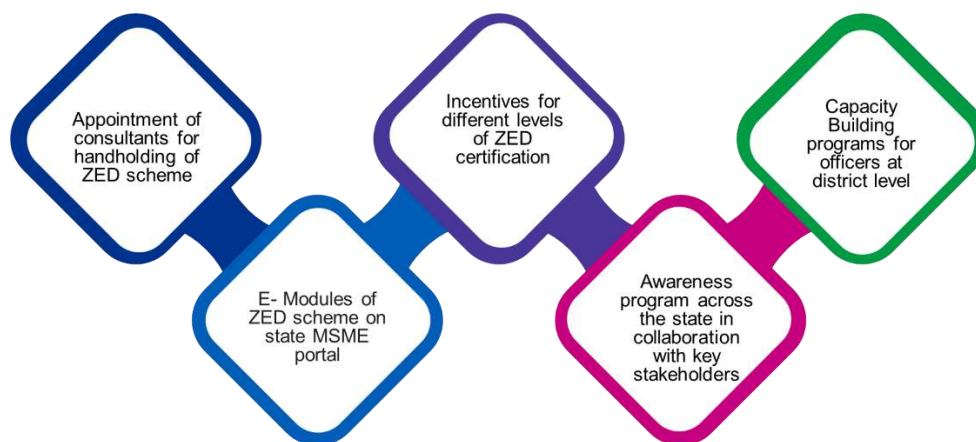


Figure 111: Key building blocks for scaling ZED scheme

ZED Scaling Up Strategy- Key Interventions

- a) **Appointment of consultants for handholding of ZED scheme:** Government through the tendering process would engage the services of an external agency or consultant with the required experience and expertise for handholding of the ZED scheme and to provide expert guidance and support to MSMEs in implementing the scheme. The consultant will be responsible for providing training, mentoring, and other support services to help MSMEs understand the scheme, benefits of the scheme and develop a plan for implementation. The consultant will also be responsible for monitoring the implementation of the scheme and providing feedback to the government on its effectiveness. By appointing a consultant, the government will ensure that the ZED scheme is implemented effectively and MSMEs are benefitted. The activities of the external agency/consultant would include program formalization, strategic planning, process design and documentation, training, and capacity building, monitoring and evaluation, stakeholder engagement, reporting and compliance, and continuous improvement. The activities to be carried out by the external agency/consultant is mentioned in Figure 112. The cost for hiring the external agency/consultant comprising of 10 resources is estimated at INR 3.52 Crore per year and shall be supported by Government of India under the RAMP scheme. The total cost for engaging the services of an external agency/consultant for a duration of 48 months during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 14.11 Crore. The details of the same is given in Table 26 below.

Table 26: Costing for appointment of consultant for ZED scheme.

SN	Particulars	No of Resources	Per Consultant Cost	Total Cost for 10 resources per year (INR)	Total Cost for 10 resources for four years (INR)
1.	Consultant/External Agency for handholding on ZED scheme	10	Per agency cost for 10 resources based on KEONICS man month rate for consultant with experience 5-10 years INR 2,94,000	3,52,80,000	14,11,20,000
Total				3,52,80,000	14,11,20,000

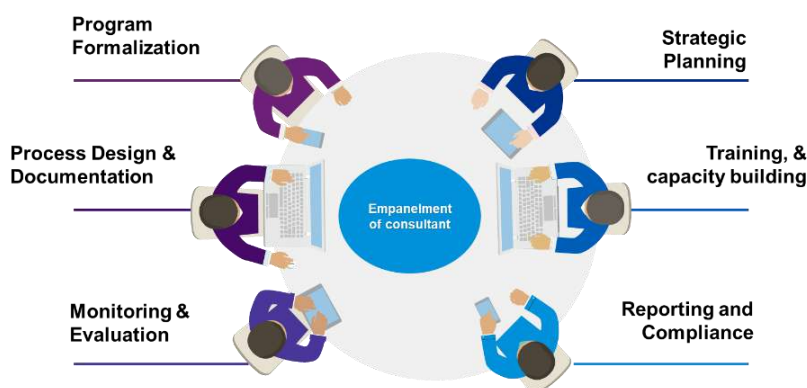


Figure 112: Responsibilities of consultant

- b) E-modules on ZED scheme on State MSME Portal:** The Product Quality and Certification module within the integrated State MSME Portal would be a valuable resource for entrepreneurs seeking to enhance the quality of their products and gain relevant certifications. By accessing these resources, entrepreneurs would benefit from expert guidance and improve the quality and competitiveness of their products. The module would also provide seamless integration with national portals on ZED (Zero Defect Zero Effect) and LEAN along with the necessary information and guidelines to pursue the certifications, which can contribute to improved product quality, operational efficiency, and overall business performance. The E-module on ZED will comprise of self-tutorial videos and knowledge material providing support to MSMEs as they implement ZED practices.
- c) Incentives for different levels of ZED certification:** Government envisages to launch the 1st State MSME Policy with a vision to propel the growth of MSMEs in the State by fostering a conducive climate for entrepreneurship, innovation, competitiveness. Under the policy framework Government would incentivize and support the MSMEs to attain ZED certification by offering the following:
- **Financial assistance:** To be at par with the peer states offering incentives to MSMEs for attaining ZED certification, Government of Karnataka under its MSME policy framework would be providing incentives to state MSMEs to attain ZED certification. The details of the incentives would be provided in the soon to be launched State MSME policy.
 - **Access to Government procurement contracts:** Government of Karnataka as an enabler for MSMEs intervenes in the ecosystem through its wholly owned PSU, Karnataka State Electronics Development Corporation Limited (KEONICS). KEONICS is exempted under 4G of KTPP Act (liberty to place orders in KEONICS without undergoing tendering process) and is a major supplier to the Government for various products and services. KEONICS operates by empaneling various agencies for procurement of services and products. Government would explore the possibility of granting certain relaxations in the procurement tendering process to MSMEs registered on Udyam and the proposed State MSME Portal and who have attained ZED certification. This preferential market access to MSMEs in Karnataka in procurement tenders will help in catalyzing the MSME ecosystem and will encourage MSMEs to participate in public procurement.
 - **Awards and Recognition:** State government will introduce awards recognition program to acknowledge MSMEs that have successfully upgraded their ZED ratings. These rewards could be in the form of monetary rewards, certificates thereby creating a sense of pride and motivation for MSMEs to strive for higher ratings.

- d) Creating Awareness across State:** Directorate of MSME in association with District Industries Centre (DICs) and Industry Association would be organizing a series of awareness workshops across districts and clusters by bringing together a diverse group of stakeholders with an aim to create awareness and sensitize the stakeholders on ZED certification and its benefits. The workshop will also focus on the impact of ZED certification in increasing market competitiveness and reaching new target markets. The cost for conducting these awareness workshops per year is estimated at INR 74 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the awareness workshops on ZED during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.96 crore. The details of the ZED sensitization workshops are given in Table 27 below.

Table 27: Costing for creating awareness in the state for ZED scheme.

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in 4 years	Total Cost of Workshops (INR)
1.	One day Awareness Workshops on ZED scheme	District Industries Centres and Industry Associations	2 workshop per year per district	62	248	2,48,00,000
2.	One day Awareness Workshop on ZED scheme	Cluster Associations	1 workshop per cluster for the 12 implemented clusters under MSE-CDP scheme	12	48	48,00,000
Total				74	296	2,96,00,000

*INR 1,00,000 is the estimated cost for conducting the workshop

- e) Capacity building program for officers:** A capacity building program would be designed to assist officials at the district level to understand the ZED principles and practices, and to develop the skills and knowledge needed to disseminate the information about ZED scheme to MSMEs. The training program would comprise of officers from DICs, MSME DFO, officers from associated departments and division level officers. These officers will be trained with the help of experts from public and private technical institutes. The training program would be tailored to the specific needs of the officials, and will cover a wide range of topics, such as quality management, environmental management, and energy efficiency. The training would be conducted through workshops in batches of 50 officials. The cost for conducting the training program for 200 officials is estimated at INR 10 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the training program for officials on ZED during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 40 lakh. The details of the training program are mentioned in Table 28 below.

Table 28: Costing for conducting capacity building program of officers for ZED scheme.

SN	Particular	No of Events	Beneficiary	Location	Per person training Cost (INR)	Cost per year (INR)	Cost for four years (INR)
1.	One day training	4	200	(Belagavi, Kalaburgi,	5000	10,00,000	40,00,000

SN	Particular	No of Events	Beneficiary	Location	Per person training Cost (INR)	Cost per year (INR)	Cost for four years (INR)
	program on ZED scheme at Division Level (Belagavi, Kalaburgi, Mysuru and Bengaluru)		(Officials from District Industries Centre, MSME DFOs Development and Facilitation Office)	Mysuru and Bengaluru)			
Total		4			5000	10,00,000	40,00,000

2. MSME Competitive (LEAN) Scheme under MSME Champion scheme

The revamped MSME Competitive (LEAN) scheme aims to enhance the competitiveness of MSMEs by promoting the adoption of lean manufacturing practices. The scheme provides financial assistance to MSMEs to implement lean manufacturing techniques and tools. The scheme also provides training and capacity building support to MSMEs to improve their production processes and reduce waste. The implementing agency for lean manufacturing is Quality Council of India (QCI), National Productivity Council (NPC), and MSME– DFOs (Development and Facilitation Offices). Through the LEAN journey the MSME can increase their competitiveness, reduce wastages, increase productivity and efficiency, improve quality, work safely, and expand their markets, and become profitable.

This Scheme is an extensive drive to create awareness amongst MSMEs about LEAN manufacturing practices and motivate and incentivize MSMEs to attain LEAN levels while also encouraging them to become MSME Champions. Government will contribute 90 per cent of implementation cost for handholding and consultancy fees. There will be an additional contribution of 5 per cent for the MSMEs which are part of SFURTI clusters, owned by Women/SC/ST and located in NER. In addition to the above, there will be an additional contribution of 5 per cent for MSMEs which are registering through Industry Associations/ Overall Equipment Manufacturing (OEM) organizations after completing all levels.⁹⁶

Under the scheme, MSMEs will implement LEAN manufacturing tools like:

- **5S:** 5S is a methodology for organizing and maintaining a workplace in a clean, organized, and efficient manner.
- **Kaizen:** Kaizen is a Japanese term for continuous improvement. It is a philosophy of making small, incremental improvements to processes and products on a regular basis.
- **Kanban:** Kanban is a system for managing inventory and production flow. It uses a "pull" system, where work is only produced when it is needed.
- **Visual workplace:** A visual workplace is one where information is displayed concisely so that it can be easily understood by employees.

⁹⁶ Press Release on MSME Competitive (LEAN) scheme, dated 10.03.2023 [Press Information Bureau \(pib.gov.in\)](https://pib.gov.in)

- **Poka-yoke:** Poka-yoke is a system for preventing errors. It uses physical or procedural devices to prevent mistakes from being made.

MSME Competitive (LEAN) Scheme can be attained in THREE Levels after registering and taking the LEAN pledge. Figure 101 below showcases the LEAN levels like Basic, Intermediate and Advanced.

- Every MSME that embarks on the journey of LEAN Scheme will have to take “**LEAN Pledge**” before submitting its application. After taking “LEAN Pledge”, MSMEs can apply for implementation of LEAN tools and techniques.
- **Basic Level Certification:** can be attained in 2 months through self-paced learning with the help of online module (hosted on dedicated LEAN scheme portal) aimed at motivating MSMEs and creating awareness about the principles & benefits of LEAN manufacturing. To support MSMEs, a provision of online technical support is available in case of clarification of doubts in the online module.

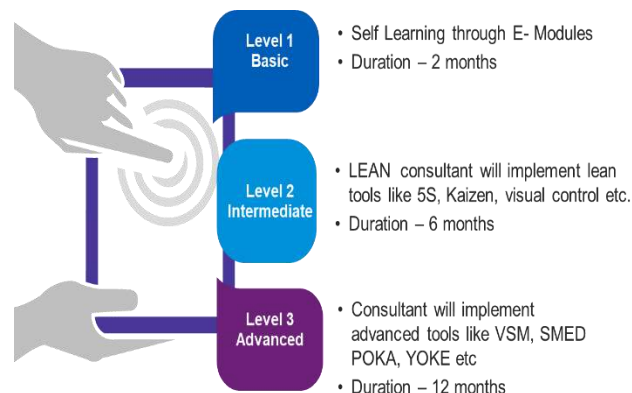


Figure 113: Three levels of LEAN scheme

- **Intermediate Level Certification:** After completion of basic level MSMEs would be eligible for applying for Intermediate Level through the dedicated online portal of the scheme. For achieving the intermediate level, the eligible MSMEs will have to form a Group of Enterprises. Intermediate level encompasses application of LEAN tools and techniques through onsite handholding provided by trained and competent LEAN consultant. The cost of implementation of the intermediate level is up to INR 1.2 Lakh (excluding taxes) per unit. The period of implementation for intermediate level is 6 months in 3 phases.
- **Advance Level Certification:** After completion of intermediate level MSMEs would be eligible for applying for advanced level through the dedicated online portal of the scheme. The advanced level encompasses application of LEAN tools and techniques through onsite handholding provided by the trained and competent LEAN consultant. The cost of implementation of advanced level is up to INR 2.4 Lakh (excluding taxes) per unit. The period of implementation for advance level is 12 months in 3 phases.

Overall, in India, 475 MSMEs have taken the LEAN pledge as on 28.04.2023 out of which only 8 MSMEs have attained the basic LEAN level. In Karnataka ~ 25 MSMEs have taken the LEAN pledge with a share of 5.26 per cent in the total LEAN pledge at the national level. **Government envisages to create a ‘Karnataka MSME LEAN Enterprise Program’ for increasing the number of LEAN pledges to ~1000 MSMEs and facilitate ~ 600 MSMEs attaining the basic LEAN level during the RAMP program implementation period (FY 2023-24- FY 2026-27).**

Karnataka MSME LEAN Enterprise Program: Key Interventions

The Karnataka MSME Lean Enterprise Program aims at promoting the adoption of LEAN manufacturing techniques and methodologies amongst MSMEs to enhance quality in product and processes, production and export competitiveness, and overall profitability. The program will provide MSMEs with training, mentoring, and access to resources to help them implement LEAN manufacturing practices. It will also provide opportunities for MSMEs to network with other businesses and share best practices. The

program will aim at increasing the number of LEAN pledges to ~1000 MSMEs and facilitate ~ 600 MSMEs for attaining the basic LEAN level during the RAMP program implementation period (FY 2023-24- FY 2026-27). The following are the proposed interventions under the program:

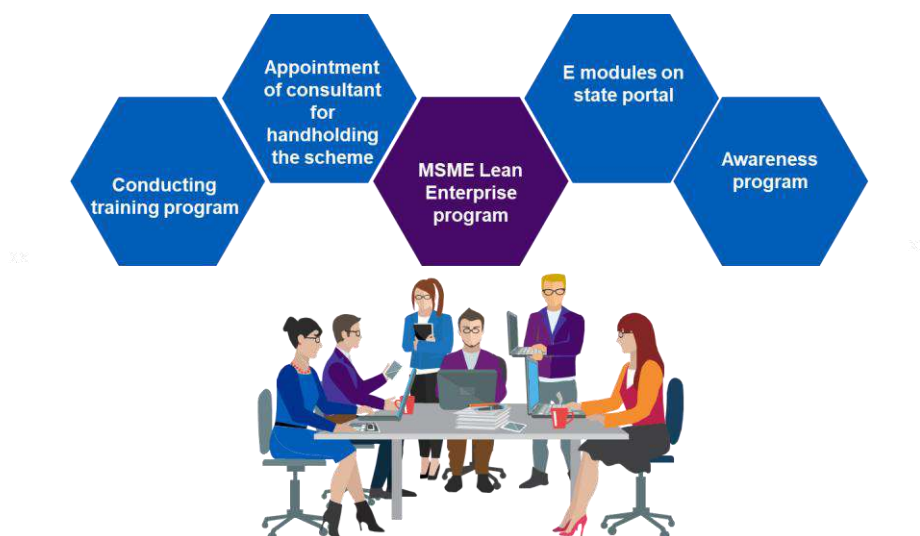


Figure 114: Key Intervention for scaling up LEAN scheme in state.

- a) **Conducting training program:** Directorate of MSME in collaboration with Quality Council of India and National Productivity Council would conduct training programs for officials of District Industries Centre, and MSME DFOs (Development and Facilitation Office), officers from associated departments and division level officers to sensitize and create awareness on LEAN manufacturing tools and practices. The training program would be tailored to the specific needs of the officials, and will cover a wide range of topics, such as LEAN manufacturing tools (5S, Kaizen, Kanban, Visual workplace, and poka-yoke). The training would be conducted through workshops in batches of 50 officials. The cost for conducting the training program for 200 officials per year is estimated at INR 10 lakh. The total cost for conducting the training program for officials on LEAN manufacturing during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 40 lakh shall be supported by Government of India under the RAMP scheme. The details of the training program are mentioned in Table 29 below.

Table 29: Details of conducting training program for LEAN Manufacturing scheme.

SN	Particulars	No of Events	Beneficiary	Location	Per person training Cost (INR)	Cost per year (INR)	Cost for four years (INR)
1.	One day training program on LEAN scheme at Division Level (Belagavi, Kalaburgi, Mysuru and Bengaluru)	4	200 (Officials from District Industries Centers, MSME DFO, officers from associated departments and division level officers)	(Belagavi, Kalaburagi, Mysuru and Bengaluru)	5000	10,00,000	40,00,000
Total		4			5000	10,00,000	40,00,000

- b) **Appointment of consultants for handholding of LEAN Manufacturing scheme:** Government through the tendering process would engage the services of an external agency or consultant with the required experience and expertise for handholding of the LEAN scheme and to provide expert guidance and support to MSMEs in implementing the scheme. The consultant will be responsible for providing training, mentoring, and other support services to help MSMEs understand the scheme, benefits of the scheme and develop a plan for implementation. The consultant will also be responsible for monitoring the implementation of the scheme and providing feedback to the government on its effectiveness. By appointing a consultant, the Government will ensure that the LEAN scheme is implemented effectively and MSMEs are benefitted. The activities of the external agency/consultant would include program formalization, strategic planning, process design and documentation, training, and capacity building, monitoring and evaluation, stakeholder engagement, reporting and compliance, and continuous improvement. The cost for hiring the external agency/consultant comprising of 6 resources is estimated at INR 2.11 crore per year and shall be supported by Government of India under the RAMP scheme. The total cost for engaging the services of an external agency/consultant for a duration of 48 months during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 8.46 crore. The details of the same is given in Table 30 below.

Table 30: Details of appointment of consultants for handholding of LEAN manufacturing scheme.

SN	Particulars	No of Resources	Per Consultant Cost	Total Cost for 6 resources per year (INR)	Total Cost for 6 resources for four years (INR)
1.	Consultant/External Agency for handholding on LEAN scheme	6	Per agency cost for 6 resources based on KEONICS man month rate for consultant with experience 5-10 years INR 2,94,000	2,11,68,000	8,46,72,000
Total				2,11,68,000	8,46,72,000

- c) **E modules on LEAN scheme on state portal:** The Product Quality and Certification module within the integrated State MSME Portal would be a valuable resource for entrepreneurs seeking to enhance the quality of their products and gain relevant certifications. By accessing these resources, entrepreneurs would benefit from expert guidance and improve the quality and competitiveness of their products. The module would also provide seamless integration with national portals on ZED (Zero Defect Zero Effect) and LEAN along with the necessary information and guidelines to pursue these certifications, which can contribute to improved product quality, operational efficiency, and overall business performance. The E-module on LEAN will comprise of self-tutorial videos and knowledge material on (principles of LEAN tools and techniques, case studies of LEAN and step by step guide) providing support to MSMEs as they implement LEAN tools and practices.
- d) **Awareness Program:** Directorate of MSME in association with District Industries Centre (DICs) and Industry Association would be organizing a series of awareness workshops across districts and clusters by bringing together a diverse group of stakeholders (OEMs and Anchor buyers) with an aim to create awareness and sensitize the stakeholders on LEAN tools and practices and its benefits. The workshop will also focus on the impact of implementing LEAN manufacturing tools in increasing productivity and competitiveness. The DICs will also create awareness materials, such as brochures and posters, to

educate businesses about LEAN manufacturing principles. In addition to other efforts, associations and OEMs will also help MSMEs improve their productivity, efficiency, and profitability by providing them with training and resources. They will educate MSMEs about the benefits of LEAN manufacturing, provide them with access to LEAN manufacturing tools and equipment, train them on LEAN manufacturing principles, and offer consultancy services for LEAN manufacturing. The cost for conducting the awareness workshops per year is estimated at INR 74 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the awareness workshops on LEAN during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.96 Crore. The details of the LEAN sensitization workshops are given in Table 31.

Table 31: Details of conducting awareness program on LEAN manufacturing across the state

SN	Particulars	Event Partner	Location	Total Number of Workshops	Total Number of Workshops in 4 years	Total Cost of Workshops (INR)
1.	One day Awareness Workshops on LEAN scheme	District Industries Centres and Industry Associations	2 workshop per year per district	62	248	2,48,00,000
2.	One day Awareness Workshop on LEAN scheme	Cluster Associations, Anchor buyers and OEMs	1 workshop per cluster for the 12 implemented clusters under MSE-CDP scheme	12	48	48,00,000
Total				74	296	2,96,00,000

*INR 1,00,000 is the estimated cost for conducting the workshop

3. MSME-Innovative (for Incubation, IPR and Design)

The MSME Innovative Scheme is a government-run initiative that aims to promote innovation among MSMEs. The scheme provides financial assistance for incubation, design, and intellectual property rights (IPR) protection. The primary objective of the MSME Innovative Scheme is to encourage innovation by providing a platform to entrepreneurs for developing ideas into innovation through incubation and design interventions. The scheme intends to provide appropriate facilities and support for the development of the concept to market, design competitiveness, and protection and commercialization of intellectual property. The scheme also aims to create a culture of innovation and creative problem-solving through knowledge sharing and collaboration among various industries, institutions, government bodies, and research institutes. The scheme provides funding at different stages to encourage new businesses provide access to technology and help promote ideas in the market. With this, Government aspires to develop businesses and promote innovation that will benefit society as a whole while being commercially viable and sustainable. The components of the MSME Innovative scheme is mentioned in Figure 115 below.

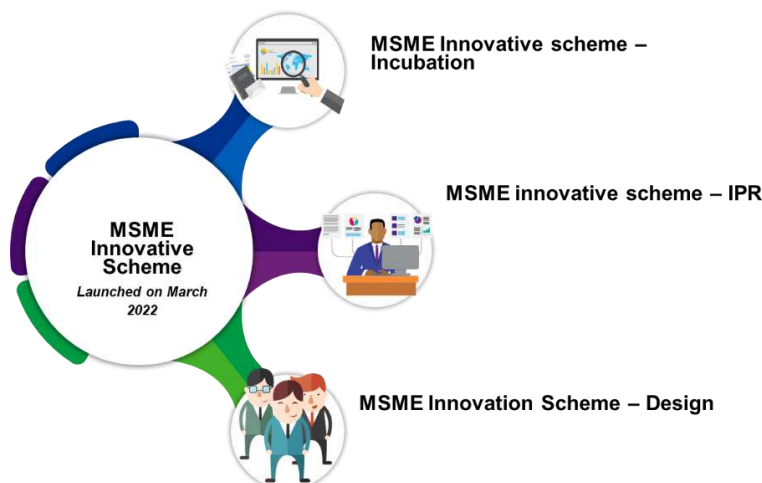


Figure 115: components of the MSME Innovative scheme

The key principles of the scheme include the following:

- **Promoting all forms of innovation:** The scheme will provide funding for a variety of innovation activities, including research and development, prototyping, and market testing. It will also provide support for innovation management, such as intellectual property protection and commercialization.
- **Providing appropriate facilities and support:** The scheme will provide incubators with access to office space, equipment, and mentors. It will also provide funding for training and other support services.
- **Promoting a culture of innovation:** The scheme will support events and activities that promote innovation, such as hackathons and innovation awards. It will also provide funding for research on innovation and entrepreneurship.
- **Serving as a connecting link:** The scheme will facilitate collaboration between industry, academia, and government. It will also provide funding for networking events and other activities that bring together innovators from different backgrounds.
- **Focusing on affordable innovations:** The scheme will prioritize funding for innovations that are affordable and accessible to many people. It will also provide support for innovations that have the potential to improve social and environmental conditions.

- a) **MSME Innovative (Incubation):** The MSME Innovative Scheme for Incubation is a government-funded program that aims to promote innovation and entrepreneurship in the MSME sector. The scheme provides financial assistance to eligible institutions to set up and operate business incubators. The provisions under the scheme include providing mentoring support in business and technology, networking with other businesses, seed capital assistance, professional assistance to make the enterprise successful and achieve higher growth. Currently 4 Host Institutes viz. Reva University, Ambedkar University, Bengaluru Bio-Innovation Centre (BBC) and MSME Centre of Excellence, IISc-Bengaluru are running incubation programs in the State under the scheme. Table 32 shows the implementation of MSME Innovative (Incubation) scheme in Karnataka.

Table 32: No of Approved Host Institutes

Year	Number of Approved Host Institutes	Application received
2019-20	25	25
2020-21	6	6
2021-22	4	8
2022-23	11	9
TOTAL	46	48

Source: MSME DFO, Bengaluru

The MSME Incubation Scheme is a valuable resource for MSMEs that are developing innovative products or services. The scheme provides financial and technical assistance that MSMEs need to bring their innovations to market and succeed. The proposed interventions under the RAMP program for scaling up the incubation scheme in Karnataka include the following:

- i. **Strengthening Outreach and Awareness:** Directorate of MSME in collaboration with the approved Host Institutes and MSME DFO will conduct awareness workshops at the district level in government engineering colleges and technical institutes of higher learning to educate young students/entrepreneurs about the incubation scheme. Bengaluru being a hub for information technology has a robust ecosystem comprising of technical institutions. In view of this, 10 workshops in Bengaluru would be conducted per year and 2 workshops would be conducted for the other 30 districts. The government will also conduct targeted marketing and awareness campaigns to reach potential MSME entrepreneurs who may benefit from the scheme. The cost for conducting the awareness workshops per year is estimated at INR 70 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the awareness workshops on Incubation during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.8 crore. The details of the Incubation sensitization workshops are given in Table 33.

Table 33: Details of strengthening outreach and awareness program for Incubation scheme.

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops for 4 years	Cost per year (INR)	Cost for four years (INR)
1.	One day Awareness Workshops on Incubation scheme	Technical Institutes/ Govt. Engineering Colleges	10 workshop per year in Bengaluru	10	40	10,00,000	40,00,000
2.	One day Awareness Workshops on Incubation scheme	Technical Institutes/ Govt. Engineering Colleges	2 workshop per year per district (30 districts)	60	240	60,00,000	2,40,00,000
Total				70	280	70,00,000	2,80,00,000

*INR 1,00,000 is the estimated cost for conducting the workshop

- ii. **Collaboration with Industry bodies:** The state government will play a crucial role in supporting and nurturing entrepreneurial ventures by collaborating with industry associations. The government will also work closely with industry associations, chambers of commerce, and trade organizations to identify potential MSMEs, provide business development services, and connect them with relevant stakeholders. Directorate of MSME in association with Industry Associations at district level will conduct a workshop on incubation scheme to reach potential MSME entrepreneurs who may benefit from the scheme. The cost for conducting these awareness workshops per year is estimated at INR 62 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the awareness workshops on Incubation during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.48 crore. The details of the Incubation sensitization workshops are given in Table 34 below.

Table 34: Details of collaboration with Industrial bodies under Incubation scheme.

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops for four years	Cost per year (INR)	Cost for four years (INR)
1.	One day Awareness Workshops on Incubation scheme	Industry Association	2 workshop per year per district (31 districts)	62	248	62,00,000	2,48,00,000
Total				62	248	62,00,000	2,48,00,000

*INR 1,00,000 is the estimated cost for conducting the workshop

- iii. **Virtual Incubation and Mentorship Connect Platform:** Directorate of MSME by partnering with Not-for-Profit organizations and private incubators who have considerable experience will set up a virtual incubation platform which would be integrated with the proposed State MSME Portal to provide incubation support to MSMEs as per global standards accessible to MSMEs wherever they want. The virtual incubation platform through industry experts and mentors will provide MSMEs services such as incubation, mentoring and seed financing; access to labs, production facilities; outreach & investor connect; entrepreneur tool kit and detailed analytics, etc.
- iv. **International Linkages:** The state government in collaboration with Visvesvaraya Trade Promotion Centre (VTPC) would launch an initiative to establish linkages with international technical incubators from developed nations. This would be done by signing memorandums of understanding (MoUs), establishing innovation hubs, and creating networks to facilitate global market access and technology exchange for MSMEs. The initiative would also foster international collaborations, exchange programs, and trade missions to help MSMEs explore export opportunities, access global supply chains, and learn from best practices in other countries.
- v. **Monitoring and Evaluation:** The government will implement a robust monitoring and evaluation system to assess the performance and impact of the incubation scheme. This system will be implemented by officials from the District Industries Centre (DIC). The system will track the progress of participating MSMEs, measure key performance indicators, and gather feedback from MSMEs,

mentors, and stakeholders. The findings will be used to identify areas for improvement, make informed decisions, and refine the incubation program.

These interventions will help strengthen the incubation scheme for MSMEs, increase its impact, and support the growth and success of participating MSMEs.

- b) Intellectual Property Rights Scheme:** The Intellectual Property Rights Scheme (IPR) scheme aims to promote awareness and understanding of intellectual property rights among MSMEs. The scheme provides financial assistance to MSMEs to attend workshops, seminars, and training programs on IPR. The scheme also provides support to MSMEs to obtain patents, trademarks, and copyrights. Figure 116 lists the main objective of IPR scheme. Table 35 shows the implementation of IPR scheme in Karnataka.

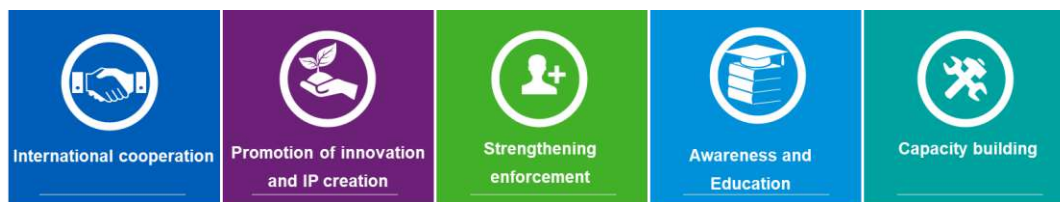


Figure 116: Benefits of IPR scheme

Table 35: Status of patent and trademark in state

Year	Patent	Trademark
2019-20		8
2020-21		15
2021-22		8
2022-23	27	11
TOTAL	27	42

Source: MSME DFO, Bengaluru

The proposed interventions under the RAMP program for scaling up the IPR scheme in Karnataka entails a holistic framework consisting of key building blocks such as:

- Training program for officials on IPR
- Awareness workshop for MSMEs
- Empanelment of IPR experts and Law firms
- International cooperation
- Streamline registration and legal framework



Figure 117: Interventions under the RAMP program for scaling up the IPR scheme.

- i. **Training Program for Officials on IPR:** Directorate of MSME in collaboration with renowned IPR experts and law firms in state and research institutes would organize a one-day training program on IPR and its benefits for the officials of District Industries Centre (DIC) and MSME- DFO officers, officers from associated departments and division level officers. The training program would aim at creating awareness on IPR management and protection and would cover topics such as IPR strategy development, filing procedures, licensing, enforcement, and commercialization. The training would be conducted through workshops in batches of 50 officials. The cost for conducting the training program for 200 officials from District Industries Centre and MSME DFO is estimated at INR 10 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the training program for officials on IPR during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 40 lakh. The details of the training program for IPR scheme are given in Table 36 below.

Table 36: Details of conducting training program for officials on IPR scheme.

SN	Particulars	No of Events	Beneficiary	Location	Per person training Cost (INR)	Cost per year. (INR)	Cost for four years (INR)
1.	One day training program for officials on IPR scheme at Division Level (Belagavi, Kalaburgi, Mysuru and Bengaluru)	4	200 (Officials from District Industries Centers and MSME DFO, officers from associated departments and division level officers)	(Belagavi, Kalaburgi, Mysuru and Bengaluru)	5000	10,00,000	40,00,000
Total		4				10,00,000	40,00,000

- ii. **Awareness Workshop for MSMEs on IPR:** Directorate of MSME in association with District Industries Centre (DICs), MSME DFO and Industry Association would be organizing a series of

awareness workshops across districts by bringing together a diverse group of stakeholders with an aim to create awareness and sensitize the stakeholders on IPR practices and its benefits. The DICs will also create awareness materials, such as brochures and posters, to educate MSMEs about the different types of IPR such as patents, trademarks, and copyright. The cost for conducting the awareness workshops per year is estimated at INR 62 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the awareness workshops on IPR during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.48 crore. The details of the awareness workshops for IPR scheme are given in Table 37.

Table 37: Details of conducting awareness workshop for MSMEs on IPR

S N	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of workshops in four years	Cost per year (INR)	Cost for four years (INR)
1.	One day Awareness and Educate program on IPR scheme	MSME-DFO, District Industries Centers, Industry Associations, and technical institutions	2 workshop per year per district (31 districts)	62	248	62,00,000	2,48,00,000
Total				62	248	62,00,000	2,48,00,000

*INR 1,00,000 is the estimated cost for conducting the workshop

- iii. **Empanelment with IPR experts and Law firms in state:** The Directorate of MSME in collaboration with the MSME-DFO, will empanel renowned IPR experts and law firms in the state to assist and educate MSMEs about the scheme and its benefits. These experts will provide personalized guidance and support to MSMEs in understanding IPR concepts, conducting patent searches, drafting patent applications, and filing for IPR protection. The experts will also help with trademark registration and copyright protection.
 - iv. **International cooperation:** Under the RAMP scheme, the state government will collaborate with international organizations, embassies, and trade promotion agencies to facilitate knowledge exchange, best practice sharing, and international intellectual property (IP) protection. The government will explore signing memorandums of understanding (MoUs) with countries that have robust IP frameworks to enhance cooperation in areas such as IP training, enforcement, and technology transfer.
 - v. **Streamline registration and legal framework:** Directorate of MSME would act as a bridge between MSMEs and the governing authority of IPR to simplify and streamline the registration process for obtaining intellectual property (IP). This will be done by reducing bureaucratic hurdles, improving online registration systems, and allocating adequate resources to the relevant government agencies. The goal is to ensure that IP laws and regulations are aligned with technological advancement and global standards.
- c) **Design Clinic Scheme:** aims to promote the adoption of design as a tool for innovation and growth among MSMEs. The scheme provides financial assistance to MSMEs to engage with design experts and

develop new products or improve existing ones. The scheme also provides training and capacity building support to MSMEs to enhance their design capabilities. The primary objective of the Design Clinic scheme is to promote design awareness and design driven entrepreneurship among MSMEs. It seeks to enable MSME to integrate design principles into their products, processes, and services thereby enhancing their marketability and competitiveness. The scheme is implemented through various design clinic centres (DCCs) established nationally under the scheme. These DCCs are typically hosted by design institutions, design organizations or engineering colleges recognized by the government. For design clinic scheme Ministry of MSME has signed MoUs with Indian Institute of Science (IISc, Bengaluru) and NIT, Surthkal located in Dakshin Kannada District of State.⁹⁷ Table 38 shows the implementation of MSME Innovation (Design) scheme in Karnataka.

Table 38: Design project approved, dropped, and completed in the state.

Year	Design Project			Funds Released (INR)
	Approved	Dropped	Completed	
2020-21	17	2	3	1,08,93,979
2021-22	3	2	20	24,75,000
2022-23	13	0	8	No funds released
Total	33	4	31	1,33,68,979

Source: MSME DFO, Bengaluru

The proposed interventions under the RAMP program for scaling up the Design scheme in Karnataka includes the following:

- i. **Strengthening of the existing Design Centre Clinics in the State:** With an aim to make Karnataka the Design Hub of the world, Government envisages to strengthen the existing 2 Design Centre Clinics (DCC) with an aim at being a global creative outsourcing destination for various design domains from product design to user experience design by upgrading the facilities and technologies respectively. The strengthening of existing design centers will help to create a vibrant design ecosystem in the state and attract global design talent to the state. The cost for strengthening the DCC is estimated at INR 2 crore and shall be supported by Government of India under the RAMP scheme.
- ii. **Design awareness workshops:** Directorate of MSME would partner with design organizations, such as the National Institute of Design (NID), the Industrial Design Society of India (IDSI) and MSME DFO to conduct design workshops with an aim to generate new knowledge, build infrastructure and educate entrepreneurs. This partnership will help to ensure that the workshops are high-quality and meet the needs of the target audience. By organizing these workshops, government will be able to increase awareness on design principles, improve design skills, and spark creativity and innovation among MSMEs. The cost for conducting these awareness workshops per year is estimated at INR 62 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the awareness workshops on design during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.48 Crore. The details of the design awareness workshops are given in Table 39.

⁹⁷ MSME-DFO, Bengaluru

Table 39: Details of conducting Design awareness workshops in the state.

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops for four years	Cost per year (INR)	Total Cost (INR)
1.	One day Design Awareness Workshop	National Institute of Design (NID) and the Industrial Design Society of India (IDSI), MSME-DFO, District Industries Centers, Industry Associations, and technical institutions	2 workshops per year per district (31 districts)	62	248	62,00,000	2,48,00,000
Total				62	248	62,00,000	2,48,00,000

*INR 1,00,000 is the estimated cost for conducting the workshop

- iii. **Design support and consultancy:** State government will empanel with design experts or consultant who will assist MSMEs with providing expert advice and guidance to improve the quality of their designs, reduce costs, and speed up the development process.
- iv. **Design festival for MSMEs:** Directorate of MSME in collaboration with the National Institute of Design (NID), the Industrial Design Society of India (IDSI), MSME DFO, IISc Bengaluru and Industry Association will organize design festival in Bengaluru where government will invite renowned design world class institutes to participate. The design festival will provide a platform for these design schools, companies, and individuals to showcase their work and to network with each other. The festival will be a week-long event, and it will feature a variety of events like design exhibitions, design workshops, design talk and design networking event. As part of the design festival, a design contest would be conducted to select 5 winners. These 5 winners would be awarded a grant of INR 25 lakh and for handholding support would be connected with the Design Centre Clinics in the State i.e. (Indian Institute of Science (IISc, Bengaluru) and NIT, Surthakal located in Dakshin Kannada. The cost for organizing the design festival is estimated at INR 2.25 crore per year and shall be supported by Government of India under the RAMP scheme. The details of the Design Festival to be conducted annually is given in Table 40 below.

Table 40: Details of organizing Design Festival in the state.

SN	Particulars	Event Partner	Total Number of Design Festival per year	Total Number of Design Festivals in for four years	Cost per year (INR)	Total Cost (INR)
1.	Design Festival	National Institute of Design (NID) and the Industrial Design Society of India (IDSI), IISc, MSME DFO, Industry Associations	1	4 across the State	2,25,00,000	9,00,00,000
Total			1	4	2,25,00,000	9,00,00,000

v. **Study / Exposure of Global Best Practices and Design Clinic Programme of Other Countries:**

The Directorate of MSME in collaboration with the MSME-DFO and Industry Association would launch an initiative to help MSMEs learn from the best practices of other countries in the areas of design and product development. The program will include a study tour comprising of workshops and seminars on specific topics related to design. The study tour will be to three countries that are leaders in design and product development. The study tour will give MSMEs the opportunity to visit well-established institutes and companies, and to learn about their design processes and best practices. The total cost for conducting design exposure visit is estimated at INR 1.5 crore and shall be supported by Government of India under the RAMP scheme. The details of the design global exposure visit are given in Table 41.

Table 41: Details of Exposure of Global best practices under Design scheme.

SN	Particulars	Identified Beneficiaries	Location	Number of Days	Cost per beneficiary	Total Cost (INR)
1.	Design Exposure visit	30 (5 Officials from Directorate of MSME, MSME DFO, and 25 MSMEs around the state)	3 countries to be identified	10	500,000	1,50,00,000

- d) **Digital MSME Scheme** aims at helping MSMEs to adopt digital technologies. The scheme provides financial assistance and training to MSMEs to help them use digital technologies to improve their operations and compete in the global marketplace. The scheme is open to all MSMEs registered under the MSME Act, 2006. The maximum amount of assistance that can be provided under the scheme is INR 1 lakh per MSME. The assistance can be used for the purchase of a computer, internet connection, software, and other digital tools and equipment. In addition to financial assistance, the scheme also provides training in the use of digital technologies. The training is provided by the National Institute for Micro, Small and Medium Enterprises (NI-MSME) and other accredited training providers. The key benefits of the Digital MSME Scheme include:

- **Improved operational efficiency:** Digital technologies will help MSMEs to improve their operational efficiency by automating tasks, streamlining processes, and improving communication.
- **Increased sales and revenue:** Digital technologies will help MSMEs to increase their sales and revenue by reaching new customers, improving their marketing efforts, and providing better customer service.
- **Enhanced competitiveness:** Digital technologies will help MSMEs to become more competitive by giving them access to new markets, enabling them to collaborate with other businesses, and providing them with the tools to innovate.

Scaling the digital scheme of MSME involves implementing specific interventions to expand its impact and reach. The proposed key interventions under RAMP program that will support the scaling of digital scheme of MSME in the State include:

- i. **Training Program for Officials on Digital Scheme:** Directorate of MSME would organize a one-day training program on digital scheme and its benefits for the officials of District Industries Centre (DIC) and MSME- DFO officers, officers from associated departments and division level officers. The training would be conducted through workshops in batches of 50 officials. The cost for conducting the training program for 200 officials from District Industries Centre and MSME DFO and is estimated at INR 10 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the training program for officials on digitalization during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 40 lakh. The details of the training program for IPR scheme are given in Table 42.

Table 42: Details of training program for officials on Digital scheme.

SN	Particulars	No of Events	Beneficiary	Location	Per person training Cost (INR)	Cost per Year (INR)	Cost for four years (INR)
1.	One day training program on Digital scheme at Division Level (Belagavi, Kalaburgi, Mysuru and Bengaluru)	4	200 (Officials from District Industries Centers, MSME DFO, officers from associated departments and division level officers)	(Belagavi, Kalaburgi, Mysuru and Bengaluru)	5000	10,00,000	40,00,000
Total		4				10,00,000	40,00,000

- ii. **Awareness Workshop for MSMEs on Digital Scheme:** Directorate of MSME in association with District Industries Centre (DICs), MSME DFO and Industry Association would be organizing a series of awareness workshops for MSMEs across districts by bringing together a diverse group of stakeholders with an aim to create awareness and sensitize the stakeholders on digital scheme and its benefits. The cost for conducting these awareness workshops per year is estimated at INR 62 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the awareness workshops on Digital scheme during the RAMP program implementation period (FY 2023-

24- FY 2026-27) is estimated at INR 2.48 Crore. The details of the awareness workshops for Digital scheme are given in Table 43.

Table 43: Details of organizing awareness workshop for MSMEs on Digital Scheme

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Cost for four years (INR)
1.	One day Awareness Workshop on Digital Scheme	MSME-DFO, District Industries Centers, Industry Associations	2 workshop per year per district (31 districts)	62	248	62,00,000	2,48,00,000
Total				62	248	62,00,000	2,48,000

*INR 1,00,000 is the estimated cost for conducting the workshop

- iii. **Digital Portfolio for MSMEs:** Directorate of MSME will collaborate with existing software firms to create a bouquet of enterprise applications which can be made available to MSME's at very low cost. "Digital Portfolio" offering bouquet of digital solutions for business models, customer interface, operations and workforce will be operated on the model of Software as a Service (SAAS). These tools include inventory management systems, customer relationship management (CRM) software, accounting software and production automation technologies. The details of the "Digital Portfolio" would be available on the proposed State MSME Portal.

4. Market Access Support Initiatives

i. Brand Karnataka

One of the greatest challenges faced by MSMEs is poor market access. Other than cluster linked and ancillary MSMEs that have natural linkages with large enterprises, most of the MSMEs have limited market access viz. brand promotion solutions, marketing support, quality standardization and certification, logistics and sales support, and information and communication technology (ICT) support which stalls their growth and competitiveness at the national and international level.

Currently, there is no specific policy in place to enable MSME products to benefit from their sustainable and technology-driven manufacturing practices, nor to gain recognition and value for the quality or sustainability measures they employ in their processes. The current policy framework focuses on facilitating market access for MSMEs by encouraging their participation in National and International Trade Fairs and Festivals. Additionally, it provides support for enhancing product packaging to meet the required quality standards. Moreover, provisions exist to offer assistance in increasing the export of these products. However, the policy lacks a significant effort to overcome existing barriers. Therefore, it becomes imperative to leverage the state's existing brand value and create a substantial impact in the global market by launching "**Brand Karnataka.**" This initiative would aim to capitalize on the strengths of MSMEs, showcase their products' uniqueness, and promote them in the international market effectively. By doing so, MSMEs can unlock new opportunities and gain recognition on a global scale for their sustainable and technology-driven manufacturing practices.

Directorate of MSME in collaboration with Karnataka Council for Technological Upgradation (KCTU) would be launching a 'Brand Karnataka initiative aimed at creating a unique identity for indigenous products and promote high-quality standards and ethical practices. The 'Brand Karnataka products would reflect the unique selling propositions of Karnataka's products and services, such as raw materials sourced from Karnataka, participation of women workforce, use of green energy sources, technology-enabled manufacturing/service, and social responsibility. Government would promote 'Brand Karnataka products in domestic and international markets and across E-commerce platforms MSMEs to "leap-frog" their market outreach at the national and international level.

The introduction of the 'Brand Karnataka will serve as a mechanism to effectively promote and showcase the state's rich cultural heritage, while also globally promoting its locally established enterprises. A key focus of this branding initiative is to ensure that these products adhere to high-quality standards and are manufactured in an ethical and sustainable manner. By awarding the prestigious 'Brand Karnataka tag to carefully selected products, the intention is to elevate their quality standards and enhance their access to global markets through the power of brand recognition and value.

Products that receive the 'Brand Karnataka tag will enjoy a unique advantage in accessing premium export markets for several compelling reasons. These reasons include their adherence to environmentally friendly and socially responsible manufacturing practices, as well as their utilization of green, clean, and renewable energy sources in their production processes. By leveraging these sustainable and ethical aspects, these products will be able to position themselves attractively in international markets, fostering greater demand and appreciation.

Ultimately, the 'Brand Karnataka' initiative strives to uplift the reputation of homegrown enterprises, boost their global competitiveness, and pave the way for increased success and recognition on an international scale.



Figure 118: Key Offerings of Brand Karnataka

Directorate of MSME in collaboration with Karnataka Council for Technological Upgradation and Visvesvaraya Trade Promotion Centre (VTPC), would launch a promotional campaign at both the national and international levels to create awareness of the Brand Karnataka. A certification process would be developed to ensure that all products and services under the Brand Karnataka meet high-quality standards, ethical and responsible industrial practices, and environmentally sustainable manufacturing methods. The small and medium sized enterprises would be incentivized accordingly to encourage them to participate in the certification processes. A committee would be formed under

the chairmanship of Secretary to Government, Commerce and Industries Department, Government of Karnataka would be formed for issuing certificates based on a thorough quality check.

The products that receive the Brand Karnataka certification will have the privilege of marketing themselves under the distinct label of Brand Karnataka in both domestic and international markets. As part of this certification, they will also benefit from complimentary promotions on all e-marketplaces, financial support to obtain high-quality certifications, thereby facilitating increased exports. Moreover, they will be given priority access to additional advantages related to existing schemes, industrial policy, funding opportunities, etc. With these incentives, businesses can expand their reach and appeal to a broader customer base. Additionally, these certified products will be featured at international trade fairs and marketing expos. This will reduce the financial burden of certification and encourage more enterprises to participate in the Brand Karnataka certification process.

To ensure the products and services bearing the Brand Karnataka uphold the highest quality standards, collaboration between the government, research institutes, and universities is essential. Together, they can develop and implement research and development programs aimed at enhancing manufacturing processes, product quality, and the creation of innovative offerings. This collaborative effort will also contribute to nurturing a skilled workforce, thus fostering the growth of the manufacturing sector in Karnataka.

While the Brand Karnataka policy would primarily focus on the priority sectors identified in the State's Industrial Policy, there is also potential for its expansion into new sectors in the future. Doing so will diversify the state's manufacturing base and present fresh opportunities for manufacturers and service providers.

Under the Brand Karnataka initiative, initially One District One Product (ODOP) products (31 products from the State) would be integrated that reflect the unique selling proposition of the state's industry and direct support to **15,500 MSMEs across the 31 ODOP products would be provided up to INR 1 Lakh for technology adoption and quality certification (ISO Series Certification and BIS Certification)**. As the ODOP program emphasizes locally made products, it aligns with the Brand Karnataka goal of promoting environmentally sustainable and socially responsible manufacturing practices. By incorporating selected ODOP products into the Brand Karnataka, their marketing and branding efforts can be amplified on both national and international levels. A corpus of INR 155 crore is estimated for the launch of the Brand Karnataka initiative and the State Government would be contributing 20 per cent of the corpus amount (INR 31 Crore) through convergence with the State Industrial Policy and 80 per cent of the corpus amount INR 124 crore would be supported by Government of India under the RAMP program implementation period (FY 2023-24- FY 2026-27).

ii. Export Promotion & Facilitation

- a) **Awareness Workshops for Export Promotion & Facilitation:** Visvesvaraya Trade Promotion Centre (VTPC) is the mandated nodal agency for the promotion of international trade from the State of Karnataka under the aegis of the Department of Industries & Commerce, Govt. of Karnataka. VTPC has been conducting awareness programmes by conducting trade fairs, promoting micro and small enterprises to participate in trade fairs at the national and international level. Under the RAMP program, VTPC in collaboration with Director General of Foreign Trade (DGFT), District Industries Centre, Industry and Cluster Associations and Local Trade Bodies would organize awareness workshops with an aim to sensitize MSMEs on international trade, how to enhance export competitiveness, tap new markets, trade fairs at national and international level, industry trends, best practices, and new technologies. The cost for conducting these awareness workshops per year is estimated at INR 62 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting

the awareness workshops on Digital scheme during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.48 crore. The details of the awareness workshops are given in Table 44 below.

Table 44: Details of awareness workshops on export promotion & facilitation

SN	Particulars	Event Partner	Location	Total Number of Workshops	Cost per year (INR)	Cost for four years (INR)
1.	One day Export Facilitation Workshop	VTPC, District Industries Centers, DGFT, Industry & Cluster Associations	2 workshops per year per district (31 districts)	62	62,00,000	2,48,00,000
Total				62	62,00,000	2,48,00,000

*INR 1,00,000 is the estimated cost for conducting the workshop

- b) Hiring of Technical consultant for preparation of Diagnostic Study Report (DSR) district wise to enhance export concentration and diversification of export product basket:** With an aim at creating a favorable export ecosystem using a data-driven approach, VTPC through the tendering process would engage the services of an external agency or consultant with experience and expertise in export promotion and development to conduct a diagnostic study to unlock the regional competitiveness and enhance export potential at district level. The DSR would focus on enhancing export competitiveness and concentration and would include a detailed analysis of district wise commodities with export potential with consultation with key stakeholder. The cost towards preparation of DSR for 31 districts is estimated at INR 1.24 crore and shall be supported by Government of India under the RAMP scheme.⁹⁸
- c) Exporters Directory at District Level:** Directorate of MSME in collaboration with District Industries Centre and Industrial Area Association, Cluster Association would create a digital exporters directory at district level. The directory will provide insights into products, sectors, markets, enhance networking opportunities and create vendor linkages by identifying new opportunities, and would provide the exporters with the latest information on export regulations and policies. The cost for developing the digital exporters directory is estimated at INR 25 lakh and shall be supported by Government of India under the RAMP scheme.
- d) Marketing Development Assistance for MSMEs:** A Marketing Development Assistance initiative for MSMEs would be launched to support MSMEs in the State for participation in domestic and international expos and marts. The initiative is aimed at helping MSMEs to expand their reach into new markets, improve their brand awareness, and generate new leads and sales. This initiative provides financial support to MSMEs to cover the cost of participating in expos and marts based on defined evaluation criteria(s) for selection. This initiative will be implemented in partnership with industry associations. The industry associations will help to identify MSMEs that are eligible for support and provide guidance and support to MSMEs throughout the application process. Factors for selection could include size of the business and the product or service they offer. The details of the Marketing Development Assistance for MSMEs are mentioned in Table 45 below.

⁹⁸ INR 4 Lakh is the estimated cost per DSR per district.

Table 45: Details of ceiling amount for Marketing Development Assistance for MSMEs

SN	Particulars	Expense for which Marketing Development Assistance is Offered		Financial Assistance	Ceiling Amount for Assistance per MSME (INR)
1.	Participation in National-level Domestic Expo or Mart	a.	Cost of rental of stall / space at MSME related expos and marts	50% of cost of rental of stall / space at the expo or mart	50,000
		b.	Travel expenses by air or rail from Karnataka to any State	75% of total fare, for economy class only	15,000
2.	Participation in International Expo or Mart	a.	Cost of rental of stall / space at MSME related expos and marts	50% of cost of rental of stall / space at the expo or mart	1,00,000
		b.	Travel expenses by air from India to any other country and/or by air/rail from one country to another country abroad	75% of total fare, for economy class only	1,50,000

The above-mentioned Marketing Development Assistance to MSMEs shall be limited to a maximum of 25 MSMEs under each category (national and international Expo or Mart) during a financial year. The cost of Marketing Development Assistance to 200 MSMEs for a duration of 48 months is estimated at INR 12.60 crore and shall be supported by Government of India under RAMP Scheme. The breakup of the cost is depicted in the table 46 below.

Table 46: Details of Marketing Development Assistance to MSMEs.

SN	Name of the Initiative	Event Partners	Location	Max Number of MSMEs	Cost per MSME (INR)	Total Cost (INR)
1.	Marketing Development Assistance for MSMEs	District Industries Centre & Industry Associations	Domestic Expos and Marts	100	65,000	65,00,000
2.			International Expos and Marts	100	2,50,000	2,50,00,000
Total				200		12.60.00.000

B. Leveraging existing private and public service providers for business and technical services to MSMEs

MSMEs face challenges pertaining to accessing affordable quality business and technical services which are essential for their competitiveness and sustainability. The private and public service providers assist MSMEs to overcome challenges by offering a multitude of business and technical services to MSMEs. Public sector providers such as government agencies, research institutes play a crucial role in supporting the MSMEs. They offer a wide range of services including capacity building programs, market research, technology transfer, regulatory compliance assistance and access to funding scheme, etc. These providers often have a deep understanding of local market condition and provide valuable insights to MSMEs.

The proposed interventions under RAMP to leverage services providers for business and technical services to MSME include the following:

- i. **Partnering with technical training institutes in the state:** Directorate of MSME will partner with the leading technical training institute in the state. These institutions will have the expertise and resources to provide training on the latest skills and technologies. This will allow MSMEs workforce to upskill their employees and improve their productivity, which will ultimately lead to increased profitability. Going forward, the Directorate of MSME will also partner with nationally and internationally renowned sector-specific established training institutions.
- ii. **Periodic meets and knowledge transfer sessions:** Directorate of MSME in collaboration with industry association and all key stakeholders will conduct regular meetings and knowledge transfer sessions between MSMEs and business development service providers (BDSPs) at least once in 6 months. These sessions will be led by area-specific experts, such as GST, compliance, go to market strategy, business development plan, quality standards, and certifications. The sessions will help MSMEs to stay updated on the latest industry trends and development and will provide MSMEs with access to resources and expertise that they may not otherwise have. This will be a valuable source of information and support for MSMEs and will help in improving business performance and competitiveness. The cost for conducting these periodic meets virtually per year is estimated at INR 62 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the sessions during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.48 crore. The details of the periodic meet and knowledge transfer session are given in Table 47.

Table 47: Details of Periodic meets and knowledge transfer sessions.

SN	Event Name	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Cost for four years (INR)
1.	Periodic meets and knowledge transfer sessions with BDSPs	Directorate of Industries District Industries Centre and other key stakeholders	2 per district (31 districts)	62	248	62,00,000	2,48,00,000

SN	Event Name	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Cost for four years (INR)
Total				62	248	62,00,000	2,48,00,000

*INR 1,00,000 estimated cost for conducting the session

- iii. **MSME Booster Kit:** Government of Karnataka would be launching the MSME Booster Kit in partnership with ecosystem partners to provide a gamut of pro bono services to further assist the MSMEs in their growth journey. The Booster Kit will supplement and complement the scaling up of the MSMEs in the value chain and will contain a power-packed collection of tools and services tailor made to cater to the needs of MSMEs. Government would enter strategic partnerships and MoUs with other service providers to expand the reach and impact of the booster kit. The booster kit will offer a range of services such as awareness, marketing, and mentorship support. MSMEs will benefit from expert guidance and mentorship provided by established organizations. These organizations will share their knowledge and experience to help MSMEs develop effective business strategies, improve their products or services, and explore new market opportunities. The details of the MSME Booster Kit would be available on the proposed State MSME Portal.
- iv. **Common Pool of Empaneled Market & Business Service Provision Providers:** Under the RAMP scheme the state government will create a Common Pool of Empaneled Market and Business Service Provision Providers. The common pool of service providers will be empaneled by the government to provide market-related services to MSMEs. These services would include market research, product development, and marketing. These services providers will have expertise in domain areas and will assist MSMEs in understanding and availing the benefits and helping MSMEs to access the services they need to grow their businesses. The common pool will also act as a repository/database of service providers that offer services to MSMEs and information on the empaneled service providers would be available at the district level on the proposed State MSME Portal.

C. This will also include identification of the potential pool of anchor buyers to partner with on supplier development programmes, to enhance MSME competitiveness.

Supplier development programs is a valuable tool for MSMEs to enhance their competitiveness. By working together with anchor buyers/suppliers MSMEs can achieve several benefits that can help them to grow their businesses and succeed in today's competitive marketplace. The proposed interventions under the RAMP program to identify and engage with potential anchor buyers and to bridge the gap between the MSME vendors and anchor units include the following:

- i. **Digital Directory at District level:** Directorate of MSME in collaboration with District Industries Centre, Industry Association, and Industrial Area Association, Cluster Association would create a digital directory at district level providing information on sector wise details of anchor and ancillary units. The directory will improve the visibility and reach of MSMEs, enhance their networking opportunities, and provide a cost-effective way to market their businesses. It will also improve customer satisfaction by providing contact details, hours of operation, and product/service offerings. The details of the digital directory would be available under the vendor supplier linkages module on the proposed State MSME Portal for integrating MSMEs into the larger value chain. The cost for developing the digital directory at district level is estimated at INR 3.10 crore (per district wise cost is estimated at INR 10 lakh) and shall be supported by Government of India under the RAMP scheme.

- ii. **Conducting regional vendor meet:** Directorate of MSME, District Industries Centre, Industry Associations would work together to organize regional vendor development meets with an aim to provide valuable opportunities for MSMEs to network with potential buyers, learn about raw material procurement, requirements, and quality standards, and showcase their capabilities and strengths. These vendor meets would provide a platform for MSMEs to showcase their capabilities to Original Equipment Manufacturers (OEMs) thereby enabling OEMs to identify suitable vendors in the MSME sector. The cost for conducting 24 vendors meet per year is estimated at INR 24 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the vendor meet during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 96 lakh. The details vendor meet is given in Table 48.

Table 48: Details of conducting regional vendor meet at cluster level

SN	Particulars	Event Partner	Location	Total Number of vendors Meets per year	Total Number of Vendor Meets in four years	Cost per year (INR)	Total Cost for four years (INR)
1.	Regional Vendor Meet	District Industries Centers, Industry association, Cluster Association	2 vendor meets per year per cluster (for 12 implemented clusters under MSE CDP)	24	96	24,00,000	96,00,000
Total				24	96	24,00,000	96,00,000

*INR 100,000 is the estimated cost for conducting the workshop

- iii. **State Public Sector Enterprise Connect:** Directorate of MSME in collaboration with the State Public Sector Enterprises (PSUs) will organize sessions and meetings to share knowledge. These sessions and meetings will be a forum for MSMEs to learn from the experience of SPSUs in a variety of areas, such as business planning, marketing, and financial management. These sessions and meets would be beneficial for both MSMEs and SPSUs. First, SPSUs would be able to access the latest innovations developed by MSMEs, which would help them stay ahead of the competition and develop new products and services that meet the needs of their customers. Second, MSMEs would benefit from the expertise and resources of PSUs, which would help them improve their products and services, reduce their costs, and grow their businesses.
- iv. **Collaborate with business development organizations:** Directorate of MSME in collaboration with trade promotion agencies and business development organization such as KVIC, NSIC, Coir Board will organize workshops with an aim to provide information, expertise, resources, to support MSMEs to improve their competitiveness. The workshops will help MSME to get training on business management and best practices, access to financial and technical assistance, networking opportunities with other MSMEs and industry expert and help with marketing and sales. The cost for conducting the workshops per year is estimated at INR 62 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the workshops during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.48 crores. The details of the workshops are given in Table 49.

Table 49: Details of collaborating with business development organizations.

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Cost for four years (INR)
1.	Workshops with business development organizations	Directorate of MSME, District Industries Centre	2 per district (31 districts)	62	248	62,00,000	2,48,00,000
Total				62	248	62,00,000	2,48,00,000

*INR 100000 estimated cost for conducting the workshop

6.1.2. Dispute Resolution for Delayed Payments: Strategy/blueprint for speedy and resolution of disputes related to delayed payments to MSMEs including (a) outreach and technical assistance to MSMEs to use ODR under SAMADHAAN Portal; (b) modification of State guidelines (if needed) and outreach to State Facilitation Councils to increase referrals by State Facilitation Councils to ODR providers.

India is one amongst very few countries which has a legal framework for the MSME Sector in the form of MSMED Act 2006 which has established provisions under which issues like delayed payments are addressed. Delayed payments refer to a situation where a buyer delay making payment to their suppliers by 45 days. Delayed payments can have a significant impact on businesses, especially MSMEs. These businesses are often more vulnerable to delayed payments than large scale businesses, as they have fewer financial reserves to withstand cash flow disruptions and they often operate on limited working capital and rely on prompt payments to meet their operational expenses. Recognizing the adverse effects of delayed payments on MSMEs, the Government of India enacted the Micro, Small, and Medium Enterprises Development (MSMED) Act in 2006. This act aims at promoting the growth and development of MSMEs by addressing issues related to delayed payment and providing a mechanism for timely settlement of dues.

The implications of delayed payments include:

- Cash flow problems:** Delayed payments can jeopardize the cash flow of MSMEs, making it difficult for them to pay their own bills and meet their financial obligations. This can lead to a cycle of debt and financial difficulty.
- Increased costs:** Delayed payments can lead to higher interest rates for MSMEs. This is because banks and other lenders may charge higher interest rates to MSMEs that have a history of delayed payments. This can increase the overall costs of doing business for MSMEs, making it more difficult for them to compete with larger businesses that have better credit ratings.



Figure 119: Implications of Delayed Payment

- iii. **Damage to relationships and loss of trust:** Delayed payments can erode the trust between MSMEs and their buyers. This can make it difficult to do business in the future and can lead to lost sales.
- iv. **Legal risks:** In some cases, MSMEs may be able to seek legal recourse against buyers who fail to make payments on time. However, this can be a lengthy and expensive process.

The MSMED Act, 2006 recognizes the importance of addressing the issue of delayed payments and provides a framework for safeguarding the interests of MSMEs. The key provisions of the act include:

- i. **Timely Payment:** The act mandates that buyers must make payments for the goods and services supplied by MSMEs within a specified period, which should not exceed 45 days from the date of acceptance of goods or services. In case of a delay, the buyer will be responsible for paying compound interest to the supplier if they fail to make payment on time.
- ii. **Micro and Small Enterprise Facilitation Councils (MSEFCs):** The act establishes MSEFCs at the district level to facilitate the settlement of disputes related to delayed payments. MSMEs can file applications with the MSEFCs seeking redressal for delayed payment issues.
- iii. **Conciliation and Arbitration:** The act emphasizes the use of conciliation and arbitration as dispute resolution mechanisms. The MSEFCs are responsible for facilitating the process of conciliation, and if required, the matter can be referred to arbitration for a binding decision.
- iv. **Recovery of Dues:** The act enables MSMEs to initiate legal proceedings for recovery of their outstanding dues through filing a claim with the MSEFC or approaching the appropriate civil court.

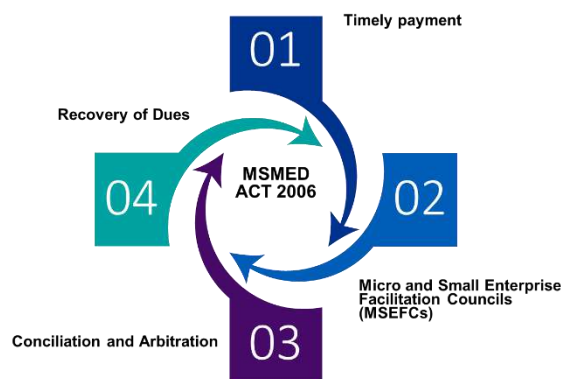


Figure 120: MSMED Act 2006

The MSME SAMADHAN Portal is a dedicated online portal launched by the MoMSME in 2017 with an objective to provide a platform for MSMEs to file their delayed payment complaints and seek timely resolution. The portal allows MSMEs to register their grievances against any buyer, including both private and public sector entities. However, the SAMADHAN portal is only a case tracker and needs manual intervention post filing. The features of the MSME SAMADHAN Portal include the following:

- i. **Grievance Registration:** MSMEs can register their complaints regarding delayed payments on the portal, providing relevant details such as buyer information, invoice details, and payment terms. This ensures transparency and accountability in the resolution process.
- ii. **Monitoring and Follow-up:** Once a complaint is registered, the portal facilitates monitoring and follow-up of the case by concerned authorities. This ensures that MSMEs are kept updated on the status of their complaints and that action is taken in a timely manner.
- iii. **Facilitation of Conciliation:** The portal provides a platform for conciliation between the MSME and the buyer. This enables the parties to negotiate and arrive at a mutually acceptable settlement, avoiding lengthy legal proceedings.

- iv. **Timely Dispute Resolution:** The portal emphasizes the resolution of complaints within a defined timeline. This ensures that MSMEs are not kept waiting for a resolution to their complaints. In cases where a settlement is not reached through conciliation, the matter is referred to the respective MSEFC (Micro and Small Enterprise Facilitation Council) for further action.

The emergence of technology has revolutionized various aspects of our lives, including the way we handle conflict resolution. In recent times, there has been a noticeable shift towards online dispute resolution (ODR), which boasts numerous advantages over the SAMADHAAN Portal. The Government established the SAMADHAAN Portal with an aim to provide an efficient and transparent platform for resolving delayed payment issues for MSEs. Through this portal, MSEs can conveniently file complaints online and keep track of their cases progress. It also facilitates mediation and arbitration, which are valuable tools in resolving disputes. However, it's essential to recognize that the SAMADHAAN Portal has certain limitations. For instance, the portal is only available in English which could pose as a hindrance for non-English-speaking MSEs. Moreover, the portal's jurisdiction is limited, and it does not record the pre-MSEFC stage. Additionally, the entire case management process is manual, which can result in delays and inefficiencies.

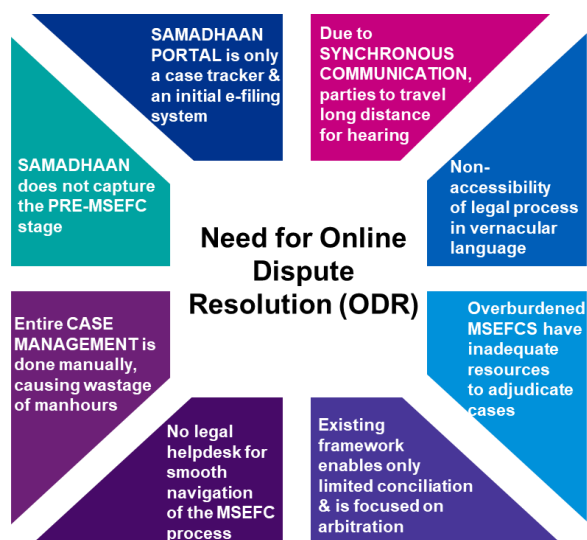


Figure 121: Need of ODR over SAMADHAN portal.

Government of Karnataka welcomes the proposed ODR scheme of the central government which aims at developing an ODR mechanism for all States/UTs to address the issue of delayed payments faced by MSEs in a phase-wise manner. Online dispute resolution (ODR) emerges as a promising alternative to the SAMADHAAN Portal. ODR platforms offer diverse jurisdiction, employ advanced technology, and involve experts and neutrals in the decision-making process. These distinctive features make ODR more efficient, transparent, and cost-effective compared to traditional dispute resolution methods. A significant advantage of ODR is its accessibility in multiple languages, thereby making it more inclusive for MSMEs. Furthermore, ODR platforms automate the dispute resolution process, leading to quicker and more efficient resolutions of conflicts.

ODR offers a range of compelling benefits that have transformed the way disputes are resolved such as, accessibility and convenience, cost effectiveness, speedy resolution, and expert neutrals. ODR enhances accessibility and convenience by enabling parties to participate in the resolution process from anywhere with an internet connection, it caters to individuals in remote areas or those with limited mobility. It eliminates unnecessary hassles of physical travel and attending in-person meetings, making

it more convenient than a traditional dispute resolution method. Instead, parties can engage from the comfort of their homes or offices. The cost-effectiveness of ODR is another advantage worth noting. With the elimination of travel and lodging expenses, ODR proves more economical than traditional dispute resolution methods. Moreover, the automation of certain aspects streamlines the process, reducing both time and financial investments.

Speedy resolution stands out as a hallmark of ODR. By promoting direct communication between the parties involved, ODR facilitates quick resolutions compared to the often-time-consuming traditional litigation. For MSMEs, this translates to valuable time saved, enabling them to shift their focus back to core business activities promptly. Lastly, a key strength of ODR lies in its utilization of expert neutrals. The streamlined process of ODR platforms ensures that disputes are resolved swiftly, while also benefiting from the expertise of skilled professionals. Moreover, the 24/7 accessibility of ODR platforms means that parties can engage in the resolution process at their convenience, further expediting the overall procedure. These combined advantages make ODR an efficient, cost-effective, and time-saving alternative to traditional dispute resolution methods.

Government of Karnataka, under the provisions of Sec. 30 read with sub section 3 of Sec 21 and Sec. 20 & 21(1) of MSMED Act, 2006 has established 35 Micro and Small Enterprise Facilitation Council (MSEFC) including the MSEFC for the Textile sector in Bengaluru Urban District of the State for settlement of disputes on getting references/filing on Delayed payments. (Section 20 and 21). An additional MSEFC for the ITBT sector has been proposed which is yet to be established. The MSEFC Councils are functioning as a quasi-judicial authority as per MSMED Act 2006, Chapter V, Section 15 to 25, which relates to delayed payments to Micro and Small Enterprises.

The Micro Small Facilitation Council (MSEFC) of the State acts as an arbitrator for settlement of any dispute regarding the payment between the MSME units. The details of the 35 Micro and Small Enterprise Facilitation Council (MSEFC) is given in Table 50 below.

Table 50: Number of MSEFCs in the state

SN	Name of the MSEFC	MSEFC Members
1.	MSEFC Bengaluru	<ul style="list-style-type: none"> — Chief Executive Officer (Chairman) — District government pleader District (Member) — Representative /Lead district manager District (Member) — President/ Representative of Industrial association (Member) — Joint Director, District Industries, District (Member Secretary)
2.	MSEFC Chikamagalur	
3.	MSEFC Chikkaballapur	
4.	MSEFC Chitradurga	
5.	MSEFC Dakshina Kannada	
6.	MSEFC Udupi	
7.	MSEFC Uttara Kannada	
8.	MSEFC Yadagir	
9.	MSEFC Vijayanagara	
10.	MSEFC Bengaluru Urban-2	
11.	MSEFC Ballari	
12.	MSEFC Vijayapura	
13.	MSEFC Davangere	
14.	MSEFC Hassan	
15.	MSEFC Mandya	
16.	MSEFC Ramanagara	
17.	MSEFC Tumkur	
18.	MSEFC Belagavi	
19.	MSEFC Kalaburagi	

SN	Name of the MSEFC	MSEFC Members
20.	MSEFC Bengaluru Urban Textiles	
21.	MSEFC Bengaluru Rural-1	
22.	MSEFC Bangalore Rural-2	
23.	MSEFC Bagalkote	
24.	MSEFC Haveri	
25.	MSEFC Kodagu	
26.	MSEFC Kolar	
27.	MSEFC Koppal	
28.	MSEFC Mysuru	
29.	MSEFC Bengaluru Urban-1	
30.	MSEFC Bidar	
31.	MSEFC Chamarajnagar	
32.	MSEFC Dharwad	
33.	MSEFC Gadag	
34.	MSEFC Raichur	
35.	MSEFC Shimoga	

According to the data on the SAMADHAAN portal as on 23.07.2023 there are 1,54,311 applications filed by MSEs out of which 8271 applications are from Karnataka constituting a share of ~5 per cent.⁹⁹ Out of the total 8271 applications from Karnataka ~ 46 per cent are pending applications and cases. Karnataka's attributes to ~ 3 per cent of the amount payable (INR 687.3 crore) in delayed payment cases at the national level as given in Table 51 below. In Karnataka out of the 2281 cases filed with an amount of INR 687.3 crore at MSEFCs, ~72 per cent (1661 cases with an amount of INR 485.2 crore) were successfully disposed.

Table 51: Total no of cases filed, amount payable under SAMADHAAN portal in state and India.

SN	State	Total no. of cases filed	Amount payable (INR crore)	Total no. of cases disposed	Amount involved in disposed cases (INR crore)	Total no. of cases pending
1.	Karnataka	2281	687.3	1661	485.2	620
2.	India	67288	22318.8	34121	6604.1	33167

*MSME SAMADHAAN- Delayed Payment Monitoring System as on 23.07.2023

Looking at the 35 State MSEFC data in Table 52 below, MSEFC Bangalore has ~71 per cent of the cases filed in the State amounting to INR 620.4 crore (1630 cases) out of the 687.3 crore amount payable in delayed payment cases. The other two MSEFC at Mysore and Belagavi contribute ~ 29 per cent of the cases filed in the State amounting to INR 66.8 crore (651 cases) out of the 687.3 crore amount payable in delayed payment cases. The additional MSEFCs apart from the Bangalore, Mysore and Belagavi MSEFC were constituted on 13.02.2023 by Government of Karnataka with an objective to ease the case burden for settlement of disputes on the existing MSEFCs for easy time bound resolution to MSMEs.

The case wise breakup of the 35 Micro and Small Enterprise Facilitation Council (MSEFC) is given below.

⁹⁹ MSME SAMADHAAN Portal as on 23.07.2023

Table 52: MSEFCs wise Data under SAMADHAAN portal

SN	Name of MSEFC	Total no of cases filed	Amount payable (INR Crore)	Total no of cases disposed	Amount involved in disposed cases (INR Crore)	Total no of cases pending
1	MSEFC Bangalore	1628	620.3	1413.0	465	215
2	MSEFC Chikamagalur	0	0	0	0	0
3	MSEFC Chikkaballapur	0	0	0	0	0
4	MSEFC Chitradurga	0	0	0	0	0
5	MSEFC Dakshina Kannada	0	0	0	0	0
6	MSEFC Udupi	0	0	0	0	0
7	MSEFC Uttara Kannada	0	0	0	0	0
8	MSEFC Yadagir	0	0	0	0	0
9	MSEFC Vijayanagara	0	0	0	0	0
10	MSEFC Bengaluru Urban-2	0	0	0	0	0
11	MSEFC Ballari	0	0	0	0	0
12	MSEFC Vijayapura	0	0	0	0	0
13	MSEFC Davangere	0	0	0	0	0
14	MSEFC Hassan	0	0	0	0	0
15	MSEFC Mandya	0	0	0	0	0
16	MSEFC Ramanagara	0	0	0	0	0
17	MSEFC Tumkur	0	0	0	0	0
18	MSEFC Belagavi	503	41.8	176	4.8	327
19	MSEFC Kalaburagi	0	0	0	0	0
20	MSEFC Bengaluru Urban Textiles	0	0	0	0	0
21	MSEFC Bengaluru Rural-1	0	0	0	0	0
22	MSEFC Bangalore Rural-2	0	0	0	0	0
23	MSEFC Bagalkote	0	0	0	0	0
24	MSEFC Haveri	0	0	0	0	0
25	MSEFC Kodagu	0	0	0	0	0
26	MSEFC Kolar	0	0	0	0	0
27	MSEFC Koppal	0	0	0	0	0
28	MSEFC Mysuru	148	25	72	15	76
29	MSEFC Bengaluru Urban-1	2.0	0.1	0	0	2
30	MSEFC Bidar	0	0	0	0	0

SN	Name of MSEFC	Total no of cases filed	Amount payable (INR Crore)	Total no of cases disposed	Amount involved in disposed cases (INR Crore)	Total no of cases pending
31	MSEFC Chamarajnagar	0	0	0	0	0
32	MSEFC Dharwad	0	0	0	0	0
33	MSEFC Gadag	0	0	0	0	0
34	MSEFC Raichur	0	0	0	0	0
35	MSEFC Shimoga	0	0	0	0	0
TOTAL		2281.0	687.30	1661	485.2	620

*MSME SAMADHAAN- Delayed Payment Monitoring System as on 23.07.2023

The data from the State MSEFC reveals that the number of applications filed against the number of MSMEs present in the state is at a very marginal per cent. During the year 2020-21, as per the Udyam registration data, state was home to 3,63,998 MSME units but during the same year only 414 MSMEs filed an application for delayed payments with the State MSEFC. This attributes to the lack of awareness on the availability of such an institutional mechanism amongst MSMEs and reveals the resistance of MSMEs coming forward to file an application or case due to the high turnaround time, cost and also the fear of losing the potential buyer after filing the application in MSEFC. Data from the State MSEFC also shows that the rate for successfully resolving or closing the application is between the range of 30 to 45 per cent. This indicates the low success rate for delayed payment resolution through the State MSEFC. Another challenge exacerbating the delayed payment is the irregularity in conducting the MSEFC every week. On an average the MSEFCs conducted in the State during a year fall between the range of 30-35 per cent of the actual scheduled MSEFCs for the year.

Also, during the focus group discussion at cluster level, office bearers of the cluster associations and MSMEs highlighted that for execution of the MSEFC order the applicant needs to approach the civil court to collect the dues which again is a time consuming and tedious process. It was suggested by the members to establish a mechanism to entrust the MSEFC with more powers to ensure time bound resolution of the delayed payments. Regarding the 75 per cent of the payment that the appellant needs to deposit with the civil court, it was suggested by the members such amount should be deposited with the MSEFC to ensure surety of the payment to the MSMEs.

The magnitude of delayed payments payable to MSMEs from State Public Sector Enterprises (SPUs) was also highlighted during the focus group discussion. The members also apprised on the tedious documentation process and the regulatory compliances and approvals required at district level for timely release of payments from SPUs. During the discussion the resistance MSMEs feel to file an application or case due to the fear of losing the potential buyer after filing the application in Micro Small Enterprise Facilitation Council (MSEFC) was also highlighted. Therefore, it was suggested to establish two separate binding, time-bound processes for release of delayed payments between Government Agencies and MSMEs and B2B transactions between MSMEs. The MSMEs believe that these two processes would help to address the problem of delayed payments and would allow MSMEs to operate and grow their businesses more effectively.

Therefore, there is a need to strengthen the current MSEFC at the State level to ensure time bound resolution of delayed payments by addressing challenges such as fear of MSMEs losing the potential buyers, lack of awareness amongst MSMEs about SAMADHAAN portal, limited enforcement/binding

powers, shortfall of manpower to adjudicate cases, inadequate technology/ICT infrastructure, lack of subject matter expert at the council as well junior level staff member, etc.

The Government would facilitate 3750 MSEs in the State for use of ODR through SAMADHAAN portal (case initiation through ODR providers) and direct referrals by State Facilitation Councils (SFCs) and would aim at resolving these cases successfully during the RAMP program implementation period (FY 2023-24- FY 2026-27). The following proposed interventions to strengthen the MSEFCs at the State level.

(a) Outreach and technical assistance to MSMEs to use ODR under SAMADHAAN Portal

The Government will provide MSMEs with the means to resolve their disputes in a timebound and efficient manner. The section below lists the interventions that the government would implement under the RAMP program to increase outreach and technical assistance to use ODR under the SAMADHAAN portal. With the help of these interventions' government will enable MSME to create a more level playing field and boost economic growth. The proposed interventions is illustrated in Figure122 below.

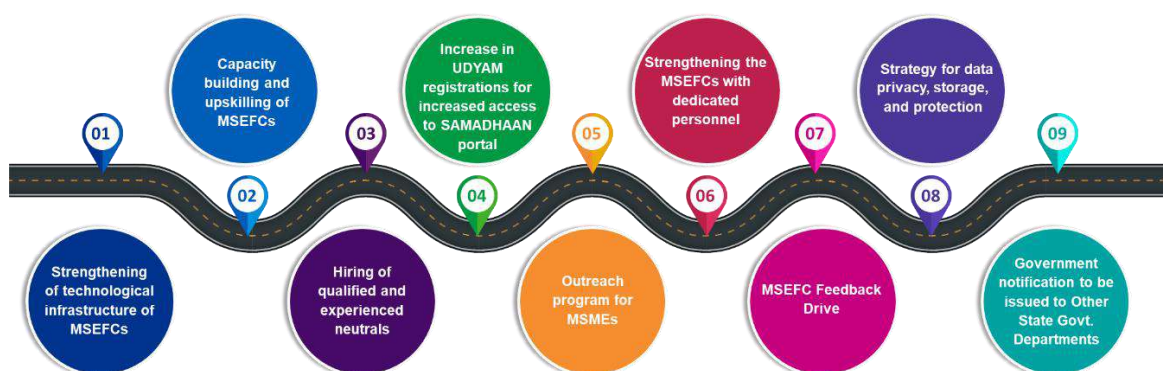


Figure 122: Key intervention for MSMEs to use ODR under SAMADHAAN Portal

- i. **Strengthening of technological infrastructure of MSEFCs to access ODR platforms:** The Directorate of MSME assessed the technological infrastructure gaps at the District Industries Centre (DIC) level for MSEFCs. The assessment found that 80 per cent of respondents (Joint Directors of DICs) suggested the need for technological/ICT infrastructure upgradation (machinery and equipment) to upgrade the capacity of MSEFCs as currently there is only basic level of infrastructure (ICT tools) available. To address this, the government will provide one-time financial assistance to MSEFCs to upgrade their IT infrastructure. This would include funding for computers, laptops, projectors, and printers, as well as software applications for use of ODR platforms. The total cost of upgrading the infrastructure at the 35 MSEFCs is estimated at INR 3.5 crore. The details of the financial assistance to all MSEFCs are given in Table 53 below.

Table 53: Details of strengthening of technological infrastructure of MSEFCs to access ODR platforms.

SN	Particular	State MSEFCs	Cost per MSEFC (INR)	Total Cost (INR)
1.	One- time financial assistance to MSEFCs for	35 MSEFCs at district level	10,00,000	3,50,00,000

SN	Particular	State MSEFCs	Cost per MSEFC (INR)	Total Cost (INR)
	upgradation of technological infrastructure			

*INR 10 lakh is one-time financial support for each MSEFC.

- ii. **Capacity building and upskilling of MSEFCs to effectively resolve delayed payment disputes through ODR:** Directorate of MSME in collaboration with District Industries Centre and an external agency having experience in legal aspects and regulatory matters will conduct workshops at division level (Belagavi, Kalaburgi, Mysuru and Bengaluru) to create legal awareness about legal and regulatory rights, online dispute resolution (ODR), delayed payment disputes, and mediation and arbitration amongst MSEFCs. The workshop will be customised to the needs of MSEFCs and will be delivered in a way that is accessible and informative. The objective for carrying out the workshop would be aimed at capacity building and upskilling of MSEFCs to effectively resolve delayed payment disputes. Four workshops will be conducted per MSEFC per year on quarterly basis. The cost for conducting the workshops for 35 MSEFCs per year is estimated at INR 16 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the workshops for MSEFCs during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 64 lakh. The details of the capacity building and upskilling of MSEFCs are given in Table 54

Table 54: Details of capacity building and upskilling of MSEFCs to effectively resolve delayed payment disputes through ODR

SN	Particulars	Workshop Frequency	Total Number of Workshops per year	Cost per MSEFC workshop	Total Cost (INR) per year	Total Cost (INR) for four years
1.	Capacity building workshop for MSEFCs	4 workshops across MSEFCs at division level (Belagavi, Kalaburgi, Mysuru and Bengaluru)	16	1,00,000	16,00,000	64,00,000

- iii. **Hiring of qualified and experienced neutrals to reduce time taken for resolution:** To ensure that disputes are resolved quickly and fairly and that MSMEs have access to impartial decision-makers, the Directorate of MSME would hire full time qualified and experienced neutrals comprising of lawyers, arbitrators, and mediators to resolve disputes through ODR platforms. The Directorate of MSME would also provide training for neutrals on how to use ODR platforms and will help to ensure the neutrals are familiar with the ODR process and that they are able to resolve disputes effectively. By empanelling qualified and experienced neutrals, time taken to resolve disputes through ODR platforms would be reduced. This will benefit MSMEs as they will be able to get their disputes resolved more quickly and easily. The cost for hiring neutrals for 35 MSEFCs per year is estimated at INR 2.10 crore and shall be supported by Government of India under the RAMP scheme. The total cost for hiring the neutrals for 35 MSEFCs during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 8.4 crore and the details are given in Table 55

Table 55: Details of hiring of qualified and experienced neutrals to reduce time taken for resolution.

SN	Particulars	Man-month rate (INR)	Compensation per annum (INR)	Per year cost for 35 MSEFCs (INR)	Total Cost for 35 MSEFCs (INR) for four years
1.	Hiring of full time qualified and experienced neutrals	50,000	6,00,000	2,10,00,000	8,40,00,000

- iv. **Increase in UDYAM registrations for increased access to SAMADHAAN portal:** The Directorate of MSME in collaboration with District Industries Centres (DICs) and Industry Association, will develop a mechanism to increase awareness of the UDYAM portal and encourage businesses to register on the portal. This would increase the number of MSMEs that have access to the SAMADHAAN portal. The mechanism would involve a variety of outreach activities, such as: organizing workshops and seminars on the UDYAM portal and the SAMADHAAN portal, distributing leaflets and brochures providing information about the portals, creating online and social media campaigns to promote the portals, working with DICs and Industrial associations to reach out to businesses in their respective areas. By increasing UDYAM registrations, the government will be able help to increase access to the SAMADHAAN portal and make it easier for MSMEs to resolve their disputes. The cost for carrying out the outreach activities for increasing awareness about the UDYAM and SAMADHAAN portal per year is estimated at INR 31 lakh and shall be supported by Government of India under the RAMP scheme. The total cost during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 1.24 crore. The details of the outreach activities for increasing awareness about the UDYAM and SAMADHAAN portal are given in Table 56

Table 56: Details of workshops for awareness about UDYAM and SAMADHAAN

SN	Particulars	Participants	No of event per district in year	Cost per year (INR)	Total cost in 4 years (INR)
1.	Conducting workshops/seminars for increasing awareness about the UDYAM and SAMADHAAN Portal	Directorate of MSME, District Industries Centre, Industrial Association	31 (1 workshop per district-31 districts)	31,00,000	1,24,00,000
Total			31	31,00,000	1,24,00,000

*INR 100000 for awareness program at each district

- v. **Outreach programmes for MSMEs to increase awareness about legal recourses in case of delayed payments, filing of cases on SAMADHAAN portal, and regulatory framework:** Directorate of MSME in collaboration with District Industries Centre, Industry Associations and an external agency having experience in legal aspects and regulatory matters will conduct outreach activities to create legal awareness amongst MSMEs about legal and regulatory rights and information on legal recourses in case of delayed payments. The outreach activities will aim at educating MSMEs about the SAMADHAAN portal and ensure that MSMEs are aware of their legal rights and that they are able to take action to resolve delayed payment disputes. The outreach activities will involve a series of outreach programs, such as workshops, seminars, and online campaigns. These programs would cover topics such as the legal framework governing delayed payments, the process for filing cases on the SAMADHAAN portal, and the benefits of using the portal. The outreach programs would be designed

to reach as many MSMEs as possible. The cost for conducting outreach activities for MSMEs to increase awareness about legal recourse in case of delayed payment, per year is estimated at INR 31 lakh and shall be supported by Government of India under the RAMP scheme. The total cost during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 1.24 crore. The details of the outreach program for MSMEs to increase awareness are given in Table 57

Table 57: Details of workshops/Seminars amongst the MSMEs on legal aspect and regulatory matters

SN	Particulars	Participants	No of events per district in year	Cost of event (INR) per year	Total cost of event in 4 years (INR)
1.	Conducting workshops/seminars for increasing awareness amongst MSMEs on legal aspects and regulatory matters	Directorate of MSME, District Industries Centre, Industrial Association	31 (1 workshop per district-31 districts)	31,00,000	1,24,00,000
Total			31	31,00,000	1,24,00,000

*INR 100000 for awareness program at each district

- vi. **Strengthening the MSEFCs with resources (Manpower support):** The Directorate of MSME carried out an assessment on the need for hiring/recruiting dedicated contractual staff for MSEFCs at the district level, in consultation with officials from the District Industries Centre (DIC). The assessment found that 80 per cent of respondents (Joint Directors of DICs) suggested the need for hiring of dedicated personnel to upgrade the capacity of MSEFCs. In view of this, the capacity of MSEFCs need to be strengthened at district level. The cost for hiring resources for MSEFCs per year is estimated at INR 2.10 crore and shall be supported by Government of India under the RAMP scheme. The total cost during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 8.4 crore. The details of hiring resources are given in Table 58

Table 58: Details of hiring resources for 35 MSEFCs

SN	Particulars	Resources Required at each MSEFC	Total number of resources across 35 MSEFC	Cost of 2 resources per MSEFC per year (INR)	Cost of 2 resources for 35 MSEFCs	Total cost of resources in 4 years
1.	Strengthening of MSEFCs with resources (support staff)	2 support staff per MSEFC (across 35 MSEFCs)	70	6,00,000	2,10,00,000	8,40,00,000
Total			31	6,00,000	2,10,00,00	8,40,00,000

*INR 300000 for each resource

- vii. **MSEFC Feedback Drive:** With an aim at improving the working of MSEFCs at district level, Directorate of MSME would be launching a feedback drive at each MSEFC to seek feedback from MSMEs and other stakeholders and to identify the areas of improvement in the SAMADHAAN portal and the overall dispute resolution process. After reconciliation of feedback, Directorate would submit the feedback on technological advancements and evolving best practices in online dispute resolutions to central government.

- viii. **Strategy for data privacy, storage, and protection to ensure confidentiality of proceedings:** Directorate of MSME will develop a strategy for data privacy, storage, and protection to ensure the confidentiality of proceedings in the MSEFC process. The strategy would be designed to protect the privacy of MSMEs who use the MSEFC process to resolve delayed payment disputes. It would also help to ensure that the confidentiality of proceedings is maintained. This strategy will include the following elements: a) the use of secure data storage and transmission method; b) the implementation of data encryption and access control measures, c) the establishment of clear policies and procedures for handling sensitive data, and d) the training of staff on data privacy and security issues.

(b) Modification of State guidelines (if needed) and outreach to State Facilitation Councils to increase referrals by State Facilitation Councils to ODR providers

- i. **Government notification to be issued to Other State Govt. Departments, State Public Enterprises, Boards and Corporations for timely release of payments to MSMEs:** The State Government will issue a notification instructing all line departments for releasing payment to MSMEs in a timely manner.

6.1.3. Increased digitalization of MSMEs, including use of TReDS portal: Strategy/blueprint for outreach and technical assistance to increase use of digital platforms by MSMEs, including the TReDS portal.

The Fourth Industrial Revolution is emerging and evolving at an exponential pace and presents the next engine of economic growth where the global Industry 4.0 market is expected to reach USD 298.1 billion by 2027, with a growing CAGR of 20.3 per cent.¹⁰⁰ At the heart of Industry 4.0 is a set of rapidly evolving and converging digital technologies encompassing (mobile telephony, hyperconnectivity and 5G, artificial intelligence and machine learning, Internet of Things (IoT), remote sensing, big data analytics and blockchain) aimed at bringing in a new dimension to the industrial environment, signalling the transformation of entire systems of production, management, and governance, thereby resulting in a dramatic increase in industrial productivity.

Digitization, innovations, and emerging technologies have been disrupting businesses across industries at an increasing rate. With an increasing number and variety of use cases for technology, a new world order is emerging that is changing the way we live and work. An estimated 70 per cent of new value created in the global economy over the next decade would be based on digitally enabled platform business models.¹⁰¹ The global cross-border e-commerce market was valued at USD 785 billion in 2021 and is expected to reach USD 7,938 billion by 2030, growing at a CAGR of 26.19 per cent between 2022 and 2030. Currently China holds the lion's share in the global e-commerce market with over 37 per cent of the cross-border e-commerce market, whereas India accounts for less than 1 per cent market share.¹⁰² The projected e-commerce market size in India is expected to reach USD 350 billion by 2030, playing a crucial role in India's goal of achieving a USD 5 trillion economy and driving overall economic growth.¹⁰³ The emerging new world order presents an opportunity to rethink and remodel today's MSME paradigms, opening a window for digital platforms / technologies to create the new digitally enabled sustainable and

¹⁰⁰ <https://www.globenewswire.com/news-release/2021/10/06/2309691/0/en/Industry-4-0-Market-to-Reach-USD-298-1-Billion-by-2027-with-a-growing-CAGR-of-20-3.html>, AlltheResearch, 06 October 2021

¹⁰¹ <https://www.weforum.org/platforms/shaping-the-future-of-digital-economy-and-new-value-creation>, World Economic Forum

¹⁰² Report by Fact & Factors <https://timesofindia.indiatimes.com/blogs/voices/globalising-msme-exports-via-the-e-commerce-route-a-usd-100-billion-opportunity/>

¹⁰³ <https://timesofindia.indiatimes.com/blogs/voices/globalising-msme-exports-via-the-e-commerce-route-a-usd-100-billion-opportunity/>

inclusive MSME business models. This could be a game changing move for the small businesses MSMEs in India and enable the Government's vision of "AatmaNirbhar Bharat", "Digital India", "Make in India".

There has been a steep growth in digital transactions in India over the past five years. The total number of digital transactions has increased by 327 per cent, from 2071 crore in FY 2017-18 to 8840 crore in FY 2021-22. The total value of digital transactions has also increased by 54 per cent, from 1962 lakh crore in FY 2017-18 to 3021 lakh crore in FY 2021-22.¹⁰⁴ Bengaluru topped the list with 29 million transactions worth USD 65 billion, followed by New Delhi with 19.6 million transactions worth USD 50 billion, Mumbai with 18.7 million transactions worth USD 49.5 billion, and Pune with 15 million transactions valued at USD 32.8 billion.

MSMEs have traditionally catered to domestic markets via direct-to-consumer (D2C) or as ancillary units' part the value chain of Original Equipment Manufacturers (OEMs) via business-to-business (B2B). In recent years, the rise and emergence of online markets through e-commerce has boosted and had a positive impact on MSMEs. The COVID-19 pandemic has only accelerated digital transformation and given a big boost to e-commerce and online shopping with the years 2020 and 2021 witnessing more than 75 percent new customer base to these portals.¹⁰⁵ This has necessitated the need for MSMEs to embrace a digital transformation and accelerate the transition to digital platforms/technologies (artificial intelligence and machine learning, Internet of Things (IoT), remote sensing, big data analytics and blockchain), to increase productivity and growth.

India has 755 million internet subscribers, 2nd highest after China worldwide and India's data usage per smartphone averaging at about 11GB / month has further increased by 20-25 per cent during the COVID-19 pandemic.¹⁰⁶ The internet users in India is projected to reach 900 million by 2025.¹⁰⁷ With one of the largest internet subscriber bases in the world, the opportunity is ripe for MSME businesses to ride the wave and reap benefits of the ever-increasing internet and mobile penetration. In addition, with the manifest capacity of MSMEs for driving economic growth and development at regional, national, and global levels, Government's decision to harmonize the current GST rules for online MSMEs to exempt suppliers on e-commerce having less than INR 40 lakh turnover will promote and raise the competitiveness of MSMEs and facilitate ease of doing business which is imperative to achieve long term sustainable and balanced growth.

By adopting e-commerce, MSMEs stand to gain significant advantages such as digitalization, increased revenues and margins, improved market reach- diverse transnational markets, reduced risks within the supply chains, savings in marketing spending, customer acquisition and enhanced customer experience. There are several precedents from other countries, across different stages of development: from developed countries like US and China to developing countries in South-East Asia. There are significant benefits available to MSMEs adopting the digital platforms such as:

- **Access to markets:** Selling online gives MSMEs access to markets and consumers which otherwise would not have been possible. E-commerce has given multiple suppliers the opportunity to expand their reach by breaking geographical barriers and maximizing their business.
- **Increased efficiencies:** Integration with superior technology and large supply chain of new-age

¹⁰⁴ Press Release on Digital Transactions in India dated 8.02.2023

<https://pib.gov.in/PressReleasePage.aspx?PRID=1897272>

¹⁰⁵ <https://www.indianretailer.com/article/technology/digital-trends/how-digitalization-of-msmes-can-be-an-engine-for-sustainability.a7892>

¹⁰⁶ Data Centres- The Next Charged Up Wave, CBRE Research 2020

¹⁰⁷ NIC [Digital Payments driving the growth of Digital Economy | National Informatics Centre \(www.nic.in\)](https://www.nic.in/)

technology companies enables MSMEs achieve scale driving efficiencies in their ecosystems. This brings along significant reduction in distribution cost and profit maximization over time.

- **Access to capital:** With more business happening online, a clear digital footprint of cash flows is created which also allows banks and NBFCs to give loans to MSMEs at competitive rates.
- **Data Analytics:** Apart from increasing the presence through digital platforms, the MSMEs can also track and analyse data on such platforms to get clear cut insights and customer perceptions towards their brand.
- **Digitization and Government revenues:** With the entire business being carried out through the banking channel, e-commerce has a digital first approach. This will give the Government's Digital India a huge fillip. Further, as these small businesses tap newer markets and can grow organically leveraging the power of internet, tax revenues will get a major boost.

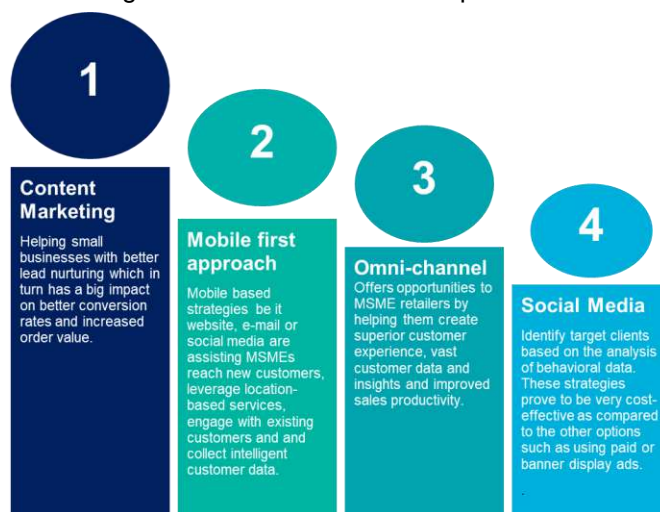


Figure 123: Key Benefits available for adopting the digital platforms.

However, only 6 per cent of all MSMEs, actively sell on e-commerce platforms.¹⁰⁸ Less than 5 million of 100 million MSMEs are registered to sell on e-commerce platforms.¹⁰⁹ Empirical evidence suggests that MSMEs are broadly unaware of technology solutions and tools available to cater to their marketing needs. According to a study conducted jointly by Google and KPMG, a staggering 68 per cent of Indian MSMEs are completely offline, with only 2 per cent actively selling or promoting their business online. Thereby, against this changing landscape, where trade is shifting from offline to online it is imperative for MSMEs to proactively adopt new age marketing channels to safeguard their market share amidst widening competition. The digital marketing strategies assist MSMEs expand their visibility in the market, get real-time insight as also help them plan better thereby leading to success and overall growth. Online marketing and sponsored posts on platforms such as social networking websites help MSMEs reach out to the maximum number of customers, with an ability to monitor and fine-tune their campaigns based on online analytics provided by these platforms. MSMEs will have to start acknowledging and embracing digital marketing channels such mobile first approach, investments in omni-channel and content marketing. These new channel of sales and marketing for MSMEs would be cost effective and help them expand their market outreach. Figure 123 list some of the key digital marketing strategies for MSMEs.

Digital branding as a channel for brand building has seen exponential growth in the last few years. It has evolved has one of the most influential, relevant, and futuristic mediums of brand building for organisations globally. The medium of building a brand online has evolved from text-based online brand building to more visual mediums of brand building (which is where platforms like Instagram, YouTube and Pinterest come in). The tide is shifting from SEO (search engine optimisation) and email marketing strategies towards programmatic branding strategies, online advertising exchanges, evolving advertising formats, mobile advertising and more recently the Internet of Things (IoT). But, however, a majority of MSMEs rely on word-

¹⁰⁸ Based on registered sellers and their activity on prominent digital platforms in India. See "Digital SMBs," Zinnov.

¹⁰⁹ Democratizing Digital Commerce in India, Mckinsey & Company and ONDC, May 2023.

of-mouth publicity and do not invest in brand creation. Thereby, MSME brands fail to showcase their product offerings due to lack of product placement in the value market which leads to its downfall. As per recent studies, MSMEs with innovative marketing strategies were able to command premium pricing, given greater visibility and acceptance. Moreover, MSMEs which invested in brand-building at the product development stage displayed a competitive edge and higher growth trajectory.

Digitalization Support under RAMP for MSMEs in Karnataka

Government of Karnataka is committed in increasing its efforts for digitalizing MSMEs in the State by creating awareness, bolstering developments and e-platforms, building literacy, training, and nurturing digital marketing in the MSME sector. According to the India SME Forum, India can easily target USD 80-100 Billion in e-commerce exports over the next 2-3 years and Government of Karnataka remains committed to tap into the growing cross-border e-commerce market and harness it to achieve the full global potential of its State MSMEs.¹¹⁰

Under the RAMP program following key interventions are proposed:

- i. **Dissemination of information and expertise:** For the implementation of an efficient business intelligence platform for MSMEs, building a successful digital brand building landscape is imperative to boost the digital branding efforts of MSMEs and support them with the skill and knowledge required to create a winning digital brand. The proposed integrated State MSME Portal will provide access to digital services provided by large private-sector companies helping MSMEs across digital brand building, strategies such as: content marketing, mobile first approach, omni-channel, and social media and cataloguing which includes product photograph, product description.
- ii. **Leveraging existing digital platforms/e-marketplaces for digitalizing MSMEs:** Karnataka has emerged as a hotbed for e-commerce growth, empowering MSMEs and facilitating their globalization journey. As part of Amazon's commitment to digitally enable 10 million MSMEs by 2025, the Department of Industries and Commerce, Government of Karnataka, in its efforts to promote exports by MSMEs (weavers/artisans/producers/cooperatives etc.) of Karnataka has inked an MoU with Amazon to help drive e-commerce exports from the State by enabling MSMEs in the state to export to over 200 countries and territories across the world¹¹¹. As part of the MoU, Amazon will train and onboard MSMEs from the state on Amazon Global Selling, its Exports Program, enabling them to sell their unique Made in India products globally to millions of Amazon customers across 200+ countries and territories. In addition, MSME exporters will be introduced to certain Amazon's marketing tools and infrastructure which will help to build a strong brand for State MSME Exporters and create global value chain linkages. Amazon India has also signed an MoU with Karnataka State Rural Livelihood Promotion Society to bring the benefits of e-commerce closer to women entrepreneurs across the state. Under the program Amazon will launch 'Sanjeevini-KSRLPS' in its platform and extend benefits of the 'Saheli' Programme to train and empower thousands of rural women entrepreneurs and provide online access to a wider market for their products. This association will help bring in regional selection and unique products from categories like grocery, home and fashion accessories made by over 30,000 women entrepreneurs and self-help groups (SHGs) associated with Sanjeevini-KSRLPS online and make them available to millions of Amazon customers across the country¹¹². Under the RAMP program, the Directorate of MSME in collaboration with digital e-commerce marketplaces such as Amazon, Flipkart, Indiamart, Myntra, Meesho, etc. will drive extensive

¹¹⁰ [Globalising MSME exports via the E-commerce route: A USD 100 billion opportunity \(indiatimes.com\)](https://indiatimes.com/technology/e-commerce/globalising-msme-exports-via-the-e-commerce-route-a-usd-100-billion-opportunity)

¹¹¹ [Amazon signs MoU with K'taka Govt to drive e-commerce exports for lakhs of MSMEs in the state - About Amazon India](https://amazon.in/newsroom/posts/amazon-signs-mou-with-karnataka-govt-to-drive-e-commerce-exports-for-lakhs-of-msmes-in-the-state)

¹¹² [Amazon India signs MoU with Karnataka State Rural Livelihood Promotion Society to bring the benefits of e-commerce closer to women entrepreneurs across the state | Amazon India \(aboutamazon.in\)](https://amazon.in/newsroom/posts/amazon-india-signs-mou-with-karnataka-state-rural-livelihood-promotion-society-to-bring-the-benefits-of-e-commerce-closer-to-women-entrepreneurs-across-the-state)

awareness drives for the adoption of digitalization by reaching out to MSME in different districts/cities/clusters. These awareness drives will help MSMEs understand the nuances of online selling and develop skills and capabilities necessary to grow their business on these e-marketplaces. These drives will comprise of training sessions on the listing of products, imaging & cataloguing, packaging, and shipping, inventory and account management, and customer servicing. The cost for conducting the workshop is estimated at INR 62 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the workshops during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.48 crore. The details of the awareness workshops are given in Table 59.

Table 59: Details of workshop of digital e- commerce and e- marketplaces.

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Total Cost for four years (INR)
1.	Digitalization Workshops with digital e-commerce marketplaces	District Industries and other key stakeholders	2 per district (31 districts)	62	248	62,00,000	2,48,00,000
Total				62	248	62,00,000	2,48,00,000

*INR 1,00,000 estimated cost for conducting the workshop

- iii. **Open Network for Digital Commerce (ONDC) Karnataka Elevate Program:** Government of Karnataka is steadily building an inclusive digital infrastructure that empowers MSMEs. Since the beta launch of ONDC in Bengaluru in September 2022, the State has 10,365 merchants registered on the ONDC platform accounting for the highest share of 26 per cent in the total registered merchants on ONDC (39,000 as on 22.06.2023). Government of Karnataka entered an MoU with ONDC and has carried out key initiatives mentioned in Figure 124

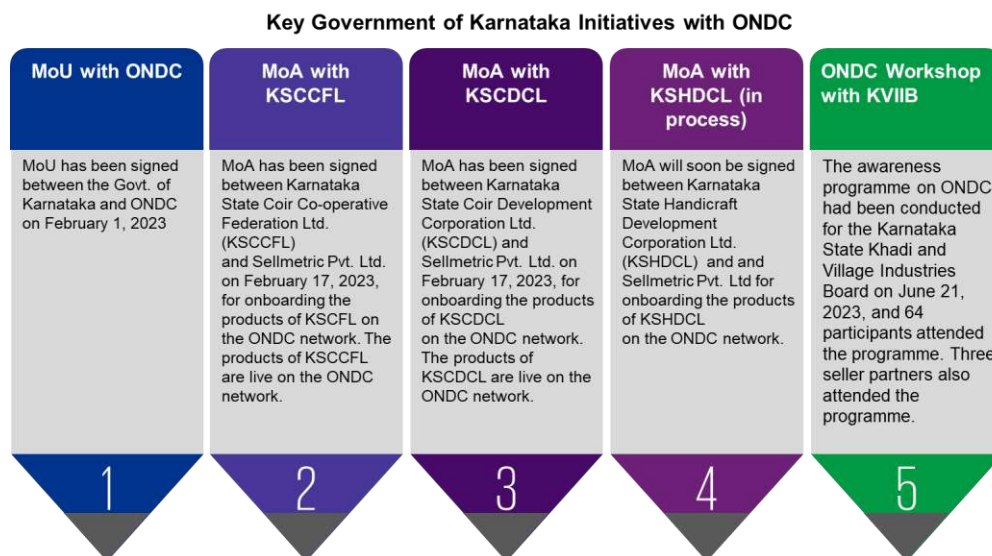


Figure 124: Key Government of Karnataka initiatives with ONDC

Under the RAMP program, Government of Karnataka envisages to collaborate with ONDC for the **‘ONDC Karnataka Elevate’** program with a focus on democratising e-commerce and helping Karnataka’s merchants reap the benefits of digital commerce leverage the platform, for enabling rapid digitalization of MSMEs through multiple gateways. **The ‘ONDC Karnataka Elevate’ program will comprise of the following key components.**

- Series of sensitization and onboarding workshops across districts and clusters
- Cataloguing Support for MSMEs
- Onboarding of all State Govt. entities with e-commerce platforms or offline products
- Pilot use case projects with Govt. Departments. The detail of the program is mentioned below.

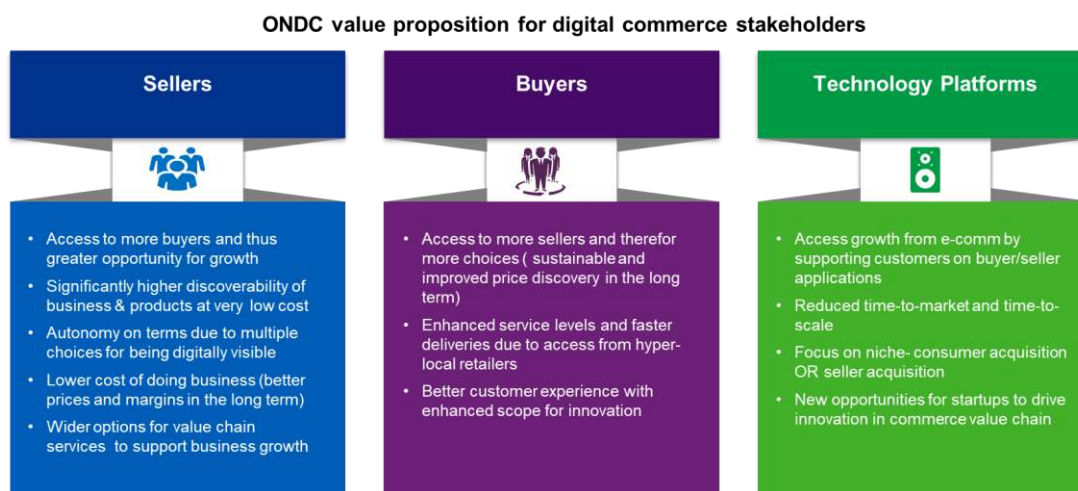


Figure 125: ONDC value proposition for digital commerce stakeholders

- a) **Directorate of MSME in association with ONDC would be organizing a series of onboarding workshops across districts and clusters** by bringing together a diverse group of stakeholders including key government departments, co-operative societies, industry and cluster level associations, public and private entities with e-commerce platforms, /representatives from a wide range of sectors including e-commerce, FMCG, technology, BFSI, mobility, and telecom among others. The onboarding workshop would be designed with an aim to create awareness and sensitize the MSMEs on the ONDC platform, an open network for all aspects of exchange of goods and services over digital or electronic networks and its benefits. The workshop will focus on onboarding of MSMEs onto ONDC through existing seller apps of ONDC and will sensitize the MSMEs on the impact ONDC is generating, especially for SHGs and non-digitized sellers. The workshop would cover a series of panel discussions across a broad spectrum of topics, including digital commerce, e-commerce cross border exports, financial services, logistics, agriculture, and B2B and B2C opportunities, etc. The workshop would also aim at creating awareness on the proposed **MSME Trade Enablement and Marketing Scheme (MSME TEAM Scheme)**. **Through the onboarding workshops approximately 15,000 MSMEs would be sensitized on the ONDC platform.** The cost for conducting the workshops per year is estimated at INR 65 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the workshops during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.60 crore. The details of the ONDC onboarding workshops are given in Table 60.

Table 60: Details of the onboarding ONDC Workshops

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Total Cost in four years (INR)
1.	One-day Onboarding Workshop on ONDC	District Industries Centres and Industry Associations	1 workshop per year per district	31	124	1,24,00,000
2.	One-day Onboarding Workshop on ONDC	Cluster Associations	1 workshop per cluster for the 12 implemented clusters under MSE-CDP scheme	12	48	48,00,000
3.	One-day Onboarding Workshop on ONDC	State Government Departments, SPU, Boards, corporations & Agencies	2 workshops at division level (Kalaburagi, Belagavi, Mysuru, Bengaluru)	8	32	32,00,000
4.	One-day Onboarding Workshop on ONDC	Private Entities with E-commerce platforms	2 workshops each Bengaluru and Beyond Bengaluru clusters	14	56	56,00,000

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Total Cost in four years (INR)
			(Kalaburagi, Belagavi, Dharwad, Mangaluru, Mysuru, Tumakuru)			
Total				65	260	2,60,00,000

*INR 100,000 estimated cost for conducting the workshop

- b) **Cataloguing Support for MSMEs onboarding on ONDC:** For onboarding MSMEs on ONDC platform, Government of Karnataka would aim at providing **cataloguing support capped at INR 5,000 per MSME for 15,000 MSMEs across the State** towards products photographs and product description under the MSME TEAM scheme and RAMP program implementation period (FY 2023-24- FY 2026-27). The cost for providing cataloguing support is estimated at INR 7.5 crore.
- c) **Onboarding of all State Govt. entities with e-commerce platforms or offline products:** With an aim to revolutionise the State's digital commerce landscape, State Government will explore integrating existing state portals or systems with the ONDC platform. This would build scale more rapidly and increase market access. ONDC will drive the customization and rapid adoption of the network for the selected government entities. Government of Karnataka entities such as Karnataka State Coir Co-operative Federation Ltd. (KSCCFL), Karnataka State Coir Development Corporation Ltd. (KSCDCL), Karnataka State Handicraft Development Corporation Ltd. (KSHDCL), has signed an MoU with ONDC for onboarding of the products of the respective entities on the ONDC platform.
- d) **Pilot use case projects with Govt. Departments:** Government aims to drive the e-commerce initiative in mission mode and would collaborate with ONDC to run pilot use case projects with Government entities. One such successful pilot programme was carried out with the Horticulture Producers' Cooperative Marketing Society (HOPCOMS). Under the pilot programme which began in May 2023 around 25 HOPCOMS stalls out of the ~ 200 HOPCOMS stalls are taking orders from ONDC now. By embracing the network and leveraging its capabilities, HOPCOM stalls can now meet the rising demand and sell their produce profitably online.

- iv. **Sensitization workshops on Government e-Marketplace (GeM) for MSMEs:** Currently, the annual volume of orders of MSMEs on the GeM portal reached an all-time high of 53,554 in the financial year 2022-23 with a total order value worth ~INR 2984 billion. The annual order volume has grown at a combined annual growth rate of 74 per cent, and the annual order value has grown at a combined annual growth rate of 672 per cent over the past three years. Out of the 8,42,863 MSMEs registered on GeM portal, Karnataka has 41,180 registered MSMEs on portal (of which 8004 are women MSME, 2515 are SC/ST MSME). Approximately, 3,07,440 MSMEs have provisional registration. Between 2019 to 2023, GeM conducted 583 Buyer and Seller training programmes in Karnataka with participation of 21,084 only out of which only 31 programmes were MSME specific. Moreover, these 31 training programmes could together accommodate only 2334 MSME units over the past four years¹¹³. The Directorate of MSME being the nodal Department for MSMEs in the State, in collaboration with the team from Government e-Marketplace (GeM) would conduct onboarding workshops with an aim to create awareness and sensitize

¹¹³ GeM portal, GoI

MSMEs on the GeM online platform created for public procurement in India. The workshop would aim at enlightening and creating awareness for MSMEs about the GeM portal and its benefits. The workshop would cover a series of topics, including registration, procurement, benefits, virtual tour of the portal, etc. The cost for conducting the workshops per year is estimated at INR 62 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the workshops during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.48 crore. The details of the GeM sensitization workshops are given in Table 61.

Table 61: Details of the GeM Onboarding Workshops

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Total Cost for four years (INR)
1.	One-day Onboarding Workshop on GeM platform	District Industries Centres and Industry Associations	2 workshop per year per district (31 districts)	62	248	62,00,000	2,48,00,000
Total				62	248	62,00,000	2,48,00,000

*INR 100,000 estimated cost for conducting the workshop

- v. **Trade Receivables Discounting System (TReDS) - Revolutionizing MSME Receivables:** An RBI regulated online platform Trade Receivables Discounting System (TReD) has been established to facilitate financing/discounting of trade receivables of MSMEs through multiple financiers. It envisages to reduce the time taken for sellers to receive payments which is one of the bottlenecks faced by the MSMEs. TReDS enables MSME sellers to use an auction mechanism by a pool of financiers to discount bills of the platform against corporates, government departments and public sector entities thereby assuring the prompt realization of trade receivables and conversion of receivables into cash within 24 hours at extremely competitive market rates. Three TReDS exchanges have been registered with RBI comprising of M1 Exchange, Invoicemart and Receivable Exchange of India. The use of digital platforms such as TReDS makes the financing process more transparent, efficient, cost effective and accessible and has great potential to help meet the liquidity and financing needs of MSMEs.

As on 31st March 2023, there are 51,876 MSME units registered on 3 TReDS platforms at the national level and value of transactions for all 3 TReDS platforms is INR 76,500 crore for FY 2023. Karnataka accounts for 8 per cent share in total MSMEs registered on TReDS with 4200 MSMEs registered, fourth highest after Maharashtra, Tamil Nadu, and Gujarat. The percentage of MSMEs as per the 73rd Round of National Sample Survey onboarded on TReDS is a meagre 0.10% (MSMEs as per 73rd round of NSS is 38.34 lakh and 4200 MSMEs from the State are onboarded on TReDS platform as on 31.03.2023). Around 21 State Public Sector Enterprises are currently onboarded on the TReDS platform. The percentage of State Public Sector Enterprises onboarded on TReDS is 14% (~ 21 out of the 150 SPUs).

TReDS enables MSME Suppliers to get quicker access to low-cost finance



Figure 126: Benefits of TReDS Portal

- a) To make the TReDS system successful, there is a need for onboarding more corporate buyers, MSME sellers, public sector enterprises and state departments on the TReDS platform to ensure MSMEs receive adequate credit and payments are made on time. **Government of Karnataka would be releasing a Government Order instructing all SPSUs and all companies with a turnover of INR 500 Cr. to get on-boarded onto the TReDS platform.** The Government would also issue the operational guidelines for onboarding the procuring entities in the TReDS platform.
- b) **TReDS Sensitization Workshops for MSMEs: With an aim to register ~15,000 MSMEs on TReDS and create awareness**, Directorate of MSME in association with District Industries Centres (DICs) and Industry Associations would be organizing a series of awareness workshops across districts and clusters in the State. The industry associations would be facilitated to encourage their industry members to register on TReDS. The workshop would be designed with an aim to create awareness and sensitize the stakeholders on the TReDS platform and its benefits. The workshop will also focus on the impact TReDS is generating, especially for MSMEs. The cost for conducting the workshops per year is estimated at INR 53 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the workshops during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.12 crore. The details of the sensitization workshops on TReDS are given in Table 62

Table 62: Details of the sensitization workshops for MSMEs on TReDS

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years
1.	One-Day Awareness Workshop on	District Industries Centres and Industry Associations	1 workshop per year per district	31	124

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years
	TReDS for MSMEs				
2.	One-Day Awareness Workshop on TReDS for MSMEs	Cluster Associations at district level	1 per cluster for the 12 implemented clusters under MSE-CDP scheme	12	48
3.	One-Day Awareness Workshop on TReDS	SPUs, Corporations & Boards	2 workshops each at 3 divisions (Mysuru, Kalaburgi and Belagavi)	6	24
4.	One-Day Awareness Workshop on TReDS	SPUs, Corporations & Boards	4 workshops at Bengaluru Division level	4	16
Total				53	212

*INR 100,000 estimated cost for conducting the workshop

- c) **Training, Capacity building for TReDS stakeholders (including SPUs, FIs, NBFCs, TReDS players):** Directorate of MSME in collaboration with the TReDS platform providers viz. Invoicemart, RXIL, and M1xchange would organize a one-day training program on TReDS and its benefits for key stakeholders such as District Industries Centre (DIC), MSME- DFO, SPUs, Financial Institutions, NBFCs, etc. The cost for conducting the capacity building workshop per year is estimated at INR 1.24 crore and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the workshops during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 4.96 crore. The details of the capacity building workshops on TReDS are given in Table 63.

Table 63: Details of the capacity building workshops on TReDS

S N	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Total Cost for four years
1.	TReDS Capacity building workshop for DICs and MSME DFO	Invoicemart, RXIL, and M1xchange	2 workshop per year per district (31 districts)	62	248	62,00,000	2,48,00,000

S N	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Total Cost for four years
2.	TReDS Capacity building workshop for Financial Institutions, NBFCs, SPU's		2 workshop per year per district (31 districts)	62	248	62,00,000	2,48,00,000
Total				124	496	1,24,00,000	4,96,00,000

*INR 100,000 estimated cost for conducting the workshop

- d) **Collaborating with TReDS Platform Providers:** The State Government would be developing a framework in collaboration with the TReDS platform providers viz. Invoicemart, RXIL and M1xchange for increasing the onboarding of MSMEs onto TReDS platform and to facilitate smooth payments process for State entities.

6.1.4. Identification of potential Cluster level technical interventions: For example, research partnerships to address key technology adoption challenges; collaborative research and development efforts; technical support to develop cluster proposals and cluster associations to enhance use and outcomes from Cluster Development Programme (MSE-CDP)

In a significant boost to industrialization, clusters serve as the economic growth levers in the State. Districts like Gulbarga, Vijayapura, Belagavi, Uttara Kannada being agrarian in character have served as natural magnets for food processing-based clusters while Bidar and Dharwad being economically and industrially advanced have a rich concentration of engineering and automobile clusters. Under the MSE-CDP scheme, the State is home to 12 implemented clusters and 11 clusters are under implementation.

Based upon the diagnostic study and focus group discussions with various stakeholders of the cluster and the gaps identified a mix of hard and soft interventions must be undertaken to improve the competitiveness of the cluster. Soft interventions that will have the maximum impact include activities such as awareness workshops; exposure visits to benchmark cluster; capacity building activities; strengthening linkages with Business Development Services (BDS) providers, etc. Following are the proposed soft interventions for positive spill-over impact through job and enterprise creation under the RAMP program.

A. Proposed Interventions under MSE-CDP to bolster the growth of MSME clusters.

- i. **Technology Clinics:** Directorate of MSME, in collaboration with the KCTU, District Industries Centers (DICs), Industry & Cluster association and technology institutions at district level would launch an initiative to conduct technology clinics at cluster level to **sensitize ~ 25,000 MSMEs** on the latest manufacturing practices and technologies that will improve productivity and competitiveness during the RAMP program implementation period (FY 2023-24- FY 2026-27). The clinics would also give a greater

thrust towards adoption of greener/sustainable technologies. The aim of the clinics would be to equip entrepreneurs with the knowledge and skills they need to modernize or upgrade the technology of their existing units. The clinics would be conducted by utilizing the faculties of reputed institutions and technocrats. The faculties would provide training on the latest technologies in the respective thrust sectors. They would also help entrepreneurs to identify and solve their technology challenges. The cost for conducting these technology clinics per year is estimated at INR 1.24 crore and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the technology clinics during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 4.96 crore. The details of the awareness workshops are given in Table 64

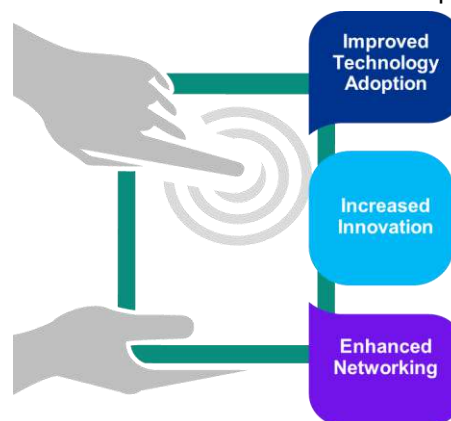


Figure 127: Technology clinics

Table 64: Details of the Technology Clinics at district level

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Total Cost for four years (INR)
1.	Technology Clinics	KCTU, District Industries Centers, Industry & Cluster Associations and Technology Institutions	4 workshops per year per district (31 districts)	124	496	1,24,00,000	4,96,00,000
Total				124	496	1,24,00,000	4,96,00,000

*INR 100,000 estimated cost for conducting the workshop

- ii. **Sector specific cluster interventions:** Under the RAMP program the proposed sector specific interventions to be implemented at the cluster level for the sectors (textile, apparel & leather; electronics; food processing; machinery and automotive and auto component) is mentioned in Section 6. 2.4 of this document.
- iii. **Institutional Strengthening and Capacity Building for Cluster Associations:** Directorate of MSME, in collaboration with District Industries Centers (DICs) would undertake capacity building and institutional strengthening of cluster associations by conducting workshops to provide support in empowering the association/SPV on leveraging central and state Government schemes related to MSMEs and business development services as well as building financial linkages with financial institutions. The cost for conducting these workshops per year is estimated at INR 62 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the technology clinics during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.48 crore. The details of the awareness workshops are given in Table 65.

Table 65: Details of the capacity building workshops for cluster associations.

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Cost for four per year (INR)
1.	Capacity Building Workshops for Cluster Association	KCTU, District Industries Centers, Industry & Cluster Associations and Technology Institutions	2 workshops per year per district (31 districts)	62	248	62,00,000	2,48,00,000
Total				62	248	62,00,000	2,48,00,000

*INR 100,000 estimated cost for conducting the workshop

- iv. **Establishing cluster linkages to connect with Business Service Providers:** Directorate of MSME would connect clusters with the common pool of empaneled service providers to provide business development services to cluster enterprises. These services would include market research, product development, and marketing. These services providers will have expertise in domain areas and will assist cluster enterprises in understanding and availing the benefits and helping MSMEs to access the services they need to grow their businesses. The common pool will also act as a repository/database of service providers that offer services to enterprises and information on the empaneled service providers would be available at the district level on the proposed State MSME Portal. In addition, Directorate of MSME in collaboration with District Industries /Centres and Industry & Cluster Association and the empaneled Business Development Service providers (BDS) would conduct workshops at the cluster level across the State. The cost for conducting these workshops per year is estimated at INR 24 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting BDS workshops during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 96 lakh. The details of the awareness workshops are given in Table 66.

Table 66: Details of Establishing cluster linkages to connect with Business Service Providers

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Cost for four years (INR)
1.	BDS Workshops	District Industries Centers, BDS providers Industry & Cluster Associations	2 workshops per cluster for 12 implemented clusters under MSE-CDP	24	96	24,00,000	96,00,000

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Cost for four years (INR)
Total				24	496	24,00,000	96,00,000

*INR 100,000 estimated cost for conducting the workshop

B. Identification of potential clusters in Kalyana Karnataka Region

Government is committed to making Kalyana Karnataka Region (KKR) the powerhouse of growth and development by creating an enabling environment for MSMEs in Kalyana Karnataka region comprising of (*Kalaburagi, Bidar, Raichur, Yadgir, Koppell, Bellary and Vijayanagara districts*). Government will focus on the various mechanisms on how to empower the MSME's in the Kalyana Karnataka region through establishing clusters, strengthening MSME consortiums within clusters, up-gradation of technologies and adoption of best practices, revitalization and scaling up of MSMEs in KK region through transformation programmes and ICT interventions focusing on vendor development, quality & labor management and access to finance, market, and knowledge.

According to the Udyam data as on 30.04.2023, total number of registered MSMEs in the State were 9,16,924 out of which 11 per cent of the MSMEs (1,01,374) are in Kalyana Karnataka region generating employment of 10,55,228 (12% share in total employment of 86,30,150). Within the Kalyana Karnataka region Bellary and Kalburgi district have a higher share of MSME concentration.

Karnataka will herald a visionary approach for capitalizing opportunities under the central government's MSE- CDP scheme for establishment of common facility centers (CFCs) and establishment /up-gradation of infrastructure development projects as per requirements in the Kalyana Karnataka region. **Out of the 12 implemented clusters under MSE-CDP only 2 clusters are in Kalyana Karnataka region i.e. (Auto cluster in Bidar district and Food cluster in Kalaburagi).** Also, none of the 11 under implementation clusters are in Kalyana Karnataka regions.

i. Hiring of Technical consultant for preparation of Detailed Project Report (DPR) for Kalyana Karnataka Region:

With an aim at making Kalyana Karnataka more active on Karnataka's growth map and with a focus on developing a ready ecosystem for a vibrant MSME industry in Kalyana Karnataka region strategic plans to set up focused industries and clusters aligning to Kalyana Karnataka's goals and aspirational districts programme will help boost MSME growth from districts in the northern part of the state that have a lower share in the number of MSMEs. Directorate of MSME through the tendering process would engage the services of an external agency or consultant with experience and expertise in cluster development to study to estimate financial and commercial viability of a cluster and would map all the business processes of the cluster units viz. manufacturing processes, technology, marketing, quality control, testing, purchase, outsourcing, etc. to identify sectors which are compatible/strategically aligned with the development needs and ecology of the district/cluster. The cost towards preparation of DPR for Kalyana Karnataka region is estimated at INR 1.4 crore and shall be supported by Government of India under the RAMP scheme. The details are mentioned in Table 67.

Table 67: Details for preparing DPR in KKR Region

SN	Name of District	Proposed DPR	Cost per DPR (INR)	Total number of DPRs	Total Cost (INR)
1.	Kalaburagi	Food processing/agro processing cluster	20,00,000	7	1,40,00,000
2.	Bidar	Food processing/agro processing cluster			
3.	Raichur	Textile Cluster			
4.	Yadgir	Stone carving cluster			
5.	Koppal	Food processing/agro processing cluster			
6.	Bellary	Textile Cluster			
7.	Vijayanagara	Food processing/agro processing cluster			
Total			20,00,000	7	1,40,00,000

6.1.5. Partnership with Financial Institutions (FIs) including on-boarding with TReDs: : (i) Identification of potential pool of FIs; (ii) blueprint for outreach, partnerships with Financial Institutions and pilot interventions to enhance access to finance for MSMEs (including women-led MSMEs), including in specific sectors and clusters, (iii) Partnering with CGTMSE Trust for outreach to increase number of FIs in the State that are CGTMSE partners, with emphasis on the gender and green (RECP) guarantee products.

The need for strengthening credit flows to MSMEs has become more evident than ever, as MSMEs encounter various challenges in securing financial resources. The importance of empowering MSMEs with improved credit access is not just about providing financial assistance but also to promote economic resilience, inclusive and sustainable development. By facilitating access to credit, MSMEs can take advantage of growth opportunities, invest in modern technologies, and strengthen their competitive edge in both domestic and international markets.

The MSME sector is still under-penetrated with a huge credit gap to fill. An approximate USD 530 billion credit gap in India's MSME sector is estimated by a recent report published by Adventus Capital. As per the report, out of over 64 million MSMEs in India, only 14 per cent of MSMEs in India

have access to credit.¹¹⁴ This is due to several factors, including the lack of awareness among MSMEs about the availability of credit, the high cost of credit, and the lack of collateral.

The Central Government has taken steps to make it easier for MSMEs to access credit, and one such initiative is the introduction of the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). CGTMSE aims to facilitate easier access to credit for MSEs by providing a credit guarantee to financial institutions, such as banks and non-banking financial companies (NBFCs). By providing a credit guarantee, CGTMSE encourages financial institutions to offer financial assistance to MSEs by mitigating risks and making the prospect of offering loans to MSEs more appealing. CGTMSE plays a vital role in fostering entrepreneurship, boosting employment opportunities, and driving economic growth in the micro and small enterprise segment.

The CGTMSE has been provided with an additional corpus of INR 9,000 crores in the Union Budget for FY 2023-24 to provide guarantees for an additional INR 2 lakh crores to MSEs also guarantee fee for loans up to INR 1 crore has been reduced by 50 per cent, bringing the minimum guarantee fee down to 0.37 per cent per annum. The ceiling for guarantee has also been raised from INR 2 crores to INR 5 crores, and the threshold limit for claim settlement without initiation of legal action has been increased to INR 10 lakhs. These changes are expected to make it easier for MSEs to access credit and grow their businesses. Since the inception of the CGTMSE scheme in the year 2000, till February 2023, approximately 69,04,649 guarantees have been issued amounting to totaling INR 4,06,310 crores.¹¹⁵

Karnataka is a frontier state that has a greater share of MSME targets under the Annual Credit Plan as compared to states like Gujarat, Uttar Pradesh, Telangana. Karnataka continually exhibits its commitment towards facilitating access to credit for MSMEs with a substantial 46.53 per cent year-on-year growth that was seen with respect to MSME credit target achievement from INR 80,418 crore in 2021 to INR 1,17,835 crore in 2022. The MSME sector in Karnataka has been facilitated with access to credit from formal financial institutions and accounts for around 22 per cent of total credit under the Annual Credit Plan. Karnataka has ensured that CGTMSE, a pioneer institution for providing credit guarantee to the Micro and Small Enterprises, is supported, and recognized as a valuable asset. Karnataka accounts for 7 per cent and 9 per cent share in the number of guarantees approved and amount sanctioned under CGTMSE in the country respectively.¹¹⁶

a) Overall CGTMSE coverage in the State

As per the CGTMSE data for Karnataka given in Table 67 below for the last four years FY 2020 to FY 2023 there has been an increase in the number of units availing credit under the scheme. The number of units being extended credit under the scheme in 2022-23 has increased from 41,028 in 2021-22 to 53,766 in 2022-23, though the number of units being extended credit under the scheme has increased significantly the approved credit extended to MSMEs under the scheme has also increased from INR 4308 crores in 2021-22 to INR 7712 crores in 2022-23 (increase of ~ 79 per cent).

¹¹⁴ MSME Lending: Unlocking potential, realizing dreams, Avendus Capital, April 2023

¹¹⁵ CGTMSE Press Release, dated 31.03.2023 [Press Information Bureau \(pib.gov.in\)](https://pib.gov.in)

¹¹⁶ CGTMSE Guarantee coverage for the State of Karnataka

Table 68: No of CGTMSE cases in Karnataka in last 4 years

Year	No of CGTMSE cases in India and Karnataka		Percentage share (%)	Amount in INR (Crore)	
	India	Karnataka		India	Karnataka
FY 2019-20	846650	68572	8.10%	45851	4069
FY 2020-21	835592	50974	6.10%	36899	3225
FY 2021-22	717020	41028	5.72%	56172	4308
FY 2022-23	1165786	53766	4.61%	104781	7712

Source: CGTMSE, Mumbai, June 2023

As illustrated in Table 68 below it may be seen that only 11 per cent of credit going to MSE segment has been covered under CGTMSE which indicates that bank still prefer collateral security over CGTMSE. In a way, this is also an indication about loan / credit not being extended for want of collateral security which never gets reflected in credit data. Moreover, lending institutions have been hesitant to provide credit to this sector majorly because of non-availability of realizable asset and high-risk perception of banks to lending the MSEs.

Table 69: Credit outstanding to the MSE sectors by SCBs and CGTMSE coverage in state

Credit outstanding to the MSE sector by Scheduled Commercial Banks & CGTMSE coverage in Karnataka			
INR Crore			
Karnataka	Total Credit to MSE	Guarantees in Karnataka	Percentage (%)
	Amount	Amount	Amount
	84,835	9384	11%

Source: As per RBI data as on March 31, 2021

b) Overall CGTMSE Women coverage in the State

Table 70:CGTMSE- Karnataka- Overall Guarantee Approved (INR Crore)

CGTMSE - KARNATAKA - Overall Guarantee Approved (INR Crore)									
SN	District	FY 2020-21		FY 21-22		FY 2022-23		Share of District (%)	
		No.	Amt	No	Amt	No	Amt	NO	Amt
1	Bagalkot	1601	89	2324	193	2679	401	5.2	5.20
2	Belagavi	2861	145	2835	245	4077	382	5	4.96
3	Bellary	1423	54	844	63	1001	158	2	2.05
4	Bengaluru rural	2569	340	2565	634	2364	652	8.5	8.46
5	Bengaluru urban	13169	1369	8985	1491	13777	3338	43.3	43.29
6	Bidar	667	21	664	35	533	49	0.6	0.63
7	Chamrajnagar	246	7	206	12	214	20	0.3	0.27
8	Chickmagalur	883	31	797	48	1051	75	1	0.98
9	Chikkaballapura	339	16	480	40	490	76	1	0.98

CGTMSE - KARNATAKA - Overall Guarantee Approved (INR Crore)									
SN	District	FY 2020-21		FY 21-22		FY 2022-23		Share of District (%)	
		No.	Amt	No	Amt	No	Amt	NO	Amt
10	Chitradurga	620	19	383	24	597	69	0.9	0.90
11	Dakshina Kannada	4920	204	3489	233	5095	380	4.9	4.93
12	Davangere	1217	49	739	56	765	100	1.3	1.30
13	Dharwad	2045	91	1634	132	2528	223	2.9	2.89
14	Gadag	506	20	345	29	515	42	0.5	0.54
15	Hassan	1065	35	934	60	1063	95	1.2	1.24
16	Haveri	648	33	443	35	835	83	1.1	1.08
17	Kalaburagi	1269	44	1307	56	1040	85	1.1	1.10
18	Kodagu	742	24	513	34	1016	58	0.8	0.75
19	Kolar	862	41	671	60	677	93	1.2	1.20
20	Koppal	432	15	316	24	394	45	0.6	0.59
21	Mandya	608	30	666	43	1206	87	1.1	1.13
22	Mysore	2101	117	1592	154	2133	272	3.5	3.53
23	Raichur	746	28	634	32	637	65	0.8	0.85
24	Ramanagara	519	20	506	32	274	28	0.4	0.36
25	Shimoga	1557	68	1052	79	1756	145	1.9	1.88
26	Tumkur	1046	60	1042	122	883	175	2.3	2.27
27	Udupi	3060	127	2400	190	3054	233	3	3.02
28	Uttara Kannada	1870	72	1469	89	1680	132	1.7	1.71
29	Vijayapura	1084	45	974	55	1180	115	1.5	1.49
30	Yadgir	299	11	219	9	252	35	0.5	0.46
TOTAL	50974	3225	41028	4308	53766	7712	100	100	

Karnataka accounts for 4 per cent and 8 per cent share in the number of guarantees approved and amount sanctioned for women entrepreneurs under CGTMSE in the country respectively. The guarantee approved for women entrepreneurs in Karnataka has also increased from INR 459 crores in 2019-20 to INR 1196 crores in 2022-23. From Table 70 below there is a 14.79 per cent increase in the number of women CGTMSE cases from 9311 in 2019-20 to 10689 in 2022-23.

Table 71: CTMSE Overall Karnataka guarantee for Women in last 4 years

CGTMSE - Overall Karnataka Guarantee Share for Women					
Year	No of CGTMSE cases		Percentage share	Amount in INR (crore)	
	India	Karnataka		India	Karnataka
FY -2019-20	124984	9311	7.45%	5367	459
FY 2020-21	171308	6518	3.80%	5294	433
FY 2021-22	139244	6219	4.47%	8021	603
FY 2022-23	365582	10689	2.92%	16373	1196

Source: CGTMSE, Mumbai, June 2023

c) Overall CGTMSE District coverage in the State

Table 71 below shows the distribution of CGTMSE coverage across districts in Karnataka for the last three financial years. Bengaluru Urban and Bengaluru Rural account for 51.8 per cent and 51.75 per cent in the number of the guarantees approved and amount sanctioned under CGTMSE. This is followed by Bagalkot and Belagavi districts with 5.2 per cent and 5 per cent in the number of guarantees approved respectively.

Table 72 below shows the distribution of CGTMSE coverage for women MSMEs across districts in Karnataka for the last three financial years. Bengaluru Urban accounts for the lions share with 45.1 per cent of the women guarantees approved. Bengaluru Rural, Dakshin Kannada, Belagavi, and Udupi account for 7.1 per cent, 5.48 per cent, 4.29 per cent, and 3.61 per cent respectively.

Table 72: CGTMSE overall guarantee approved by women in last 3 years.

CGTMSE - KARNATAKA - Guarantee Approved for WOMEN									
SN	DISTRICT	FY 20-21		FY 21-22		FY 22-23		Share of district (%)	
		No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
1	Bagalkot	98	3	181	11	327	31	3.06	2.60
2	Belagavi	353	19	393	30	701	51	6.56	4.29
3	Bellary	141	6	108	9	192	24	1.80	2.01
4	Bengaluru Rural	234	35	324	69	422	85	3.95	7.11
5	Bengaluru Urban	1671	206	1573	238	2696	539	25.22	45.10
6	Bidar	35	1	63	6	83	7	0.78	0.59
7	Chamrajnagar	48	1	38	4	44	2	0.41	0.20
8	Chickmagalur	140	5	162	10	253	15	2.37	1.23
9	Chikkaballapura	45	4	50	5	95	9	0.89	0.73
10	Chitradurga	137	3	54	3	137	13	1.28	1.06
11	Dakshina kannada	795	30	594	35	1160	65	10.85	5.48
12	Davangere	138	5	109	10	145	14	1.36	1.17
13	Dharwad	284	12	238	13	490	31	4.58	2.62
14	Gadag	59	2	38	3	102	6	0.95	0.53
15	Hassan	140	4	156	13	256	15	2.39	1.23
16	Haveri	66	4	41	4	154	19	1.44	1.59
17	Kalaburagi	105	4	157	5	213	10	1.99	0.82

CGTMSE - KARNATAKA - Guarantee Approved for WOMEN									
SN	DISTRICT	FY 20-21		FY 21-22		FY 22-23		Share of district (%)	
		No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
18	Kodagu	193	3	126	3	268	10	2.51	0.80
19	Kolar	69	5	96	7	121	13	1.13	1.09
20	Koppal	55	3	33	2	107	5	1	0.38
21	Mandya	64	3	94	5	230	14	2.15	1.18
22	Mysore	288	18	224	20	443	51	4.14	4.26
23	Raichur	72	2	103	4	146	11	1.37	0.95
24	Ramanagara	49	2	82	6	189	12	1.77	0.98
25	Shimoga	227	8	183	14	348	27	3.26	2.29
26	Tumkur	100	9	109	13	158	28	1.48	2.34
27	Udupi	529	20	485	37	595	43	5.57	3.61
28	Uttara Kannada	272	8	225	12	311	21	2.91	1.77
29	Vijayapura	98	5	162	11	248	17	2.32	1.46
30	Yadgir	13	1	18	1	55	6	0.51	0.52
	TOTAL	6518	433	6219	603	10689	1196	100	100

Source: CGTMSE, Mumbai, June 2023

d) CGTMSE- Activity wise

Table 73 below shows the distribution of CGTMSE in Karnataka activity wise in the last three years. During the year 2022-23, services sector comprised of 40 per cent (21,371) and 37 per cent (INR 2844 crore) share in number of guarantees approved and amount sanctioned respectively. This was followed by the manufacturing sector accounting for 26 per cent (14,514) and 38 per cent (INR 2961 crore) share in number of guarantees approved and amount sanctioned in the State. There is an upward trend in the number of guarantee approvals for the manufacturing and services sector from 9,322 and 16,589 in FY 20-21 to 14,514 and 21,371 in FY 22-23 respectively. However, the number of guarantee approvals for the trade sector has decreased from 25,063 in FY 20-21 to 17,881 in FY 22-23. Overall, the total amount sanctioned has increased from INR 3,225 crores in FY 20-21 to INR 7,712 crores in FY 22-23, a significant increase of almost 140%.

Table 73: Activity wise CGTMSE guarantee approved in last 3 years.

CGTMSE - KARNATAKA - Guarantee Approved (INR Crore)								
SN	Activity	FY 20-21		FY 21-22		FY 22-23		Sector share (%)
		No.	Amt.	No.	Amt.	No.	Amt.	
1	Manufacturing	9322	1142	8218	1527	14514	2961	38
2	Service	16589	1116	15015	1688	21371	2844	37
3	Trade	25063	967	17795	1093	17881	1907	25
Total		50974	3225	41028	4308	53766	7712	100

Source: CGTMSE, Mumbai, June 2023

The Government would facilitate 7050 additional women owned enterprises brought under guarantees (CGTMSE) in the State and 450 enterprises brought under green guarantees (CGTMSE) during the RAMP program implementation period (FY 2023-24- FY 2026-27). Figure 128 below provides an overview of the different interventions that are proposed for enhancing access to finance for MSMEs (including women led MSMEs), including in specific sectors and clusters through collaboration and coordination between different Government agencies and stakeholders. These interventions include: MSME funding Melas, Institutional Strengthening of MSME Branches in the State, Framework for convergence of Central & State sponsored MSME schemes, MSME Green Financing Committee and Financial Literacy Camps for MSMEs.

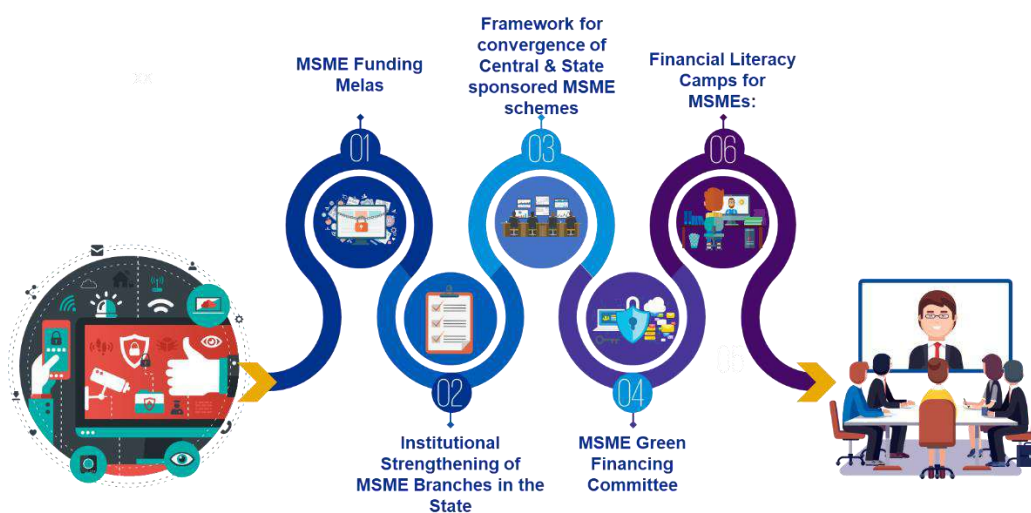


Figure 128: Interventions for CGTMSE

a) Identification of potential pool of FIs

Directorate of MSME will actively work with the financial institutions (banks, non-banking financial companies (NBFCs), and Government-backed lending institutions) in the State to enhance access to finance for MSMEs (including women led MSMEs), including in specific sectors and clusters. With an aim at scaling the coverage of CGTMSE in the State, Government would partner with CGTMSE to support more than 70,000 MSME borrowers in the State, create 2 lakh employment opportunities and support more than 35,000 green fields projects / new to bank MSME borrowers. Government would issue a notification instructing all SPSUs and all companies with a turnover of INR 500 Cr. to get on-boarded onto the TReDS platform.

b) Blueprint for outreach, partnerships with Financial Institutions and pilot interventions to enhance access to finance for MSMEs (including women led MSMEs), including in specific sectors and clusters.

- i. MSME Funding Melas:** The Directorate of MSME in collaboration with Department of Financial Services, Government of Karnataka would conduct a series of MSME Melas at district level at the office of District Industries Centre or the head office of the district lead bank. These funding melas will be a one-stop shop for MSMEs to access credit from financial institutions. The melas would provide MSMEs with an opportunity to meet with State apex financial institutions, private, public-sector banks, digital lending partners, non-banking financial companies and learn about MSME specific financial products and exclusive service offerings for the MSMEs. The melas will also feature seminars/sessions on topics such as business planning, marketing, and financial management. **Around 744 MSME Funding Melas would be organized across 31 districts out of which 148 MSME Funding Melas would be specific for women-owned/led MSMEs during the four-year program implementation period.** The cost for organizing MSME Funding Mela and per year is estimated at INR 1.86 crore and shall be supported by Government of India under the RAMP scheme. The total cost of organizing MSME funding mela for during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 7.44 crore. The details of organizing MSME funding mela are given in Table 74 below.

Table 74: Details for organizing MSME Funding Melas

SN	Particulars	Event Partner	No of events per district in year	Total Number of MSME Mela in year	Total number of MSME Mela during RAMP program	Cost per year (INR)	Cost for four years (INR)
1.	MSME Funding Mela	Directorate of MSME, Department of Financial Services, State apex financial institutions, private, public-sector banks, digital lending partners, non-banking financial companies	6 MSME Mela per district (31 districts)	186	744	1,86,00,000	7,44,00,000

* INR 1,00,000 is the estimated cost for organizing 1 MSME Mela

- ii. **Institutional Strengthening of MSME Branches in the State: Directorate of MSME in collaboration with Southern India Banks' Staff Training College (SIBSTC) would undertake institutional strengthening of approximately 550 MSME branches located across the State.** For institutional strengthening of MSME branches a knowledge dissemination training program would be developed on MSME finance for bank employees. A pedagogic training kit on MSME finance would be prepared and handed over to the member banks to better serve MSMEs. The training would comprise of classroom training, online training, and on-the-job training. The training modules would include demand for financial services of MSME; responding to the financial needs of MSMEs; economic and financial analysis of MSME clients; evaluation methods of MSME finance; monitoring and credit risk management in MSME lending; non-performing loans management. The training would be conducted on quarterly basis per year per district. The cost for conducting training program on MSME Finance for Bankers per year is estimated at INR 1.24 crore and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the training programs during the RAMP program implementation period (FY 2023-24-FY 2026-27) is estimated at INR 4.96 crore. The details are given below in Table 75.

Table 75: Details for conducting training program for Bankers on MSME Finance on MSME finance

SN	Particulars	Event Partner	No of events per district in year	Total Number of training programs in year	Total number of training programs during RAMP program	Cost per year (INR)	Cost for four years (INR)
1.	Training Program on MSME Finance for Bankers	Directorate of MSME, Southern India Banks' Staff Training College, State Level Bankers Committee	4 training program per district (31 districts)	124	496	1,24,00,000	4,96,00,000

* INR 1,00,000 is the estimated cost for organizing 1 training program

- iii. **Framework for convergence of Central & State sponsored MSME schemes:** During the stakeholder consultation, it was recommended by State Level Bankers Committee to develop a framework or mechanism for converging Central and State sponsored MSME schemes by looking into the commercial viability and feasibility. This would involve looking at the overlap between the schemes, the potential synergies that could be created, and the cost savings that could be achieved. For example, the feasibility of converging the 4 per cent interest subvention scheme being implemented at the State level with Standup India could be explored. This framework would result in increased efficiency, improved targeting and reduce costs.
- iv. **MSME Green Financing Committee:** Under the chairmanship of Director (MSME) a MSME Green Financing Committee would be setup to support development of innovative financial products in

green and sustainable finance and promote the adoption of green technologies and practices by MSMEs. The committee would be responsible for developing and implementing a green financing framework for MSMEs.

- v. **Financial Literacy Camp for MSMEs: The Directorate of MSME in collaboration with RBI, State Level Bankers Committee, District Industries Centre, and Industrial Association would conduct a series of 'Financial Literacy Camps for MSMEs' (~496 Camps) for 31 districts in the State.** The Financial Literacy Camps for MSMEs and young entrepreneurs would be tailor made to the specific needs of MSMEs and young entrepreneurs and would cover topics like financial planning for MSMEs, preparation of financial statements, sources of finance for MSMEs, working capital and cash flow management, taxation for MSMEs, Government schemes for MSMEs, etc. The camps would be conducted by experienced professionals from the financial sector and will provide MSMEs with the knowledge and skills they need to manage their finances effectively and grow their businesses. The cost for organizing financial literacy camps per year is estimated at INR 1.24 Crore and shall be supported by Government of India under the RAMP scheme. The total cost of organizing MSME funding mela for during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 4.96 Crore. The details of organizing MSME funding mela are given in Table 76

Table 76: Details for conducting Financial Literacy Camp for MSMEs

SN	Particulars	Event Partner	No of events per district in year	Total Number of Camps in year	Total number of Camps during RAMP program	Cost per year (INR)	Cost for four years (INR)
1.	Financial Literacy Camps for MSME	Directorate of MSME, Southern India Banks' Staff Training College, State Level Bankers Committee	4 camps per district (31 districts)	124	496	1,24,00,000	4,96,00,000

* INR 1,00,000 is the estimated cost for organizing 1 camp

- c) **Partnering with CGTMSE Trust for outreach to increase number of FIs in the State that are CGTMSE partners, with emphasis on the gender and green (RECP) guarantee products.**

- i. **State Partnership with CGTMSE:** CGTMSE has been a well-established institution supporting micro & small entrepreneurs for the past two decades, offering guarantee coverage of approximately 75 per cent to 85 per cent. The experience with the emergency line of credit, introduced during the COVID-19 pandemic, has been encouraging, providing 100 per cent guarantee coverage. However, it's important to note that this scheme is available only to existing borrowers of lending institutions, hindering the support for new enterprises and first-time borrowers. To enhance access to lending for MSMEs, Government of Karnataka would partner with CGTMSE by extending additional coverage and the enhanced coverage structure, would encourage the lending institutions, given their apprehension towards lack of realizable security cover, collateral

security etc. **Through this collaboration it is estimated that approximately more than 70,000 MSME borrowers would be supported in the State and 2 lakh employment opportunities would be created. Along with these more than 35,000 green fields projects / new to bank MSME borrowers would be supported.**

6.1.6. Strengthening markets for service provision to MSMEs in the State: Blueprint for (i) capacity building of nodal technical institutions, including both private and public institutions, to enhance provision of technical services; (ii) outreach to target populations including women-headed MSMEs and environmental and social compliance support and monitoring; (iii) outreach, training and capacity building to enhance pool of qualified Technical and business service providers and consultants in the State.

Market service provision is the process of providing MSMEs with the support they need to improve their products and services, access new markets, increase competitiveness and integrate with the global value chains. This array of services is provided by various organizations, including Government agencies, non-profit organizations, and private businesses. These agents of change link MSMEs to market and credit services including support for: i) business development plan; ii) commercial loan application and handholding support to submit loan application; iii) quality control and standards for export markets (ZED, lean, digital); iv) supplier/vendor development programs, etc. Through these services, MSMEs can unleash their growth potential and contribute significantly to the state economy.

The proposed interventions for strengthening markets for service provision to MSMEs in the State under the RAMP program is mentioned below:

a) Capacity building of nodal technical institutions, including both private and public institutions, to enhance provision of technical services

In Karnataka, some of the major nodal technical institutions who provide technical assistance and support to MSMEs include a) MSME Development and Facilitation Office (MSME-DFO) b) The Centre of Entrepreneurship Development of Karnataka (CEDOK); c) Technical consulting services Organization of Karnataka (TECSOK), d) the Government Tool Room and Training Centre (GTTC) and f) Karnataka Council for Technological Upgradation. These institutions offer a range of services, including training, technology transfer, testing and certification, market research, and financial assistance.

- MSME-DFO is a central Government organization that provides training, consultancy, and other support services to micro, small, and medium enterprises (MSMEs) in India. MSME-DFO has four regional offices at Bengaluru, Mangalore, Hubli and Gulbarga.
- CEDOK is a government-run organization that provides training and support to entrepreneurs in Karnataka.
- TECSOK is a multidisciplinary management consultancy organization that offers a range of services to businesses, including market research and financial assistance.
- GTTC is a government-run training center that provides training in a variety of technical skills.
- KCTU is a state Government organization that promotes technological upgradation of micro, small, and medium enterprises (MSMEs) in Karnataka, India.

Figure 129 below provides an overview of the different interventions that are proposed for strengthening the capacity of nodal technical institutions through collaboration and coordination between different Government agencies and stakeholders. These interventions include:



Figure 129: Intervention proposed for strengthening the capacity of Nodal Technical Institutions

1. **Hiring of technical consultant to assess the institutional gaps:** Government through the tendering process would engage the services of an external agency or consultant to assess the gaps in the services provided by the nodal technical institutes in the state and the consultant would be required to recommend an action plan to ensure that the institutes are able to provide high-quality training and support that businesses need to succeed. The external agency will be required to have the expertise and experience necessary to assess the current state of the institutes, identify capacity gaps and areas where improvement is needed, and develop strategic roadmap for improving the services of the said institutes. The consulting team will be able to review the nodal institutes, gather feedback from MSMEs in terms of support, and analyze data from various stakeholder. The report findings of the consulting team will be used to develop a comprehensive action plan to improve the services provided by the nodal technical institutes.

Under the RAMP program separate external agency/consultant would be hired to assess the institutional gaps across institutions and suggest the roadmap for capacity enhancement within a stipulated timeframe of 9 months. The terms of reference for onboarding external agency/consultant for carrying out the nodal technical institution assessment would be defined in the request for proposal. The budget for carrying out the institutional gap assessment is estimated at INR 13.23 crore and shall be supported by Government of India under the RAMP scheme. This assessment is expected to have a significant impact on the quality of training and support available to businesses in Karnataka. The details are mentioned in Table 77.

Table 77: Details of hiring an external agency/ technical consultant to assess the institutional gaps

SN	Particulars	No of Resources	Per resource Cost*	Per Agency Cost (INR) for nine months	Total Cost for 10 Agencies (INR)
1.	Consultant/External Agency for institutional gap assessment	10 resources per agency for the 10 institutions	2,94,000	1,32,30,000	13,23,00,000
Total				1,32,30,000	13,23,00,000

* Per agency cost for 10 resources based on KEONICS man month rate for consultant with experience 5-10 years

2. **Entrepreneurship development program at division level:** Under the RAMP scheme State Government will curate a capacity enhancement training program for the five nodal technical institutions comprising of the following:

- Residential training program
- Exposure Visits to innovation hubs/centres in the country
- Exposure Visits to Global Innovation Hubs/Centres

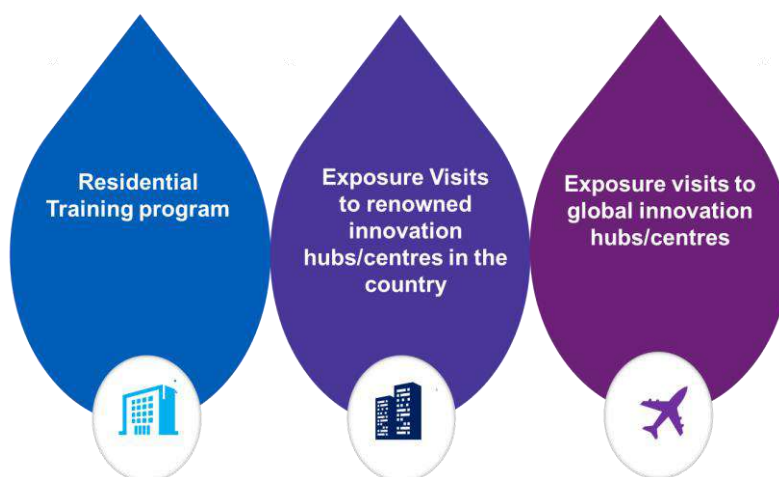


Figure 130: Entrepreneurship development program

- i. **Residential training program:** Under the RAMP program, the state government would design a 2-day residential training program for **25 officials from the technical institutions such as (MSME- DFO, KCTU, CEDOK, TECSOK and GTTC, etc.)** in collaboration with public and private training institutions for the officials of nodal technical institutes in Karnataka. This program would be designed to bring together officials from different institutes to share ideas and best practices, and to develop a common vision for the future of these institutes. The residential program will consist of classroom lecture, group discussions, case studies, activity-based learning exercises. The budget for carrying out the residential training program is estimated at INR 37.5 lakh and shall be supported by Government of India under the RAMP scheme. The details are given in Table 78

Table 78: Details of the residential training program for officials of technical institutions

SN	Particular	No of officials from across technical Institutes	Cost per official	Total estimated cost (INR)
1	2- day residential program	25	1,50,000	37,50,000

- ii. **Exposure visits for officials to renowned innovation hubs/centres in country:** To create internationally competitive institutes in the State, exposure visits are proposed for 25 officials from technical institutions such as (MSME- DFO, KCTU, CEDOK, TECSOK and GTTC, etc.). Visits to technology hubs/centres within and outside the State would aid the officials with on ground learnings and improve innovativeness. The purpose of these visits is to provide the officials with the opportunity to learn from the best practices from the best-in-class innovation/technology hubs. The officials would visit different institutions and organizations including technical institutes, universities, research centers, and businesses. The state government is confident that the exposure visits will be a success in promoting knowledge sharing and learning from existing leading practices. Approximately 25 officers will be selected across technical institutions to participate in a 2-day program for visiting innovation hubs in 3 different States. The technology centres located nationally would be identified based on a preliminary assessment. The cost for conducting these exposure visits for the officials to innovation hubs across five States is estimated at INR 1.12 Crore and shall be supported by Government of India under the RAMP scheme. The details are given in the Table 79 below.

Table 79: Details of exposure visits for officials to innovation hubs/centres

SN	Proposed/ Suggestive Innovation Centres/Hubs	Number of officers	Per officer cost for exposure visit (INR)	Total estimated cost (INR)
1	T-HUB, WE- HUB, Telangana	25	1,50,000	37,50,000
2	Incubators – Villgro Agritech, Headstart network foundation, IITM Healthcare technology innovation Center, Tamil Nadu	25	1,50,000	37,50,000
3	Wise SNTDWU incubation centre, Mumbai, COEP's Bhau Institute of Innovation, Entrepreneurship and Leadership, Pune	25	1,50,000	37,50,000
Total				1,12,50,000

- iii. **Exposure visits for officials to global technology hubs:** Directorate of MSME will collaborate with Department of Electronics, IT and BT, Government of Karnataka to design exposure visits for officials to visit innovation hubs across the globe under the Global Innovation Alliance program with over 30+ countries. The visits would aim at giving the officials the opportunity to learn about

the best practices in technical institutions and development in the areas of additive manufacturing, precision engineering, and industry 4.0 from global technology hubs, etc. The exposure visit would also help to build relationship and alliances for knowledge sharing and collaboration. The exposure visits would be designed for a period of two weeks for visiting technical/research institutions located internationally. The cost of exposure visit to global technical hubs is estimated at INR 2 crore and shall be supported by Government of India under the RAMP scheme. The details of the exposure visits are given in Table 80 below.

Table 80: Details of exposure visits for officials to global technology hubs

SN	Particulars	Number of officers	Per officer cost for exposure visit (INR lakh)	Total estimated cost (INR)
1	Visit to renowned innovation/technology hub	25	8,00,000	2,00,00,000

3. **Addressing the shortage of Manpower:** To address the shortage of manpower at the identified five nodal technical institutes, Government would develop a recruitment strategy based on the institutional gap assessment carried out by the external agency/consultant. The strategy will identify the shortage in skilled workers, the required manpower with the specific skill sets and expertise that are needed at each institution. Government through the recruitment strategy would aim at filling the vacancies in a span of 18 months by recruiting permanent and contractual skilled manpower through different channels. These channels include the Karnataka Public Service Commission (KPSC), the Karnataka Examination Authority (KEA), and KEONICS.
4. **Tie-ups with CPSU and PSU:** Under the RAMP scheme, State Government, in collaboration with nodal technical institutions, industrial associations and cluster-level associations, will launch an initiative to sign sector-specific MoUs (Memorandums of Understanding) with central public sector undertakings (CPSUs) and public sector units (PSUs). The MoUs will be signed with CPSUs/PSUs in sectors such as manufacturing, energy, food processing, aeronautics, and other related fields. These MoUs will provide a framework for nodal technical institutions to collaborate with CPSUs/PSUs on a variety of activities, including knowledge sharing, research and development, training, joint projects, and market access. The MoUs would be significant step in the state government's efforts to strengthen the nodal technical institutions and will help MSMEs as well to grow their businesses.

b) Outreach, training, and capacity building to enhance pool of qualified technical and business service providers and consultants in the State

By implementing an effective outreach, training, and capacity building program, the state government of Karnataka would enhance the pool of qualified technical and business services providers and consultants in the state. This will in turn help to support the growth and development of MSMEs in Karnataka. The targeted interventions to increase the number of qualified technical and business services providers include the following:

1. **Hiring of Technical and Business Service Providers:** Government would create a common pool of qualified technical and business service providers by engaging/onboarding the services external agencies/consultants across areas including ZED, LEAN, Design, IPR, Digital, e-commerce, TReDS, ODR-SAMADHAAN, etc. This pool will be a repository of qualified and experienced consultants and agencies that can provide a range of services to MSMEs.

- a) **MoU with QCI and NPC:** Recently, Quality Council of India (QCI) opened NABL and NABH offices in Bengaluru. The state government of Karnataka will sign a Memorandum of Understanding (MoU) with the QCI and National Productivity Council (NPC). The MoU with QCI and NPC will focus on promoting the adoption of lean manufacturing practices in the state. LEAN workshops would be organized at district level in association with QCI and NPC. QCI and NPC would be the lead partners for conducting the LEAN workshops mentioned in Section 6.1.1.
- b) **MSME Booster Kit:** Government of Karnataka would be launching the MSME Booster Kit in partnership with ecosystem partners to provide a gamut of pro bono services to further assist the MSMEs in their growth journey. The Booster Kit will supplement and complement the scaling up of the MSMEs in the value chain and will contain a power-packed collection of tools and services tailor made to cater to the needs of MSMEs. Government would enter strategic partnerships and MoUs with other service providers to expand the reach and impact of the booster kit. The booster kit will offer a range of services such as awareness, marketing, and mentorship support. MSMEs will benefit from expert guidance and mentorship provided by established organizations. These organizations will share their knowledge and experience to help MSMEs develop effective business strategies, improve their products or services, and explore new market opportunities. The details of the MSME Booster Kit would be available on the proposed State MSME Portal.

2. **Common Pool of Empaneled Market & Business Service Provision Providers:** Under the RAMP scheme the state government will create a Common Pool of Empaneled Market and Business Service Provision Providers. The common pool of service providers will be empaneled by the government to provide market-related services to MSMEs. These services would include market research, product development, and marketing. These service providers will have expertise in domain areas and will assist MSMEs in understanding and availing the benefits and helping MSMEs to access the services they need to grow their businesses. The common pool will also act as a repository/database of service providers that offer services to MSMEs and information on the empaneled service providers would be available at the district level on the proposed State MSME Portal.
3. **Subsidized seats for MSMEs at existing incubators/accelerators:** The Government of Karnataka would facilitate access to existing private incubator/accelerators for MSMEs at a subsidized rate. These can be provided as plug and play infrastructure with shared facilities to the MSMEs.

6.1.7. Support to Women-headed MSMEs: Blueprint for increased outreach and targeting of women across MSME Programme coverage and specific interventions to enhance coverage under MSME Champions schemes; access to credit for women-headed MSMEs including through CGTMSE products; and increased proportion of women technical service providers and technical consultants.

One of the key priorities of the Government is to establish a flourishing ecosystem for women entrepreneurs of Karnataka. Women-led MSMEs play a significant role in scaling up the MSME landscape and fostering economic growth. It is crucial to recognize the importance of women entrepreneurs and address the challenges they face in order to encourage a greater number of women led MSMEs in Karnataka. One of the key challenges faced by women led MSMEs is the lack

of capital. Access to finance is vital for business growth, yet many women entrepreneurs rely on their own capital to finance their ventures. This limitation hampers their ability to expand operations, invest in technology and innovation, and compete in the market. To support the growth of women led MSMEs, there is a need for targeted financial assistance, including loans, grants, and investment opportunities, tailored to their specific requirements. Another challenge is the concentration of women entrepreneurship in low-skill and informal sectors. Women entrepreneurs often face limited opportunities for skill development and training programs that are specifically designed to meet their needs. This lack of access to customized training programs hinders their ability to enhance their business acumen, adopt modern practices, and enter sectors that offer higher value and growth potential. By providing tailored training and capacity-building programs, focused on empowering women entrepreneurs with the necessary skills and knowledge, we can help them break free from traditional sectors and explore new opportunities in diverse industries.

Encouraging a greater number of women led MSMEs in Karnataka is crucial for several reasons. Firstly, it promotes gender equality and empowers women economically, allowing them to become active contributors to the state's overall development. Women's participation in the business sector leads to job creation, innovation, and economic diversification. Secondly, women led MSMEs have the potential to drive inclusive growth by catering to the specific needs and demands of women consumers. Lastly, fostering a supportive ecosystem for women entrepreneurs can serve as an inspiration for aspiring women leaders, encouraging them to pursue entrepreneurship and overcome societal barriers. By addressing the challenges faced by women entrepreneurs and facilitating their participation in the MSME sector, Karnataka aims to harness the untapped potential of women-led businesses, driving inclusive economic growth, and creating a thriving entrepreneurial ecosystem in the state.

As per district level data there are around ~70,000 women MSMEs in the State and the percentage of women-led enterprises to total MSMEs on Udyam registration is ~7 per cent. Self Help Group is a good medium to congregate women. As per the data from Karnataka State Rural Livelihood Mission (KSRLM), Karnataka is home to 2,56,914 women self-help groups.¹¹⁷ Each of these groups has an average of 10-15 members which adds up to a total of 30,29,236 active participants. Out of the 30,29,236 women members, only about 43,982 women are entrepreneurs, and the other members of these groups are likely to be supporting participants. These women entrepreneurs in turn are spread across various sectors such as food processing, agriculture and agriculture implements, apparel, chemical and chemical products, and other manufacturing. The sector having the highest share of women entrepreneurs is food processing with 35,926 entrepreneurs (81.68%) and agriculture and agriculture implements sector has the least women representation with 612 entrepreneurs (1.39%). Similarly, apparel sector comprises of 826 women entrepreneurs (1.87%), chemical and chemical products with 1257 women entrepreneurs (2.85%), and other manufacturing related sectors with 5361 women entrepreneurs (12.18%).

Under Karnataka's Industrial policy 2020-2025, women are put into a special category and receive added incentives that gives them a leverage over the general category. These fiscal incentives and concessions range across areas such as: a) Production related (*investment promotion subsidy, stamp duty exemption, concessional registration charges, land conversion fee reimbursement, electricity tax exemption*); b) Technology Adoption & Innovation (*technology adoption, technology business incubation centre (TBIC), incentives for quality certification*); c) Sustainability & Responsible Industrialization (*rain water harvesting, waste water recycling, zero discharge, recycling of electronic waste and plastic waste, subsidy for setting up ETP*); and d) Infrastructure Support (KIADB- earmark

¹¹⁷ KSRLM

a minimum 30% of allottable land in all their industrial areas for MSMEs, KIADB- multistoried / flatted factories with plug and produce facilities, KSSIDC- industrial estates/flatted sheds, Development of Rural Industrial Areas exclusively for MSMEs in industrial corridors wherein women are given a 5 percent reservation).

Government of Karnataka is already a frontier state in aiding women MSME growth. With a relatively high percentage of women MSMEs ~ 7.56 per cent share among All MSMEs with Female Owners, the Government of Karnataka is committed to scale up and assist women led MSME growth. Under the RAMP program, Government will aim to support ~6000 women led/owned MSMEs across the State over a period of four years. This would be done through collaborations with women industry associations, targeted capacity building programs, support schemes, etc. The proposed interventions to accelerate women MSME ecosystem in Karnataka is given in Figure 131 below.

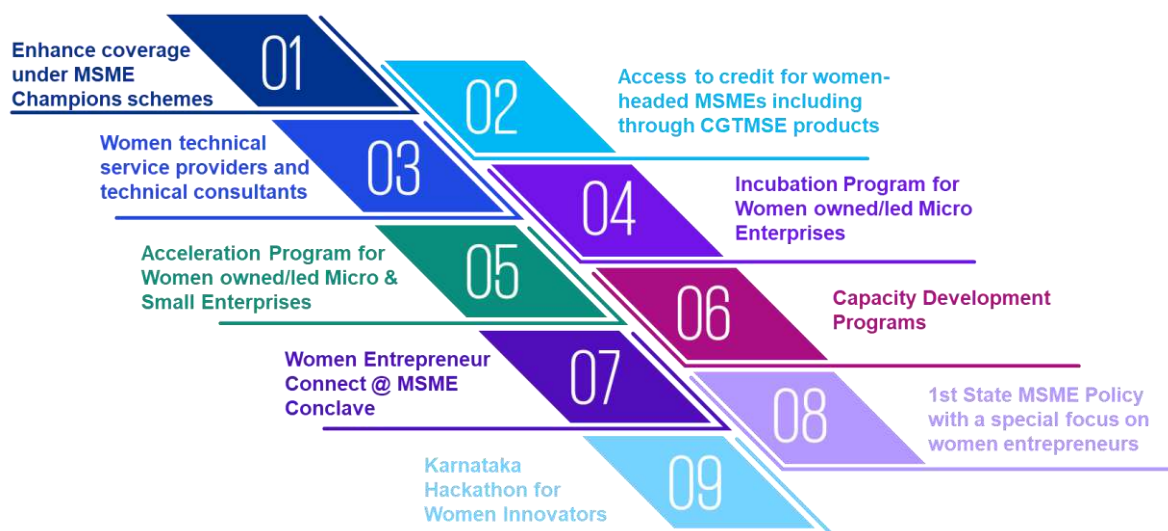


Figure 131: Intervention to accelerate women MSME ecosystem in state.

- 1. Enhance coverage under MSME Champions schemes:** The Government of India is committed to the upliftment of MSMEs in India through the MSME Champion Scheme. The Government of Karnataka shares this understanding and is working to enhance the coverage of women MSMEs under the scheme. The proposed interventions under the competitiveness support are mentioned in section 6.1.1. These interventions provide the roadmap to scale up the coverage of the scheme amongst state MSMEs, specifically across ZED, LEAN manufacturing and MSME Innovative scheme. Government of Karnataka aims to facilitate and provide handhold support to Women MSMEs by incentivizing and creating awareness amongst MSMEs across the State for attaining ZED certification and LEAN levels while also encouraging them to become MSME Champions. **Under the program, its envisioned to facilitate 45,000 MSMEs (9000 Women MSMEs) for attaining ZED Bronze certification, 6750 MSMEs (1350 Women MSMEs) for attaining ZED Silver certification, 675 MSMEs (135 Women MSMEs) for attaining ZED Gold certification.** By working together, Directorate of MSME in collaboration with Karnataka State Rural Livelihood Mission, Karnataka State Women Development Corporation, and women industry associations would put concerted efforts in enhancing the coverage of State women MSMEs under the MSME Champion scheme. These interventions will help to improve the competitiveness of women owned MSMEs and enable them to grow and scale their businesses.

2. **Access to credit for women headed MSMEs including through CGTMSE products:** To enhance access to lending for MSMEs, Government of Karnataka would partner with CGTMSE by extending additional coverage and providing special assistance to weaker sections of the society including special scheme for women entrepreneurs. The details are given Chapter 6 in section 6.1.5
3. **Increased proportion of women technical service providers and technical consultants:** The technical service providers and consultants offer a variety of services to MSMEs, such as training, consulting, and market research. By providing these services, technical service providers and consultants assist MSMEs to improve their productivity, efficiency, and competitiveness. Government aims to leverage the public and private service providers for providing business and technical services to MSMEs. The proposed interventions for the same is mentioned in Chapter 6 under the competitiveness support section 6.1.1. These interventions provide the roadmap to leverage the public and private service providers including women service providers to provide MSMEs with an array of services.
4. **Incubation Program for Women owned/led Micro Enterprises:** The Karnataka government recognizes the pressing need for an incubation program specifically designed for women micro-enterprises in Bengaluru as well as other Tier II and Tier III cities. Such a program is essential to address the unique challenges faced by women entrepreneurs and provide them with the necessary support to succeed in their business ventures. Women micro-enterprises often encounter obstacles such as limited access to resources, networks, mentorship, and specialized training programs. An incubation program dedicated to women entrepreneurs can bridge these gaps by offering targeted support and creating a conducive environment for their growth. **The incubation program for 800 Women micro enterprises (40 cohorts) in the State under the RAMP program implementation** will provide mentorship opportunities, business development guidance, peer learning, market analysis, customer analysis, investor connect and knowledge dissemination on crucial aspects such as financial management and legal compliance. Furthermore, an incubation program fosters a supportive ecosystem where women entrepreneurs can connect, network, and learn from each other. Additionally, the program will play a vital role in addressing the gender gap in entrepreneurship and promoting women's economic empowerment. Overall, the need for an incubation program for women micro-enterprises stems from the recognition that tailored support and a nurturing ecosystem are essential for their success. By investing in their growth and empowerment, the Karnataka government aims to unleash the economic potential of women entrepreneurs, drive inclusive economic development, and build a thriving entrepreneurial landscape in the state.



The program would consist of 3-5 cohorts per year for the identified districts, with each cohort accommodating 20 women-owned micro-enterprises. The funding for the program will be allocated to provide comprehensive assistance to the participating micro-enterprises. The program will be implemented through strategic partnerships with reputable non-profit organizations, women industry associations, and other relevant stakeholders having considerable experience in running these programs. The Incubation Program for women owned micro enterprises would be initially carried out on a pilot basis for women enterprises in Bengaluru and based on the success of the program, the program would be conducted for women enterprises in Beyond Bengaluru clusters (Kalaburagi, Belagavi, Dharwad, Mangaluru, Shivamogga, Mysuru, Tumakuru).

The program would run over a duration of 3-5 months, allowing sufficient time for the participants to benefit from the various modules. Further, this will be a hybrid model (onsite and virtual) model with a special focus on personalized mentoring. The beneficiaries will be spread across different sectors. The cost of the incubation program per year is estimated at INR 3.6 crore for 10 cohorts per year. The total cost for conducting the incubation program (40 cohorts) during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 14.4 crore. The details of the Incubation Program for Women owned/led Micro Enterprises is mentioned in Table 81

Table 81: Details of the Incubation Program for Women owned/led Micro Enterprises

SN	Name of the Program	Number of Cohorts per year	Number of Women Enterprises per year	Cost per year (INR)	Location
1	Incubation Program for women owned micro enterprises	3	60	1,50,00,000	Bengaluru
2		1	20	2,10,00,000	Kalaburagi
3		1	20		Belagavi
4		1	20		Dharwad
5		1	20		Mangaluru
6		1	20		Shivamogga
7		1	20		Mysuru
8		1	20		Tumakuru
TOTAL		10	200	3,60,00,000	

*The cost per cohort is estimated to be INR 50 lakhs for Bengaluru and INR 30 lakhs for Beyond Bengaluru clusters.

Program Design & Structure

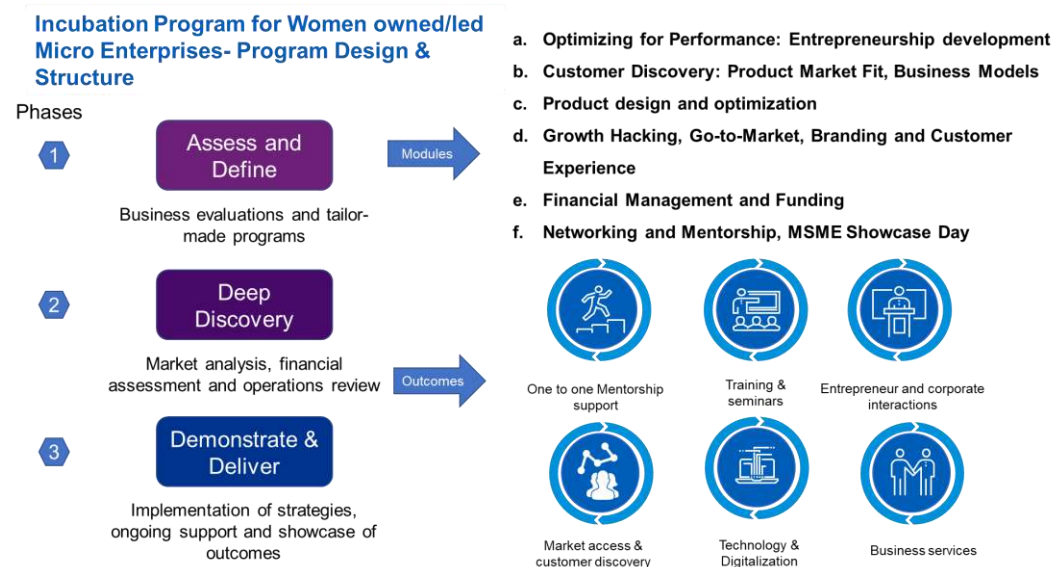


Figure 132: Incubation program for women owned/led MSEs.

Timeline

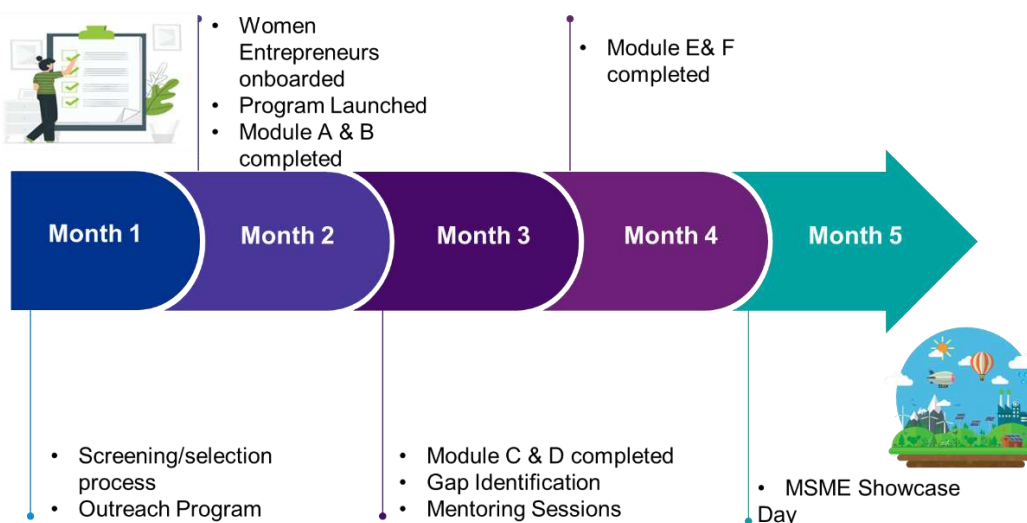


Figure 133: Timelines of proposed Women MSE Incubation program

- 5. Acceleration Program for Women owned/led Micro & Small Enterprises:** When provided with equal access to inputs, women-led companies produce economically sound outcomes. It is critical to identify different segments of women entrepreneurs and support them with the right resources to accelerate. Karnataka has always been a supporting ecosystem that has facilitated the growth of innovation and entrepreneurship. In recent years, women have been recognized on the economic agenda, including efforts to promote entrepreneurship. These interventions address gender-specific financing challenges, provide skills training and mentorship access, and build market linkages. Directorate of MSME would be curating a six-month acceleration program for supporting and scaling women-owned micro and small businesses by partnering with Not-for-Profit organizations/private accelerators/ industry associations who have considerable experience in running these programs and by extending support through grant-in-aid fund, on similar lines as Government of India's NIDHI Accelerator Program. **This dedicated acceleration program will aim to accelerate 560 existing women micro and small businesses (28 cohorts) that are at the growth and scale up stage and will focus on the business growth, capacity building, mentorship, networking, and collaboration.**

The program would consist of 3-5 cohorts per year for the identified districts, with each cohort accommodating 20 women-owned micro-enterprises. The cost per cohort is estimated to be INR 60 lakhs for Bengaluru and INR 40 lakhs for Beyond Bengaluru clusters. The funding for the program will be allocated to provide comprehensive assistance to the participating micro and small enterprises. The acceleration program for women owned micro and small enterprises would be initially carried out on a pilot basis for women enterprises in Bengaluru and based on the success of the program, the program would be conducted for women enterprises in Beyond Bengaluru clusters (Belagavi, Dharwad, Dakshin Kannada, Mysuru). The program would run over a duration of 6 months, allowing sufficient time for the participants to benefit from the various modules. Further, this will be a hybrid model (onsite and virtual) model with a special focus on personalized mentoring. The beneficiaries will be spread across different sectors. The cost of the acceleration program is per year is estimated at INR 3.4 crore for 7 cohorts per year. The total cost for conducting the acceleration program (28 cohorts) during the RAMP program implementation period (FY 2023-24- FY 2026-27) is

estimated at INR 13.6 crore. The details of the Acceleration Program for Women owned/led Micro and Small Enterprises is mentioned in Table 82

Table 82: Details of acceleration program for women owned/led micro & small enterprises.

SN	Name of the Program	Number of Cohorts per year	Number of Women Enterprises	Cost per year (INR)	Location
1	Acceleration Program for women owned micro and small enterprises	3	60	1,80,00,000	Bengaluru
2		1	20	1,60,00,000	Belagavi
3		1	20		Dharwad
4		1	20		Dakshin Kannada
5		1	20		Mysuru
TOTAL		7	140	3.40.00.000	

*The cost per cohort is estimated to be INR 60 lakhs for Bengaluru and INR 40 lakhs for Beyond Bengaluru clusters.

Details of Support Provided (Cohort wise):

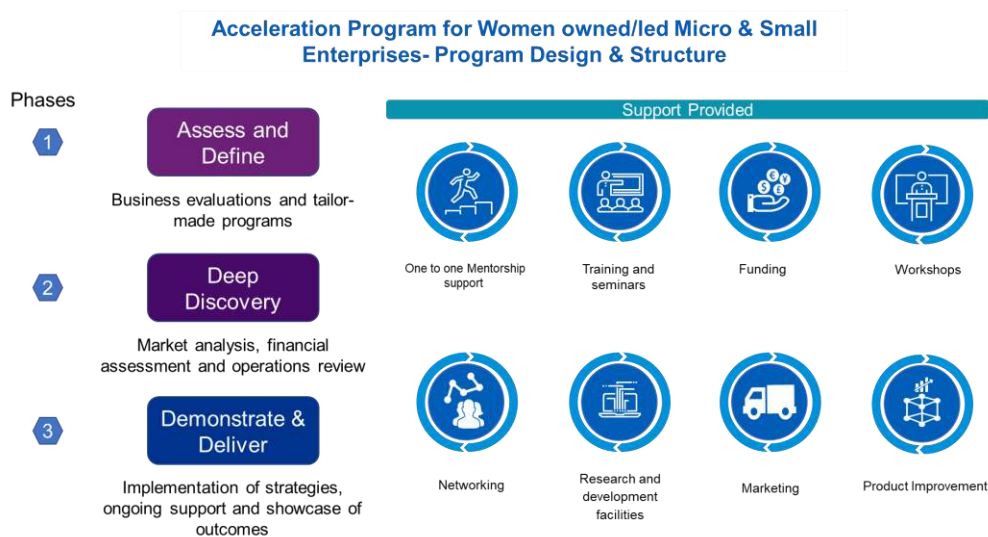


Figure 134: Acceleration program for women owned/led MSE.

- Mentorship:** Provide one-to-many and one-to-one mentorship sessions in general aspects of business development (one-to-many sessions) and in technical aspects (one-to-one sessions) of their invention and how to address certain compliance factors such as regulatory aspects. The topic of mentorship sessions would cover the following: a) keep employees motivated, efficient, and productive; b) growth path for the company; c) innovation in business models; d) making strategic partnership; e) marketing strategies; f) supply chain and sales chain development; g) brand positioning and target group and h) packaging of product for commercialization.
- Research and development facilities:** instrumentation facility for research would be provided.

- iii. **Trainings:** Training programs to include the following: a) go-to-market strategy – sales and pricing; c) basic accounting financial statements for stakeholders and d) governance and management–organizational structure; e) structuring business plan, business plan preparation and presentation; g) negotiation skills, customer relations, self-evaluation & improvement.
- iv. **Funding:** Investor connect would be organized for the MSMEs to escalate their business to the next level.
- v. **Workshops:** would be carried out across topics such as: challenges & strategic management in women entrepreneurship; regulatory compliances including GST, design thinking & product development, funding schemes and support available to women entrepreneurs in India, networking, branding, market, and customer analysis, etc.
- vi. **Networking:** networking events would be organized for the women entrepreneurs
- vii. **Marketing:** MSME showcase day would be organized
- viii. **Product Improvement:** connect the women entrepreneurs with technical mentors and packaging experts for product improvement.

Timeline:

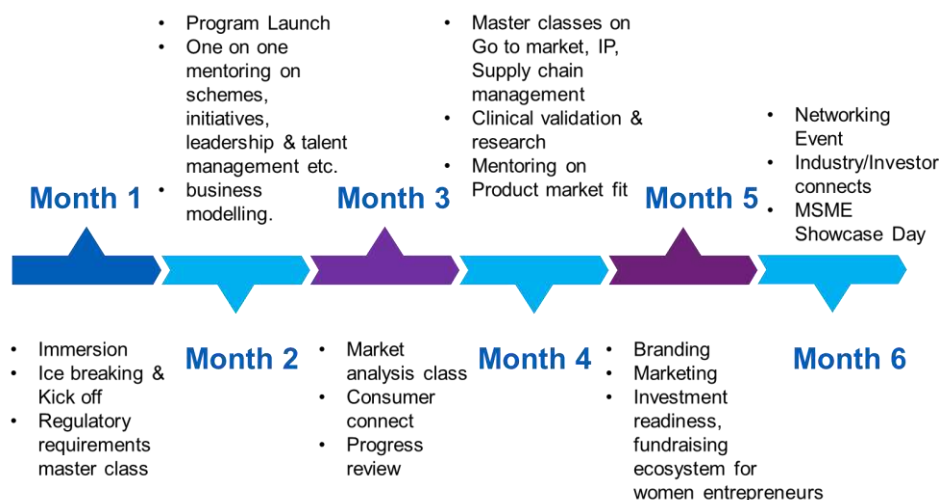


Figure 135: Timelines of MSME acceleration program

6. **Capacity Development Programs:** Directorate of MSME will leverage the existing partnerships with Not-for-Profits/Industry Association or collaborate with new organizations to co create capacity development programs dedicated to women entrepreneurs. **A total of 750 women MSMEs will be positively impacted through the 15 workshops/Capacity building sessions/knowledge sessions per year under the RAMP program.** The cost for conducting these capacity building programs per year is estimated at INR 15 Lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the capacity building programs during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 60 lakh. The details of the workshops to be carried out for women entrepreneurs is mentioned in Table 83.

Table 83: Details of capacity building programs

SN	Name of the Program	Number of Women Beneficiaries	Location	Event Partner	Number of Workshops
1.	Government e-Marketplace (GeM) Awareness and Outreach Workshop for Women-led/owned MSMEs	200	One workshop per division (Belagavi, Kalaburgi, Mysuru and Bengaluru)	Directorate of MSME & Team from GeM	4
2.	Capacity Development Workshop for Women Entrepreneurs	50	Kalaburagi	Directorate of MSME & Industry Association	1
3.		50	Belagavi		1
4.		50	Dharwad		1
5.		50	Dakshin Kannada		1
6.		50	Shivamogga		1
7.		50	Mysuru		1
8.		50	Tumakuru		1
9.	Open Network for Digital Commerce Awareness and Outreach Workshop for Women-led/owned MSMEs	200	One workshop per division (Belagavi, Kalaburgi, Mysuru and Bengaluru)	Directorate of MSME & Team from ONDC	4
TOTAL		750			15

*INR 100,000 is the estimated cost for conducting the workshop

- 1st State MSME Policy with a special focus on women entrepreneurs:** Karnataka's MSME ecosystem is poised to grow with continued momentum with a greater focus on identifying and nurturing talent, creating new jobs, and showcasing the true potential of Karnataka's aspirational youth. The Government of Karnataka is committed to bringing women's MSMEs to the forefront of the state's economy. The 1st State MSME Policy to be launched by the Government would have an overarching aim to position Karnataka as the hub for MSMEs by adopting a comprehensive approach towards strengthening the MSME ecosystem through inclusive, equitable and strategic interventions across key pillars of support, viz infrastructure, technology, funding, incubation, market, skilling, mentoring, entrepreneurship, R&D, and industry linkages. The policy would have a special focus on creating a holistic MSME ecosystem across the State, by supporting entrepreneurs from different sections of the society including women entrepreneurs, to facilitate innovation and entrepreneurship by embracing diversity, equity, and inclusion. The policy will create a more supportive ecosystem for women entrepreneurs to access the finance and resources they need to grow and succeed.
- Karnataka Hackathon for Women Innovators:** Government is committed and focused in putting forth a robust agenda to shift gears on promoting the cause of women empowerment and entrepreneurship in the State. Government of Karnataka taking inspiration from the hackathon hosted by the central government (MSME IDEA HACKATHON for Women Innovators) would host Karnataka Women MSME Idea Hackathon for women owned/led MSMEs of the State with an aim to create an environment that supports and empowers women, thereby promoting gender equality and women empowerment in the state. The hackathon would follow a mechanism where women entrepreneurs

from diverse sectors and backgrounds would come together to collaborate, ideate, and develop innovative solutions for real-world challenges. Women entrepreneurs across all districts in Karnataka would be urged to participate and will be given a platform to showcase their ideas and innovations for a cash prize. The event will have participants competing in multiple high growth potential sectors. Participants will go through multiple screening and selection processes and would have access to mentoring, expert guidance, and networking opportunities, enabling them to refine their business ideas and build valuable connections. Through this hackathon, Government envisions creating a conducive ecosystem for women entrepreneurs to thrive and contribute to Karnataka's socio-economic growth. Approximately 10 winners will be awarded an initial grant of INR 10 lakh to test and demonstrate the solution and a follow-on funding of INR 40 lakh for deployment of solution. The cost for the Women MSME Idea Hackathon is estimated at INR 5 crore.

The key benefits of Women MSME Idea hackathon includes the following:

- Foster innovation and creativity among women entrepreneurs
- Provide women entrepreneurs with a platform to showcase their ideas and solutions.
- Contribute to the upliftment of aspiring districts within Karnataka, encouraging entrepreneurship and economic development in these regions.
- Support women entrepreneurs promoted by SC/ST entrepreneurs and entrepreneurs from different sections of the society like OBC and Minority category

Directorate of MSME as the main facilitator, in collaboration with relevant departments and stakeholders such as DICs, women self-help groups (SHGs), Industry Associations and Nonprofit organizations, will plan and strategize the hackathon. The event will be announced through official channels, including government websites, press releases, and social media platforms, to reach a wide audience of women entrepreneurs. A specific theme or focus area will be determined for the hackathon, aligning with the government's objectives and the needs of the state, such as key growth areas or sectors that have good potential for growth in Karnataka. These focus areas chosen will also take into consideration the positive impact it will create for the women working in these sectors. Problem statements related to the chosen theme will be formulated, to address the existing social challenges in implementing the Environmental, Social, and Governance (ESG) framework and to meet Sustainable Development Goals (SDGs). To enhance the participants' skills and prepare them for the hackathon, a series of pre-hackathon workshops will be organized. These workshops may cover topics such as ideation, business model canvas, pitch development, market analysis, and technical skills relevant to their respective domains. Renowned mentors and industry experts will be identified and invited to support the participants during the hackathon. These mentors will provide guidance, share their expertise, and offer valuable insights to help the participants refine their ideas and develop feasible solutions.

By meticulously organizing the hackathon and ensuring comprehensive support throughout the event and beyond, the Karnataka government aims to provide a nurturing platform for women entrepreneurs to thrive and contribute to the state's socio-economic growth.

6.2. Interventions and financing being converged under State interventions and allied GoI interventions.

Details of interventions and financing being converged under State interventions and allied GoI interventions, planned deployment of these interventions, including budgetary outlays.

6.2.1. Finance: Interventions proposed to enhance the ease of access to credit facilities

i. Elevate MSE Scheme

Government of Karnataka would launch the '**Elevate MSE**' grant-in-aid scheme with an aim at elevating and transitioning 400 unique MSEs i.e. (micro units to small units and small units to medium units) over a period of four years. Out of the 400 MSEs, target would be to benefit 100 women-owned/led MSEs. Government of Karnataka would identify and nurture innovative MSEs and provide them the necessary boost at various stages through funding and mentoring. A grant/subsidy of up to INR 1 Crore would be given to encourage MSEs who may need funding for expansion/modernization/diversification for technology and product development and scale-up.

The aim of the initiative would be to provide a comprehensive entrepreneurship platform for MSEs along with giving access to funding, technology upgradation, marketing and digitalization support, quality certification and standardization, OEM/anchor vendor linkages, mentors/industry experts, networking opportunities, etc. MSEs will be selected through an objective, robust, transparent, and efficient process. The Elevate MSE scheme provides a unique opportunity for MSEs in Karnataka to upscale their businesses and reach new heights of success. The transparent selection process, along with various incentives, will create an environment of growth and development for the selected units. For being eligible for applying to the Elevate MSE scheme, the MSMEs shall satisfy the following pre-requisite criteria:

- MSME should be registered in Karnataka with valid UDYAM registration.
- MSME unit must be in operation for at least three years, and
- MSME must be engaged in manufacturing or service activities (units engaged in trade activities are not eligible)

The MSEs would undergo a rigorous evaluation process and would be evaluated across quantitative (focus sector under the Karnataka Industrial Policy 2020, annual turnover, export turnover, employment, average y-o-y increase in investment, profit, etc.) and qualitative parameters (business development plan, expansion strategy, technology integration, etc.) The applications would be scored and ranked based on the quantitative and qualitative criteria. The Elevate MSE Evaluation Committee would be formed under the Chairmanship of Secretary to Government, Commerce and Industries Department, Government of Karnataka to select the 400 MSEs under the Elevate MSE scheme.

Elevate MSE winners would be instructed to prepare a detailed project report (DPR) with the help of an empaneled government agency/consultant for scale up with timelines and milestones and enter a MoU and accordingly the grant would be released in tranches. Their progress would be reviewed and monitored in various stages as mentioned below:

- Send the MSE notification & online template to record their progress as per Tranche Plan & timelines mentioned in MoU
- Schedule MSEs for demonstration of their accomplished Milestone / Product / Service
- Evaluate the progress of the Project Milestones / Product through demo / Site visit.
- Collect appropriate documents and verify milestone completion & fund utilization.
- Report on observation on MSEs Progress vis-à-vis their corresponding milestone is submitted.
- Provide Briefing to Elevate MSE Review Committee of MSE Evaluation Status

A corpus of INR 300 Crore is estimated for the Elevate MSE scheme for a period of four years of which the State Government would contribute INR 60 Crore (20 per cent) through convergence with the State Industrial Policy and corpus amount of INR 240 Crore would be supported by Government of India during the RAMP program implementation period (FY 2023-24- FY 2026-27).

ii. Beyond Bengaluru MSE Fund

Karnataka is poised for the next phase of growth in the MSME sector by leveraging the existing ecosystem in Bengaluru and of Beyond Bengaluru ecosystem. Beyond Bengaluru is emerging as one of the preferred and attractive destination for domestic and global investments across several industry verticals driven by a combination of strategic location, robust industrial infrastructure, logistic support, connectivity, availability of skilled and talented workforce and access to research and technology institutions. Government would launch the Beyond Bengaluru MSE Fund with an objective to support innovative new MSEs with a grant/subsidy of up to INR 50 lakh to encourage MSEs set to establish outside Bengaluru Urban and Bengaluru Rural district and engaged in 9 focus sectors viz. *(textiles & apparel; food processing; aerospace and defence; engineering and machine tools; handicrafts; automotive and auto-components including EV; electronics; pharmaceuticals & medical devices and logistics)* having commercially viable products / services/ solutions. **The fund would provide grant/subsidy to about 200 unique MSEs, having a potential to create employment for technology upgradation, market access and skilling. Around 25 per cent of the fund would be earmarked to fund women MSEs.**

Beyond Bengaluru's industrial landscape offers a plethora of lucrative emerging business opportunities for partnerships and collaborations in a wide range of sectors which can be leveraged to achieve inclusive growth. It is proposed to establish Beyond Bengaluru MSE Fund of INR 100 crore to support new MSEs established outside Bengaluru Urban and Bengaluru Rural District. A corpus of INR 100 Crore is estimated for the Beyond Bengaluru MSE scheme for a period of four years of which the State Government would contribute INR 20 Crore (20 per cent) through convergence with the State Industrial Policy and corpus amount of INR 80 Crore would be supported by Government of India during the RAMP program implementation period (FY 2023-24- FY 2026-27).

6.2.2. Skills development: including technical training, tertiary course development or upgrading, encouraging more demand driven technical and vocational training and education

The State has the 4th largest skilled workforce in India and is home to several premier institutions. Karnataka's demographic dividend offers a great opportunity with 2.12 crore persons in the age group of 16-35 years. The State aspires to skill 1.88 crore youth during the period 2017-2030, with an annual skill target of 13.4 lakh existing workforce and new entrants. The demographic advantage gives the state a developmental edge with a potential to leverage as a global leader, provided this large youth population is channelized, skilled and equipped adequately. Skill development in MSME sector is a crucial aspect of promoting entrepreneurship, enhancing productivity, and fostering economic growth. The government has actively worked on ensuring the institutions in the state provide industry-relevant skills that meet the demand of the professional world improving the employability of the individuals and enhancing the productivity and growth of the sector. Various skill development initiatives have been undertaken for imparting demand driven training to students, unemployed as well as up-skilling for employed youth while ensuring the access, equity, and the quality of the skills. Karnataka houses 234

engineering colleges, 44 universities, 57 medical colleges. The state is home to 1,777 public and private ITIs providing skill training to 106,000 youth, around 290 polytechnics with seating capacity of 75,000.¹¹⁸

The Government of Karnataka under Department of Skill Development, Entrepreneurship and Livelihood (SDEL) has set up the Koushalya Mission with an objective to improve the employability of the youth, and to promote sustainable livelihood. Chief Minister's Kaushalya Karnataka Yojane focuses on market driven skilling of youth in the age group of 18-35 years, recognizing their prior learning and provide them higher skills. More than 25,000 youth have been trained and more than 21,000 have been employed in the financial year 2022-23.¹¹⁹ Through SANJEEVINI – Karnataka State Rural Livelihood Promotion Society (KSRLPS), INR. 226.86 Crores have been expended in the year 2022-23 under various schemes such as National Rural Livelihood Mission, National Rural Economic Transformation Project (NRETP), Rural Self Employment Training Institute (RSETI), Deen Dayal Upadhyaya Grameena Kaushalya Yojane (DDU-GKY), Start-up Village Entrepreneurship Program (SVEP), Stree Samarth yojana. Sanjeevini - KSRLPS is the agency implementing Pradhan Mantri Formalization of Micro food processing Enterprises (PMFME) scheme in Karnataka state. It aims to enhance the competitiveness of existing individual micro-enterprises in the unorganized segment of the food processing industry and promote formalization of the sector. Nearly 1,45,784 apprentices are being trained in 337 industries in the state under Apprenticeship Act, 1961.

Karnataka state, being a hub for information technology and various industries, faces both cross-cutting and sector-specific skills gaps. Some of the common skills that MSME's are lacking include technical, entrepreneurship skills, vocational training, and soft skills. **The Directorate of MSME intends to enhance the employability of the workforce, upgrade existing skills, and promote entrepreneurship by addressing the skill gaps in the state through the following identified initiatives under RAMP program.**

1. Vocational Training Program for Micro Enterprises

With the MSME sector being a significant contributor to employment and overall development in the state, it is essential to address the existing skills gaps and enhance productivity. Many micro enterprises lack the required technical skills, entrepreneurship skills, vocational training, and soft skills necessary to thrive in a competitive business environment. Vocational training programs are essential to bridge these skill gaps and equip micro enterprises with the necessary expertise and knowledge. By providing focused and targeted training, these programs can enhance the technical competencies of individuals, foster innovation, and create a supportive environment for entrepreneurship. These training programs aim to develop a skilled workforce capable of adapting to evolving technologies and market demands. By improving entrepreneurial skills, micro enterprises can enhance their business acumen, develop sustainable business models, and effectively compete with modern technologies. Furthermore, vocational training programs contribute to the overall growth of the MSME sector by nurturing a pool of skilled professionals.

Karnataka Skill Development Corporation (KSDC) is building an industry-driven skilling ecosystem by providing skill development to candidates in the job roles sought by the industries and bridging the gap between supply and demand of skilled workforce in the State. KSDC has initiated a survey of industries in all districts to gather requirements for skilled workforce. As per the UDYAM data ~ 96 per cent of the MSMEs (~10.26 lakh units) in the State are micro enterprises (9.88 lakh units) employing ~80 lakh persons as on 05.08.2023. **The Directorate of MSME in collaboration with KSDC will develop a 'Vocational Training Program for Micro Enterprises' with an aim to enhance the competitiveness**

¹¹⁸ Karnataka Industrial Policy 2022

¹¹⁹ Economic Survey of Karnataka 2022-23

of ~ 2 lakh employees of micro enterprises across the State. The program shall facilitate organization of short-term up-skilling courses across manufacturing sub-sectors such as food processing, automobile, textiles, apparel, jewelry, furniture, chemicals, plumbing, capital goods, etc. at the affiliated Industrial Training Institutes (ITI)s- Technology Hubs established under UDYOGA program of the State. The training course would entail 50 training hours comprising theory, practical and on-the-job training spanning over a duration of one week. Approximately 2 lakh employees of micro enterprises would be selected across 31 districts based on the percentage representation of micro enterprises district wise. **Every year under the RAMP program ~ 50,000 employees of micro enterprises would be trained in batches. Each sector specific batch would comprise of 20 micro enterprise employees. Each batch cost is estimated at INR 55,000 for 20 micro enterprise employees for 50 hours of training at INR 55 per hour cost. In a year ~ 2500 sector specific batches for 50,000 micro enterprises employees would be conducted.** Figure 136 shows the 23 job roles where training would be provided to the employees of micro enterprises.



Figure 136: Vocational Training Program for Micro Enterprises

The cost for conducting the training program per year is estimated at INR 13.75 Crore. The total cost for conducting the training program for ~ 2 lakh employees of micro enterprises during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 55 Crore. Table 84 shows the details of the vocational training program for micro enterprises.

Table 84: Details of the Vocational Training Program for Micro Enterprises

SN	District Name	No. of Micro Enterprises as on 30.04.2023	% Share of Micro Enterprises	Target Beneficiaries (Per Year)	Identified Institutions	Courses Offered
1	Bagalkote	20060	2.27%	1133	Govt ITI Bilagi Govt ITI Navanagar Bagalkote Govt ITI Jamkhandi Govt ITI Rabakavi	Short term training courses for the entrepreneurs and for their employees who want to skill/ upskill themselves in advanced sectors aligned to National Qualification Framework (NSQF) such as: <ul style="list-style-type: none"> ▪ Automotive ▪ IT ▪ Logistics ▪ Agriculture ▪ Capital goods ▪ Iron & steel ▪ BFSI etc.
2	Bangalore (rural)	46819	5.29%	2643	Govt ITI Devanahalli Govt ITI Hoskote Govt ITI Doddaballapur	
3	Bangalore (urban)	246918	27.88%	13941	Basic Training Centre Govt ITI Men Hosur Road Govt ITI Peenya	
4	Belgaum	64009	7.23%	3614	Govt ITI Belgavi (W) Govt ITI Chikkodi Govt ITI Kittur Govt ITI Ramdurga Govt ITI Sadalaga Govt ITI Belgavi (M)	
5	Bellary	23227	2.62%	1311	Govt ITI Ballari Govt ITI Huvinahadagali Govt ITI Kudligi Govt ITI Kurugodu Govt ITI Sandur	
6	Bidar	16142	1.82%	911	Govt ITI Aurad (W) Govt ITI Basavakalyan Govt ITI Bhalki Govt ITI Bidar Govt ITI Humnabad	
7	Chamrajanagar	8134	0.92%	459	Govt ITI Beguru Govt ITI Chamrajanagara Govt ITI Gundlupet (W) Govt ITI Hanuru Govt ITI Kollegala	
8	Chikballapur	13348	1.51%	754	Govt ITI Bagepalli Govt ITI Chikballapur	

SN	District Name	No. of Micro Enterprises as on 30.04.2023	% Share of Micro Enterprises	Target Beneficiaries (Per Year)	Identified Institutions	Courses Offered
					Govt ITI Mandikallu Govt ITI Shidlaghatta	
9	Chikmagalur	13388	1.51%	756	Govt ITI Chikkamagaluru Govt ITI Kadur Govt ITI Koppa Govt ITI Sakharayapatna Govt ITI Tarikere	
10	Chitradurga	13560	1.53%	766	Govt ITI Challakere Govt ITI Bharamasagara Govt ITI Chitradurga (W) Govt ITI Hiriyur Govt ITI Hosadurga	
11	Dakshina kannada	38185	4.31%	2156	Govt. ITI Malady Belthangadi Govt ITI Mangalore (W) Govt ITI Puttur (W) Govt ITI Mangalore (M) Govt ITI Vitla	
12	Davangere	19329	2.18%	1091	Govt ITI Channagiri Govt ITI Davanagere Govt ITI Harihara Govt ITI Honnali Govt ITI Jagaluru	
13	Dharwad	37746	4.26%	2131	Govt ITI Dharwad Govt ITI Dastikoppa Kalaghatagi Govt ITI Hubli	
14	Gadag	11004	1.24%	621	Govt ITI Gadag (W) Govt ITI Mundargi Govt ITI Naragund Govt ITI Sudi	
15	Hassan	21276	2.40%	1201	Govt ITI Alur Govt ITI Arakalagud Govt ITI Arasikere Govt ITI Hassan Govt ITI Belur Govt ITI Channarayapatna	

SN	District Name	No. of Micro Enterprises as on 30.04.2023	% Share of Micro Enterprises	Target Beneficiaries (Per Year)	Identified Institutions	Courses Offered
					Govt ITI Holenarsipura Govt ITI Sakaleshpura	
16	Haveri	15322	1.73%	865	Govt ITI Adur Govt ITI Haveri Govt ITI Akki-Alur Govt ITI Shiggaon	
17	Kalburgi	18402	2.08%	1039	Govt ITI Afzalapur Govt ITI Aland Govt ITI Chincholi Govt ITI Chittapur Govt ITI Kalaburagi Govt ITI Jewargi Govt ITI Konchavaram Govt ITI Sedam Govt ITI Shahabad	
18	Kodagu	7237	0.82%	409	Govt ITI Alur Siddapura Govt ITI Madikeri	
19	Kolar	14641	1.65%	827	Govt ITI Dalasanur Govt ITI Devarayasamudra Govt ITI KGF Govt ITI Antargange Kolar (W)	
20	Koppal	10728	1.21%	606	Govt ITI Kukanoor Govt ITI Gangavathi Govt ITI Talakal grama Govt ITI Yelburga (W) Govt ITI Hanumansagar Govt ITI Tanakankal, Koppal	
21	Mandya	17578	1.98%	992	Govt ITI Malavalli Govt ITI Nagamangala Govt ITI Chinakurali Govt ITI K R Pet Govt ITI Maddur Govt ITI Mandya	
22	Mysore	45804	5.17%	2586	Govt ITI Bettadapura Govt ITI Beerihundi	

SN	District Name	No. of Micro Enterprises as on 30.04.2023	% Share of Micro Enterprises	Target Beneficiaries (Per Year)	Identified Institutions	Courses Offered
					Govt ITI H D Kote Govt ITI N R Mohalla Mysore Govt ITI Nanjanagud Govt ITI Periyapatna Govt ITI Talakadu Govt ITI Varuna	
23	Raichur	15898	1.80%	898	Govt ITI Lingasugur Govt ITI Devadurga Govt ITI Raichur	
24	Ramanagara	12713	1.44%	718	Govt ITI Doddalahalli Govt ITI Kanakapura Govt ITI Ramanagara	
25	Shimoga	25044	2.83%	1414	Govt ITI Kavalagundi Govt ITI Kargal Govt ITI Sagar Govt ITI Shikaripura Govt ITI Shivamogga (W) Govt ITI Thirthahalli (W)	
26	Tumakuru	29464	3.33%	1663	Govt ITI Kunigal Govt. ITI Ammasandra Govt ITI Koratagere Govt ITI Madhugiri Govt ITI Sira Govt ITI Tiptur (W) Govt ITI Turuvekere	
27	Udupi	22405	2.53%	1265	Govt ITI Manipal Udupi Govt ITI Perdur Govt ITI Byndoor Govt ITI Karkala	
28	Uttar Kannada	21082	2.38%	1190	Govt ITI Karwar Govt ITI Dandeli (W) Govt ITI Haliyal Govt ITI Honnavar Govt ITI Mundgod Govt ITI Ramnagar (Joida)	

SN	District Name	No. of Micro Enterprises as on 30.04.2023	% Share of Micro Enterprises	Target Beneficiaries (Per Year)	Identified Institutions	Courses Offered
					Govt ITI Siddapur	
29	Vijayanagar	3579	0.40%	202	Govt ITI Harapanahalli Govt ITI Hosapete Govt ITI Hagaribommanahalli	
30	Vijayapura	22589	2.55%	1275	Govt ITI Babaleshwar Govt ITI Basavan Bagewadi Govt ITI Vijayapur Govt ITI Nalathawad Govt ITI Tikota Govt ITI Indi	
31	Yadgir	9977	1.13%	563	Govt ITI Yadgir Govt ITI Gurumitkal	
Total		8,85,608		50,000		

2. Imparting skill training in collaboration with Industry Associations and DIC's

KSDC has set up Industry Linkage Cell to provide a green channel to industries for onboarding them as accredited Chief Minister's Kaushalya Karnataka Yojane (CMKKY) training partners, upon satisfactory compliance with the guidelines on infrastructure, trainers, and facilities. Institutions and associations such as ELCIA, Mysore Industrial Area Association, Sansera Engineering, Aequs Pvt Ltd, Ecom express are some of KSDC's training partners accredited under CMKKY to provide quality skilling and facilitate captive placement. To strengthen MSME skilling, the Directorate of MSME in collaboration with KSDC will create awareness of this opportunity among industry and cluster associations to onboard them as CMKKY training partners. The Directorate of MSME would conduct awareness workshops in collaboration with KSDC at industry and cluster associations across districts in the State with an aim to encourage demand-driven skilling and would align the workshops as per the industry requirements. Industry associations have a deep understanding of the skills and knowledge required by their members across sectors. Partnering with industry associations would ensure that the training program is tailored to meet the specific needs of industries. Such collaborations would provide numerous benefits, including access to industry expertise, up-to-date knowledge about emerging technologies and trends, and opportunities for practical training resulting in building quality skilled workforce. The following process will be followed for the effective implementation of the program.

- Availing accreditation to the respective Industry/cluster association, upon satisfactory compliance with the guidelines on infrastructure, trainers, and facilities by the Karnataka Skill Development Corporation
- Identifying/mobilizing beneficiaries by the industry/cluster association with help of DIC
- Training to Trainees (ToT) would be facilitated by Karnataka Skill Development Corporation-KSDC, on prior intimation sent to all the accredited industry/cluster association.
- The selection of the priority sector would be identified by the respective Industry/cluster association based on demand.
- The curriculum for the training would be provided by KSDC as per NSQF guidelines.

The cost for conducting the awareness workshops per year is estimated at INR 31 lakh during the RAMP program implementation period (FY 2023-24- FY 2026-27). Table 85 shows the details of the awareness workshops.

Table 85: Details of the awareness workshops with Industry/Cluster Association

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Cost per year (INR)
1.	One-day Awareness Workshop in collaboration with KSDC	KSDC, District Industries Centres & Industry Associations	1 workshop per year per district	31	31,00,000
Total				31	31,00,000

*INR 1,00,000 is the estimated cost for conducting the workshop

3. District-level Joint Awareness and Orientation Programs

The joint awareness program on skilling initiatives for MSMEs in Karnataka would aim to enhance the competitiveness and productivity of the sector. This program can help MSMEs in acquiring the necessary skills and knowledge to adapt to changing market trends and technologies. Directorate of MSME in collaboration with KSDC would conduct a joint awareness campaign in every district for the MSMEs under the RAMP scheme to sensitize them on the various schemes, skilling programmes and benefits that can be availed from both the departments. The District Skill Development Offices along with the District Industries Centres would jointly organize these awareness and orientation programmes for MSMEs and industrial associations. The cost for conducting the awareness workshops per year is estimated at INR 43 lakh during the RAMP program implementation period (FY 2023-24- FY 2026-27) Table 86 shows the details of the awareness workshops.

Table 86: Details of Joint Awareness programs at district level

SN	Particulars	Event Partner	Location	Total Number of Workshops	Total Cost (INR)
1.	One-day Awareness Workshop	KSDC, District Industries Centres & Industry Associations	1 workshop per year per district	31	31,00,000
2.	One-day Awareness Workshop	KSDC, District Industries Centres & Cluster Association	1 workshop per cluster for the 12 implemented clusters under MSE-CDP scheme	12	12,00,000
Total				43	43,00,000

*INR 1,00,000 is the estimated cost for conducting the workshop

6.2.3. Branding and Communication Strategy

The detailed Branding and Communication Strategy is mentioned in Chapter 7- Partnership & Outreach Strategy and section 7.2.1.

6.2.4. Sector specific Interventions

1. Sector Symposiums

The State Government of Karnataka realizes the imperative need to raise the global competitiveness of the MSME sector to achieve long term sustainable and balanced growth. To enhance the capabilities of MSMEs and with an aim to showcase the strengths and industrial prowess of the State, Directorate of MSME in collaboration with line departments, industry associations would be organizing a series of sector specific symposiums across the 9 focus sectors (*Textile & Apparel, Aerospace & Defence, Food Processing, Engineering & Machine Tool, Pharmaceuticals & Medical Devices, Handicraft, Automotive and Auto-components including EV, Electronics and Logistics*) providing an excellent opportunity for entrepreneurs to showcase their products and services to international and national OEMs/Anchor buyers.

The sector symposium would serve as an imperative platform for invigorating discussions by bringing under one roof the right mix of central, state, and local governments, agencies, associations, renowned speakers with unbounded experience and expertise, and various national and international SME stakeholders for fostering global SME growth through synergies and partnerships. It will be a crucial platform for disseminating knowhow on assessing the export potential of the products and services of Karnataka MSMEs, identifying suitable markets, developing strategies to penetrate new markets, and singling out avenues for joint ventures, franchising, cross-marketing, co-manufacturing, etc.

The sector symposium would provide MSMEs with unique insights on the entry strategies for various global markets and help them assess the potential of their products and services globally. MSMEs will also learn about a range of products and services, new technologies to enhance their competitiveness and productivity. It will also provide numerous networking opportunities and B2B and G2B meetings scheduled with Government officials, procurement heads of global OEMs and industry delegates from across the globe.

The key objectives of the sector symposiums would include the following:

- Developing an enabling ecosystem for the MSME sector by leveraging 'Brand Karnataka' by showcasing the strengths and industrial prowess of the State
- Highlighting the opportunities available to MSME sector under the 'Make in India' and 'Make in Karnataka' initiative.
- To forge technology collaborations and knowledge partnerships
- To organize an exhibition to provide opportunities to MSMEs/ investors / entrepreneurs, PSUs, Mega and Large-Scale Enterprises to showcase their products and capabilities.
- Conduct focus sector specific sessions to discuss growth opportunities, sectoral trends and facilitate stakeholder interaction.
- Experience sharing of MSME players in Karnataka who have now scaled new heights of achievements in the state.
- Facilitate B2B, G2B and G2G meetings and organize country / state pavilions in the exhibition area to attract investment in the state.

The cost for organizing 9 sector specific symposiums in the State is estimated at INR 20 crore and shall be supported by Government of India under the RAMP program.

2. Sector specific cluster interventions

Under the RAMP program the proposed sector specific interventions to be implemented at the cluster level for the sectors (textile, apparel & leather; electronics; food processing; machinery and automotive and auto component) is given below. The details of the clusters, their location, number of MSME units in each cluster and details regarding the Common Facilities Centre (CFC) facilities available at each of the clusters is given in the table 87 below.

- a) Upskilling/Re-skilling Courses:** The Directorate of MSME in collaboration with Karnataka Skill Development Corporation (KSDC) shall facilitate organization of short term 'upskilling/re-skilling courses' at the affiliated Industrial Training Institutes (ITIs)- Technology Hubs established under UDYOGA program¹²⁰ of the State. The MSMEs across sectors shall be trained on innovative

¹²⁰ The Upskilling in Disruptive and Advanced Technologies to train Youth for Opportunities in Global industries and Assembly lines (UDYOGA) is a skill development program wherein the Government of Karnataka (GoK) supported by Tata Technologies (TTL) and 20 Industry Partners aim to transform 150 Government owned ITIs into Technology Hubs.

courseware aligned with industry 4.0 requirements in advanced technology areas, innovation, and product development at the UDYOGA Technology Hubs. The MSME units in each of the clusters under the sectors shall undergo training throughout the 4 years of implementation of the RAMP program. The shift of the workforce from low-skill (manual) jobs to high-skill (automation) jobs shall thereby increase the overall productivity of the industries. The details regarding duration of the courses and the detailed cost breakup for upskilling/ re-skilling courses at cluster level is placed in Annexure 2. The outcome of the Upskilling/Re-skilling Courses shall benefit an overall of **1,173** MSME units at an estimated cost of **INR 1.74 crore** and shall be supported by Government of India under the RAMP program.

- b) Exposure learning visit:** To create internationally competitive industries in the State, exposure visits are proposed for the MSME units of all the clusters across the sectors. Visits to integrated parks, modern clusters located within and outside the State would aid the MSME entrepreneurs with on ground learnings and improve innovativeness. The Directorate of MSME in association with the DICs and Industrial Association shall take the MSME units in each of on exposure learning visits in batches annually. There shall be two visits to a local integrated park, modern cluster etc. within the State (1 day visit) and two visits to an integrated park, modern cluster outside of the State, (2 days visit). The details regarding duration of the visits and the cost breakup for exposure learning visits at cluster level is placed in Annexure 2. The outcome of the Exposure Learning Visits shall benefit an overall of **1,173** MSME units at an estimated cost of **INR 41.76 crores** and shall be supported by Government of India under the RAMP program.

Table 87: Clusters implemented under MSE CDP

SN	Sector	Cluster Name	Location	Number of Units	CFC facilities
1	Textiles, Apparel and Leather	Borgaon Textile Manufacturing Cluster, Nippani, Belgaum District	Kasanal village, Nippani Taluk, Belagavi	150	<ul style="list-style-type: none"> • Common fabric dyeing facility. • Common design development centre • Common Facility enter with post-loom cloth finishing facility. • Common fabric calendaring facility. • Common Testing & Training Facility • Common Effluent Treatment Plant
		Power loom Cluster, Chikkodi, Belgaum District	Nej village, Chikkodi Taluk, Belagavi	150	<ul style="list-style-type: none"> • Common Raw Material Bank, Warping and sizing facility for Airjet Auto looms. • Common Warping and sizing facility for Shuttle & Rapier looms • Common Warping and sizing facility for Shuttle & Rapier looms • Common Warping and sizing facility for saree processing looms • Common Design Development Centre • Common Post Looming processing machineries like Calendaring, Polishing, Cutting and Folding Machines • Common Digital Printing Machine and • Common Finished Product storage facility
		Readymade garment Cluster, Dharwad	Eshwara Nagar, Amrgol, NH4 PB road, Opposite APMC Hubli	138	<ul style="list-style-type: none"> • Fully Automatic End cutter • Electrically operated Embroidery machines • Twin Needle Lock Stitch Machine with Fixed & • Split needle bar
2	Food Processing	Food Processing Cluster, Gulbarga	No L-10, Artisan Training Institute Ground Floor, KSSIDC Industrial	25	<ul style="list-style-type: none"> • Fruits & Vegetable Cutter • Finger Chips & Tuti – fruti Cutter • Cutting cum roasting machine for making lemon juice • Brix Hydrometer

SN	Sector	Cluster Name	Location	Number of Units	CFC facilities
			estate, MSK Mill Road, Gulbarga		
		Food Processing Cluster, Sirsi, Uttara Kannada District	Plot No 25, KSSIDC Industrial Estate, Banavasi Road, Sirsi, Uttara Kannada	37	<ul style="list-style-type: none"> • Raw Material Bank • Dehydration facility • Powdering facility • Individual quick-freezing facility • Vacuum Frying facility. • Freeze drying facility. • Virgin Coconut oil extraction facility • Oil extraction facility • Canning Facility • Packaging Facility • Cold Storage facility • Testing Laboratory.
		Organic Millets Clusters, Davangere District	Sy. No 10/8, Lakkavana halli village, Mayakonda Hobli, Davangere Dist.	67	<p>Pre-Processing Machineries/ facilities such as:</p> <ul style="list-style-type: none"> • Raw material storage facility • Millets Automatic fine cleaning setup • Millets Automatic de-stoning machine • Millet Steam Treatment & Automatic dryer <p>Post Processing Machineries/ facilities such as</p> <ul style="list-style-type: none"> • Millets Automatic size grading machine setup. • Millets Polishing machine. • Automatic Color sorter machine • Millets Testing facility. • Millets Value added product development & Research facility. • Millets Packaging Machines • Cold storage facility

SN	Sector	Cluster Name	Location	Number of Units	CFC facilities
3	Automotive, Auto component and Electric Vehicles (EVs)	Auto Components Manufacturing/ Service, Dharwad	Industrial Estate Gokul Road, Hubli	35	<ul style="list-style-type: none"> • EDM Wire Cutting Machine • CNC Laser cutting & marking Machine. • CNC Cylindrical Grinding Machine • Horizontal Machining Center (HMC) • Rapid Prototype Machine
		Automobile Servicing, Bidar	Sy. No 45/1 Auto nagar Industrial Area, Naubad, Bidar	250	<ul style="list-style-type: none"> • Engine & Major repair section • Dismantling, Testing, Calibration Section • Training, Design & Research center • Final Fitment and testing section. • Fitting center, Gear box, workshop & Emergency section
		Auto & General Engineering Cluster, Chikkodi, Belgaum Dist.	Sy. No 319/2B, Kerur Village, Chikkodi Taluk, Belgaum Dist.	193	<ul style="list-style-type: none"> • Advance machinery for Major Engine rebuilding and repair work • Advance machinery for Vehicle body denting. • Closed chamber Automated Painting facility. • Advanced Precision Machining facility
4	Machinery	Heat treatment and Engineering cluster, Dharwad	Spl. Plot No 8/ A Industrial Estate Gokul Road, Hubli	100	<ul style="list-style-type: none"> • CNC Hydraulic Press break, Shearing & Pipe bending Machine. • CNC Plasma cutting Machine. • CNC High precision Surface Grinder • CNC Radial Drilling Machine • CNC Induction Hardening Machine
5	Electronics	Electronic Component Manufacturing/ Testing; Electronics City Industries' Association (ELCIA) Cluster	No. 3P, Electronics City West Phase, Bangalore	28	<ul style="list-style-type: none"> • R&D & Training Center • Electronics Testing & Certification • Calibration & Machining Center • Raw material procurement center & Product display center

3. MSME Conclave:

For promoting and strengthening MSMEs it is important to organize a dedicated event by providing MSMEs the opportunity for collaborating on sourcing, distribution, technology, and finance. The Directorate of MSME in collaboration with MSME Industry Associations [such as UBUNTU, Association of Women Entrepreneurs of Karnataka (AWAKE), Forum of Women Entrepreneurs (FoWE), Peenya Industries Association, Electronics City Industries' Association (ELCIA), Federation of Indian Chambers of Commerce and Industry (FICCI), Federation of Karnataka Chambers of Commerce & Industry (FKCCI), BCIC, Confederation of Indian Industry (CII) and Karnataka Small Scale Industries Association (KASSIA)] and DICs would organize a two-day MSME Conclave in Bengaluru. The Conclave shall be held once in two years during the four years implementation of the RAMP program.

The 'MSME Conclave' will act as a platform in showcasing the strengths of the State and opportunities available in the State and will also help in revitalization and scaling up of MSMEs through transformation programmes and Information and communications technology (ICT) interventions focusing on vendor development, quality & labour management and access to finance, market, and knowledge. Given the importance of this segment, the MSME Conclave has the potential to be a special moment for collective action to showcase the strengths and industrial prowess of Karnataka and will bring in a large number of MSMEs under a single umbrella, thereby making it an active forum for dialogue with the potential partners in the development of the MSME sector. It will also serve as a platform for disseminating knowhow on assessing the export potential of the products and services of MSMEs, identifying suitable markets, developing strategies to penetrate new markets, and singling out avenues for joint ventures, franchising, cross-marketing, co-manufacturing, etc. It will also aim at encouraging and providing a platform for MSMEs to showcase their capabilities to various Original Equipment Manufacturers (OEMs) in the country, thereby enabling OEMs to identify suitable vendors among the MSME sector. It will also provide numerous networking opportunities and business to business (B2B) meetings.

Main Objectives of the event:



Figure 137: Objective of MSME Conclave

Participants in the MSME Conclave:



Event Schedule (illustrative)

Day 1	
Inauguration Ceremony	
Inauguration ceremony	10:00 AM to 11:00 AM
Sector Sessions	
Sector specific sessions with globally recognized niche sector experts/ industry stalwarts	11:00 PM to 12:00 PM
	12:00 PM to 1:00 PM
Lunch	1:00 PM to 2:00 PM
Sector specific sessions with globally recognized niche sector experts/ industry stalwarts	2:00 PM to 3:00 PM
	3:00 PM to 4:00 PM
	4:00 PM to 5:00 PM
	5:00 PM to 6:00 PM
B2G Networking (Parallel Session)	
B2G Networking	12:00 PM to 6:00 PM
Cultural Program	
Cultural Event	6:00 PM to 7:30 PM
Dinner	7:30 PM to 8.30 PM

Day 2	
Sector Sessions	
Sector specific sessions with globally recognized niche sector experts/ industry stalwarts	10:00 AM to 1:00 PM
Networking Lunch	01:00 PM to 2:00 PM
MSME Conclave	
Topic 1: Opportunities & Challenges for Transformation and Growth for the MSME sector – Recipe for Success	2:00 PM to 3:00 PM
Topic 2: Towards Competitiveness & Better Value Proposition: - Product Development (Go-to-Market), Quality Certifications & Brand building approaches	3:00 PM to 4:00 PM
Topic 3: Business Opportunities and Procurement by PSU's and OEM's	4:00 PM to 5:00 PM
MSME Exhibition	5:00 PM to 6.30 PM
Press Briefing	6:15 PM to 6:30 PM
Valedictory Function	
State Level Awards for Best Manufacturing MSME & Export Awards followed by Valedictory Function	6:30 PM to 8:00 PM
Dinner	8:00 PM to 9.00 PM

Budget proposed for the program:

INR 20 crore has been proposed to organize the MSME Conclave once in two years throughout the four years implementation of the RAMP scheme.

4. Accelerator Program for Sector-specific MSMEs:

To nurture the MSMEs in the State an accelerator program would be launched to empower and provide MSMEs with mentoring and market exposure. An accelerator program is proposed across the 9 focus sectors (*Textile & Apparel, Aerospace & Defence, Food Processing, Engineering & Machine Tools, Pharmaceuticals & Medical Devices, Handicrafts, Automotive and Auto-components including EV, Electronics and Tourism & Hospitality*). The program would consist of 3 cohorts per year for each of the 9 focus sectors with each cohort accommodating 20 MSMEs. The cost per cohort is estimated at INR 40 lakhs. The program would run over a duration of 6 months. ~ 2160 MSMEs across 9 sectors through

108 cohorts would be benefited from the accelerator program during the implementation of the RAMP program. The cost of the accelerator program per year is estimated at INR 10.8 crore for 27 cohorts per year. The total cost for implementing the accelerator program for sector specific MSMEs during the 4 years implementation of RAMP is estimated at INR 43.20 crore and shall be supported by Government of India under the RAMP scheme. The details of the accelerator program for sector specific MSMEs is mentioned in Table 88.

Table 88: Costing for accelerator program for sector specific MSMEs

SN	Particulars	Number of cohorts per year	No of MSMEs benefiting per year	Number of cohorts in four years	No of MSMEs benefiting in four years	Cost of Cohorts per year (INR)	Total Cost of Cohorts in four years (INR)
1.	Accelerator Program for Sector specific MSMEs	27 cohorts (3 cohorts per sector)	540 (20 MSMEs per cohort)	108	2160	10,80,00,000	43,20,00,000
Total		27	540	108	2160	10,80,00,000	43,20,00,000

*INR 40 Lakhs is the estimated cost per cohort

5. Sector-Specific Skilling Program:

Skill development is needed to enhance MSMEs competitiveness and productivity. The process of upskilling, reskilling, learning, and unlearning should be continuous for the MSMEs to be resilient with better preparedness to cope with market changes and technology upgradations. The Directorate of MSME and Karnataka Skill Development Corporation KSDC shall facilitate upskilling / reskilling courses for the MSMEs under the RAMP program. **The upskilling/re-skilling courses are proposed for 800 MSMEs across the 4 sectors (Aerospace & Defence, Handicraft, Pharmaceuticals & Medical Devices, Logistics) which are not covered under the MSE CDP cluster specific interventions proposed.** The MSMEs across sectors shall be trained on innovative courseware aligned with industry 4.0 requirements in advanced technology areas, innovation, and product development at the UDYOGA Technology Hubs. The upskilling/reskilling courses for the MSMEs under the clusters of MSE CDP programme (*textile, apparel & leather; electronics; food processing; engineering & machine tools and automotive and auto component*) have been proposed under the sector specific interventions to be implemented at the cluster level in Section 6.2.4 of this document. The cost of organizing upskilling / reskilling courses for the MSMEs (*Aerospace & Defence, Handicraft, Pharmaceuticals & Medical Devices, Logistics*) is estimated at INR 1.2 crore for a duration of four years and shall be supported by Government of India under RAMP Scheme. The details of the sector specific skilling program is mentioned in Table 89 below.

Table 89: Details of the sector specific skilling program

SN	Particulars	No of MSMEs benefiting per year across 4 sectors	No of MSMEs benefiting in four years across 4 sectors	Cost of Skilling per MSME per year (INR)	Total Cost of Skilling per year (INR)	Total Cost in four years (INR)
1.	Skilling Program	200 (50 per sector)	800	15,000	30,00,000	1,20,00,000
Total			800	15,000	30,00,000	1,20,00,000

*INR 15,000 is the estimated cost for a course of 270 hours at INR 55 per hour cost

6. Sector-Specific Exposure Visits:

Exposure visits promote knowledge sharing and witness to live working solutions. The visits to well-functioning MSME clusters are an on-ground experience through evidence-based innovations for the visiting entrepreneurs. The Directorate of MSME in association with the DICs and Industrial Association shall organize for the MSME units to be taken on exposure learning visits in batches during the 4 years of implementation of RAMP programme. **There shall be two visits within the State (1 day visit) and two visits outside of the State, (2 days visit) for 200 MSMEs under the 4 sectors (Aerospace & Defence, Handicrafts, Pharmaceuticals & Medical Devices, Logistics)** which are not covered under the proposed exposure visits for the clusters under the MSE CDP programme. The exposure learning visits for the MSMEs under the clusters of MSE CDP programme (*textile, apparel & leather; electronics; food processing; machinery and automotive and auto component*) have been proposed under the sector specific interventions to be implemented at the cluster level in Section 6.2.4 of this document. The cost of organizing exposure visits for the MSMEs (*Aerospace & Defence, Handicraft, Pharmaceuticals & Medical Devices, Logistics*) is estimated at INR 8 crores for a duration of four years and shall be supported by Government of India under RAMP Scheme. The details of the sector specific exposure visits is mentioned in Table 90 below.

Table 90: Details of the sector-specific exposure visits

SN	Particulars	Details of Visits	Duration of Visit	No. of visits	No. of MSME units across 4 sectors	Cost per visit (INR)	Overall cost for the MSMEs across 4 sectors (INR)
1.	Exposure Visits	Within State visit	1 day	2	200	50,000	2,00,00,000
		Outside State visit	2 days	2		1,50,000	6,00,00,000
Total					200		8,00,00,000

Summary of the Key Challenges and Proposed Interventions (Sector Wise)

SN	Sector	Area	Challenges	Proposed Intervention
1.	Textiles, Apparel and Leather	Skill upgradation	<ul style="list-style-type: none"> • Dearth of trained labor within the state • Need for integrating technology production 	Organizing 'Upskilling/Re-skilling Courses'
		Technology upgradation	<ul style="list-style-type: none"> • Need for upgrading technology used by the MSMEs to give MSMEs competitive edge 	Organizing 'Exposure Learning Visits' within and outside the State
		Business expansion	<ul style="list-style-type: none"> • Karnataka's textile exports have stagnated. • Absence of large-scale investment for manufacturing • Capital infusion, technology transfer and world-class infrastructure are vital 	Organizing MSME Conclave
2.	Aerospace and Defence	Skill upgradation	<ul style="list-style-type: none"> • Availability of industry ready talent is a significant issue. • Need for workforce with skills to work in niche technologies 	Organizing 'Upskilling/Re-skilling Courses'
		Technology upgradation	<ul style="list-style-type: none"> • Workers lack the necessary knowledge and managerial skills, making them less competitive on a global scale 	Organizing 'Exposure Learning Visits' within and outside the State
		Strengthening Supply Chain	<ul style="list-style-type: none"> • Need for development of a robust supply chain of vendors, MSMEs, subcontractors, raw materials, suppliers, infrastructure, and shared facilities and amenities 	Organizing MSME Conclave
3.	Handicrafts	Skill upgradation	<ul style="list-style-type: none"> • Dearth of artisans with entrepreneurship skills 	Organizing 'Upskilling/Re-skilling Courses'
		Technology upgradation	<ul style="list-style-type: none"> • Artisans struggle with limited access to innovative technology 	Organizing 'Exposure Learning Visits' within and outside the State

SN	Sector	Area	Challenges	Proposed Intervention
		Business Expansion	<ul style="list-style-type: none"> Artisans lack innovation and resources to invest in equipment and technology nor do they have the capital investment for scaling up production 	Organizing MSME Conclave
4.	Food Processing	Skill upgradation	<ul style="list-style-type: none"> Majority of the units, about 66 per cent, are located in rural areas with minimal/no access to industry required skillset 	Organizing 'Upskilling/Re-skilling Courses'
		Technology upgradation	<ul style="list-style-type: none"> Unavailability of basic infrastructure to set up food-processing units in rural areas 	Organizing 'Exposure Learning Visits' within and outside the State
		Business Expansion	<ul style="list-style-type: none"> Difficulty in the marketing of finished products against competition with big brands Difficulty in ease of credit availability for small processors Need more investment in food-processing to capture local and global markets 	Organizing MSME Conclave
5.	Automotive, Auto component and Electric Vehicles	Skill upgradation	<ul style="list-style-type: none"> Unavailability of skilled workforce matching productivity levels of leading countries in the global market 	Organizing 'Upskilling/Re-skilling Courses'
		Technology upgradation	<ul style="list-style-type: none"> Inefficient and insufficient integration of technology in manufacturing of automotive components 	Organizing 'Exposure Learning Visits' within and outside the State
		Business Expansion	<ul style="list-style-type: none"> Need to facilitate manufacturing joint ventures and alliances in the sector 	Organizing MSME Conclave
6.	Engineering & Machine Tools	Skill upgradation	<ul style="list-style-type: none"> Lack of skilled workforce having skills in the latest manufacturing technologies 	Organizing 'Upskilling/Re-skilling Courses'

SN	Sector	Area	Challenges	Proposed Intervention
		Technology upgradation	<ul style="list-style-type: none"> The industry makes use of outdated and sub-standard technology. Need for enabling operational efficiency across key metrics, including yield, quality, and cycle time 	Organizing 'Exposure Learning Visits' within and outside the State
		Business Expansion	<ul style="list-style-type: none"> Need for a seamless functioning and a conducive production ecosystem 	Organizing MSME Conclave
7.	Pharmaceuticals & Medical Devices	Skill upgradation	<ul style="list-style-type: none"> Dearth of capability building programs for employees 	Organizing 'Upskilling/Re-skilling Courses'
		Technology upgradation	<ul style="list-style-type: none"> Relatively lesser priority is given to the health sector for growth and modernization 	Organizing 'Exposure Learning Visits' within and outside the State
		Business Expansion	<ul style="list-style-type: none"> Need to strengthen the State's expertise in the sector 	Organizing MSME Conclave
8.	Electronics	Skill upgradation	<ul style="list-style-type: none"> Dearth of trained human capital with an understanding of the deep technology needs and entrepreneurial skills 	Organizing 'Upskilling/Re-skilling Courses'

SN	Sector	Area	Challenges	Proposed Intervention
		Technology upgradation	<ul style="list-style-type: none"> • Link between R&D and the commercialization of technologies is lacking 	Organizing 'Exposure Learning Visits' within and outside the State
		Business Expansion	<ul style="list-style-type: none"> • Need for marketing the Karnataka Electronics brand across the globe and strengthen relationships with the ESDM industry associations to attract overseas investment 	Organizing MSME Conclave
9.	Logistics	Skill upgradation	<ul style="list-style-type: none"> • Lack of training institutions required for a skilled workforce 	Organizing 'Upskilling/Re-skilling Courses'
		Technology upgradation	<ul style="list-style-type: none"> • Karnataka lacks modern and innovative technologies and automation in the logistics sector for increasing productivity 	Organizing 'Exposure Learning Visits' within and outside the State
		Business Expansion	<ul style="list-style-type: none"> • There is a need to expand logistics related infrastructure in Karnataka with the right streams of investment 	Organizing MSME Conclave

6.2.5. Enterprise Facilitation Network

Government of Karnataka is committed towards formalizing informal enterprises by bringing the MSMEs into the formal economy through various interventions and initiatives. Under the RAMP program, Government will aim to formalize 30,00,000 MSMEs across the State over a period of four years. Recognizing the potential of the MSME sector, the government aims to provide support and resources to enable these enterprises to operate within the formal framework. To achieve this, a comprehensive '**Enterprise Facilitation Network**' would be established at the taluk and district level. This network would provide essential handholding support to entrepreneurs throughout the entire business cycle, from pre-investment stage (pre-approval) to implementation stage (post approval of project) and to post implementation stage (incentives/concessions/ renewals. A focused and an effective handholding support programme through an enterprise facilitation network would be created to assist the entrepreneurs in every aspect of setting up an enterprise, starting from the concept planning to the postproduction stage including the application for licenses, subsidies, loans, etc. and for establishing better coordination with the stakeholder agencies and departments. The enterprise facilitation network would comprise of the following:

- **MSME Facilitation Desk at Taluk level:** One Taluk Resource Person with qualification BTech/MBA/MCA and knowledge in computer data entry would be posted across the 227 taluks in 31 districts of the State. The role of these TRPs is to assist the entrepreneurs to file online applications for clearances, registration, assistances etc. One State district level officer will also be posted across the 31 districts.
- **Ask Industry Desks:** Ask Industry Desk would be established at all local bodies across the State through a network of young professionals. Through these desks, the entrepreneurs could avail the services of the young professionals in all industry / enterprise. Young Professionals could be recruited and deployed at all local bodies 'Ask Industry Desks' across the State. The young professionals would provide awareness to entrepreneurs on the various services available, and to assist the entrepreneurs in aspects of application for licenses, subsidies, loans, etc. in coordination with various agencies and departments. The scheme intends to impart internship to youth in the age group of 18-35 with qualification of B-Tech/MBA in 747 Hobli, 106 Town Municipal council and Municipalities and 7 Corporations to facilitate the setting up of ten lakh MSMEs across the state.

MSME Enablers – Taluk level Resource Person & District level Young Professional Network



Figure 138: Taluk level resources and district level Young professional network

One young professional is proposed in each Grama Panchayat and for Municipality/Corporations one young professional for ~ 26 wards.

- **MSME Expert Desk:** could be established in all 31 District Industries Centre to give support to those enterprises requiring consultancy where entrepreneurs could interact with the already empaneled experts in each sector (Law, Marketing, DPR preparation, Export, GST, Technology, Consents, Licenses and Banking) in a pre-assigned date and time and clear their queries/doubts. The empaneled experts would be facilitated by the District Industries Centre on case-to-case basis.

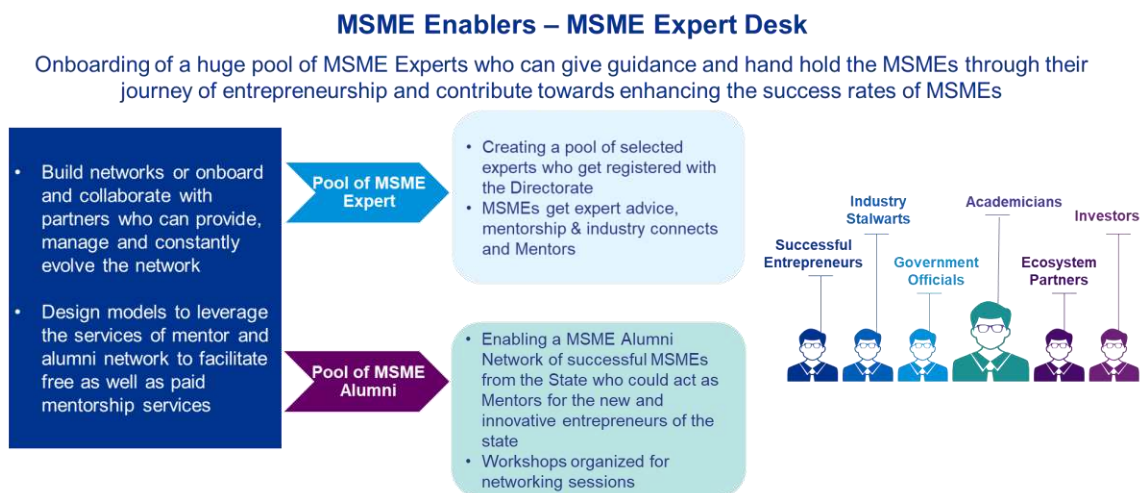


Figure 139: MSME Enablers – MSME Expert Desk

- **Program Management Unit:** To co-ordinate the whole activities at the State level, a Program Management Unit (PMU) with 5 members team is also proposed, which will be selected from the empaneled list of KEONICS. The PMU will be functioned at the Directorate of MSME. The per year cost of PMU is estimated at INR 1.76 crore.

By establishing this Enterprise Facilitation Network, the government aims to provide entrepreneurs with comprehensive support, simplifying processes, and fostering a favorable business environment. The network will play a crucial role in guiding entrepreneurs through the formalization process, assisting them with the necessary applications, and facilitating coordination with relevant stakeholders. This approach ensures that entrepreneurs have access to the resources, expertise, and guidance they need to formalize their enterprises successfully and thrive in the formal economy. The estimated total cost for establishing the Enterprise Facilitation Network is INR 162.06 crore shall be supported by Government of India under RAMP program.

6.2.6. Strengthening of DICs

District Industries Centres (DICs) play a vital role in the development of small and medium-sized enterprises (MSMEs) in the state. DICs provide a range of services to entrepreneurs, including training, financial assistance, and market linkages. In recent years, there has been a growing focus on strengthening DICs through soft interventions. These interventions aim to improve the capacity of DICs to provide services to entrepreneurs, and to make them more responsive to the needs of the local business community. Some of the key soft interventions that can be used to strengthen DICs include:

- **Capacity building:** This includes training DIC staff on the latest entrepreneurship development concepts and practices, as well as on the specific schemes and programs that they can offer to entrepreneurs.
- **Technology upgradation:** This includes providing DICs with access to modern IT systems and tools, which can help them to improve their efficiency and effectiveness.
- **Networking:** This includes linking DICs with other government agencies, financial institutions, and industry associations, to create a more supportive ecosystem for SMEs.
- **Marketing and promotion:** This includes raising awareness of the services that DICs offer and promoting them to potential entrepreneurs.

As per the assessment conducted at DIC level, officers/ officials reiterated that the existing offices lack the basic infrastructure, which is essential to carry out regular day to day operations at the district level. In order to address these issues, the Directorate of MSME aims at strengthening the DICs with soft infrastructure including facilities, machinery and equipment. The cost for strengthening the DICs is estimated at INR 25,00,000 per DIC (31 districts in the State). The total cost is estimated at INR 7.75 crore and shall be supported by Government of India under RAMP implementation period.

07

Partnership and Outreach Strategy



7. Partnership and Outreach Strategy

Branding and partnership, as well as outreach and communication strategies, are essential for any program that targets a large number of beneficiaries. In the case of competitiveness programmes, it is important to reach out to MSMEs that are not currently being served by these programmes, as well as MSMEs that are already being served. A branding strategy can help MSME programs to stand out and attract beneficiaries to avail the program benefits. It can also help to build trust and credibility with potential partners. Partnerships with key stakeholders can help to reach a wider audience and achieve the intended goals in an effective manner. Key stakeholders can include industry associations, anchor firms, and financial institutions. Effective outreach strategy shall help to reach the target audience through a variety of outreach channels. The communication of the goals, benefits, how to participate in a clear and concise way is outlined in the communication strategy. Website, social media, and other channels of communication could be used to communicate with the target audience.

This section aims to outline the communication, branding and outreach strategy to enhance the number of MSMEs supported through competitiveness programmes in Karnataka.

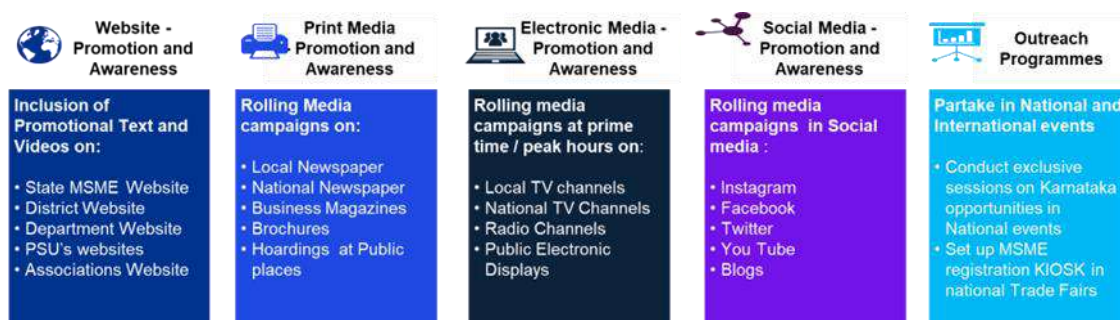


Figure 140: Communication, branding and outreach strategy.

7.1. Essential Elements

The branding, partnership, outreach, and communication strategies for MSMEs in Karnataka needs to be comprehensive and multi-pronged. The following elements may be considered during the preparation of strategies:

- Branding:** Branding is the process of creating a unique identity for the program. It involves developing a logo, tagline, and overall look and feel that will help the program stand out. A strong brand can help a program to attract new beneficiaries, build trust and credibility, and achieve its goals.
- Targeted Marketing Materials and Outreach:** The communication and outreach efforts should be targeted to specific segments of the MSME population, such as women-owned businesses, businesses in rural areas, or businesses in specific sectors with target specific marketing materials. The marketing materials should be tailored to the specific needs and challenges of the target audience.
- Clear and Concise Messaging:** The communication materials should be written in clear and concise language that is easy for MSMEs to understand. They should also be tailored to the specific needs and challenges of the target audience. The communication material shall be in both Kannada and English languages.

- d. **Use of Multiple Channels:** The communication and outreach efforts should utilize a variety of channels, such as social media, print media, and in-person events. This will help to reach a wider audience of MSMEs. Digital platforms may be a primary focus area.
- e. **Partnerships with Industry Associations and Chambers of Commerce:** Partnerships with industry associations and chambers of commerce can help to reach a wider audience of MSMEs and promote the competitiveness programmes that are available.
- f. **Testimonials from MSMEs:** Testimonials from MSMEs that have benefited from competitiveness programmes can be a powerful way to persuade others to participate.
- g. **Personal Stories:** Personal stories can help to connect with MSMEs on a human level and make them more likely to relate to the challenges and opportunities that they face.

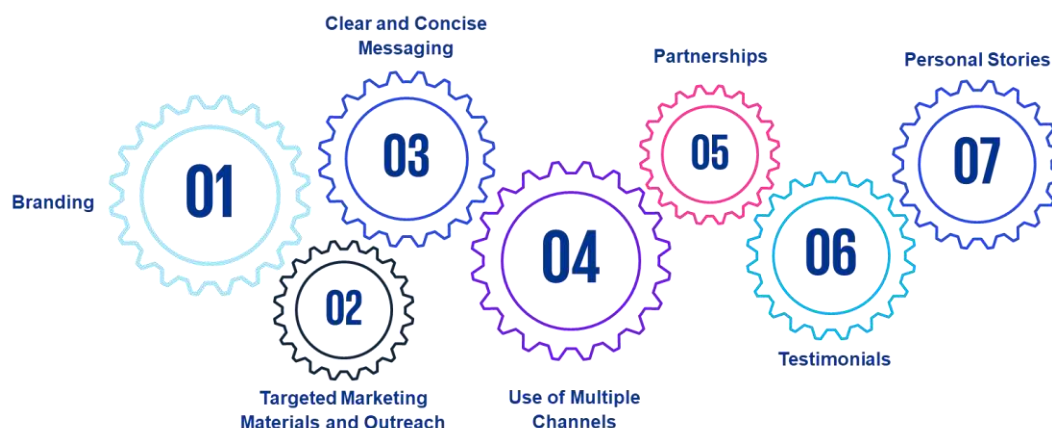


Figure 141: Elements for preparation of strategies

7.2. Proposed Initiatives

The key element for the RAMP to be successful is to raise awareness among the estimated ~50 Lakh MSMEs in Karnataka regarding the benefits of the MSME programmes through variety of channels. In addition to raising awareness, it is also important to provide MSMEs with the information they need to apply, participate, and reap benefits of the MSME programmes. By raising awareness and providing information, MSMEs can be encouraged to participate in programmes and take advantage of the benefits that these programmes offer. This can help to boost the growth and competitiveness of MSMEs in Karnataka, which can in turn contribute to the overall economic development of the State. In order to make MSMEs aware of the benefits of RAMP and enrol larger number of MSMEs, the awareness and sensitisation of MSMEs is necessary to achieve the objectives of RAMP. In this regard, the Directorate of MSME proposes the following initiatives towards enhancing the number of MSMEs supported through competitiveness programmes in Karnataka.

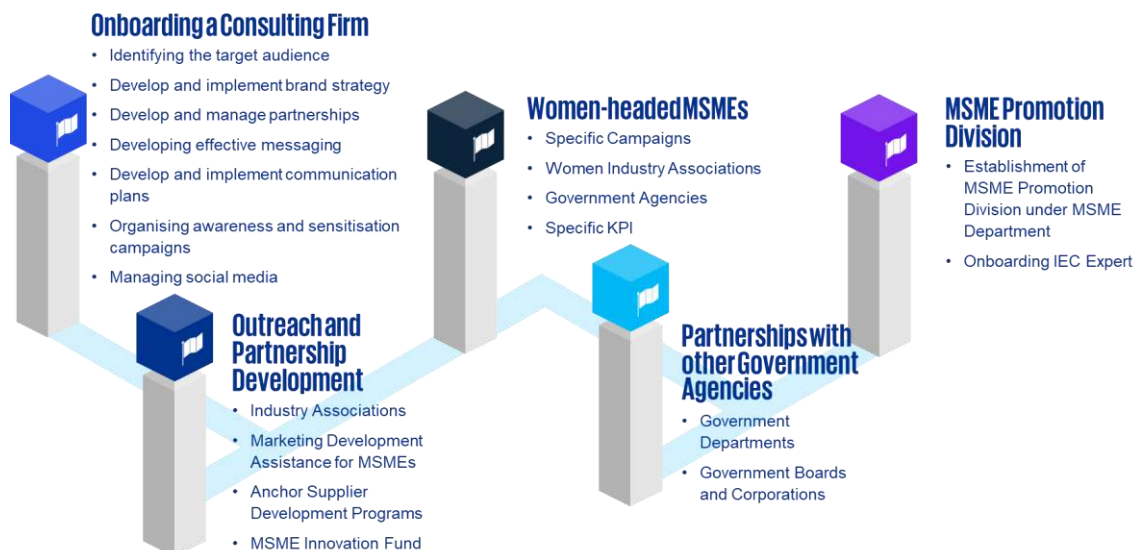


Figure 142: Proposed Initiatives

7.2.1. Onboarding a Consulting Firm for Preparation and Implementation of Branding, Partnership, Outreach and Communication Strategies

Onboarding a professional consulting firm for preparation and implementation of branding, partnerships communication, and outreach strategies for RAMP Programme in Karnataka is necessary with greater focus on digital marketing. The said firm shall have the expertise, resources and objectivity needed to development and implement strategies to achieve the defined objectives of RAMP. The said consultant shall assist Department in the following:

- Identifying the target audience
- Develop and implement brand strategy.
- Develop and manage partnerships.
- Developing effective messaging
- Develop and implement communication plans.
- Organising awareness and sensitisation campaigns
- Managing social media

The main objective of the consulting firm shall be information dissemination to the MSMEs in Karnataka and onboard MSME on the State MSME Portal across various segments of MSME, such as women-owned businesses, businesses in rural areas, or businesses in specific sectors or geography of Karnataka. The board outline of the scope of work of the said consulting firm is as follows:

- Overall Branding, Partnerships, Outreach and Communication Strategies:** Preparation of the overall branding, partnerships, outreach, and communication strategies for RAMP for a duration of 48 months. This shall also include awareness and outreach strategy to increase referrals to ODR in partnership with MSEFCs.

- ii. **Annual Plans** - Development of plans for RAMP including Campaigns, Activities, Media Plan and Events Plan for the year.
- iii. **Designing of Creatives** – Creatives include Digital Media, Print Creatives, Radio, Spots/Jingles, Outdoor Media Creatives, Brochures, Logos, testimonials, success stories, personal stories etc., as required by the Department. Development and Maintenance of Inventory and Catalogue for all Creative Materials for RAMP.
- iv. **Digital Marketing** – Evolve a digital marketing strategy, manage social media presence by developing a social media strategy, creating content; monitoring engagement, reach, impressions, and registrations; and envisage and execute digital campaigns. Social media platforms could include Facebook, Instagram, Twitter, LinkedIn, and YouTube.
- v. **Content Marketing** – Develop and execute a content marketing strategy in line with the agreed upon proposal and recommendations of the Client. The agency shall be responsible for creation, posting and maintenance of various contents.
- vi. **Media Planning** – Preparation of a comprehensive media plan for the promotion of RAMP in Karnataka and supporting execution of the media plan.
- vii. **Events Planning and Coordination** – Identification of key stakeholders for participation and coordination to ensure successful execution of events.
- viii. **Public Relations** – Positioning and PR Strategy for RAMP in Karnataka, Content creation and management, media-related activities, PR activities for events, development and maintenance of trade and industry relations, crisis management and other PR-related support for RAMP in Karnataka.
- ix. **Reporting** - Reporting of implementation of plans carried out for RAMP in Karnataka to Department.
- x. **Review** – Review of strategy and annual action plans from time to time and apply course correction measures as required for effective implementation of the objectives.

The defined KPIs shall help understand the performance of the plans and also identify the areas for improvement. This information could be used to make necessary adjustments to the strategy. The indicative KPIs of the consulting firm shall include –

- a. **Followers** - Number of people who are following the official social media accounts of Karnataka RAMP.
- b. **Reach** – Number of unique people who received impressions of a post from the official social media accounts of Karnataka RAMP.
- c. **Impressions** - Number of times a post from the official social media accounts of Karnataka RAMP is displayed on social media platforms, no matter if it was clicked or not.
- d. **Engagement** - User interaction with a post from the official social media accounts of Karnataka RAMP on social media. User interaction shall include likes comments, shares, and retweets.
- e. **Number of New Marketing Collaterals** – Number of major branding and marketing collaterals created per month.

- f. **Number of Outreach Events** – Number of various outreach events conducted per month in line with the annual plan.
- g. **Successful Registrations on State MSME Portal** - Number of MSMEs registered per month on State MSME Portal. This also includes target of registrations of women headed MSMEs.
- h. **SAMADHAN and TREDs Portal** – Number of MSMEs onboarded onto SAMADHAN and TREDs portal from Karnataka.

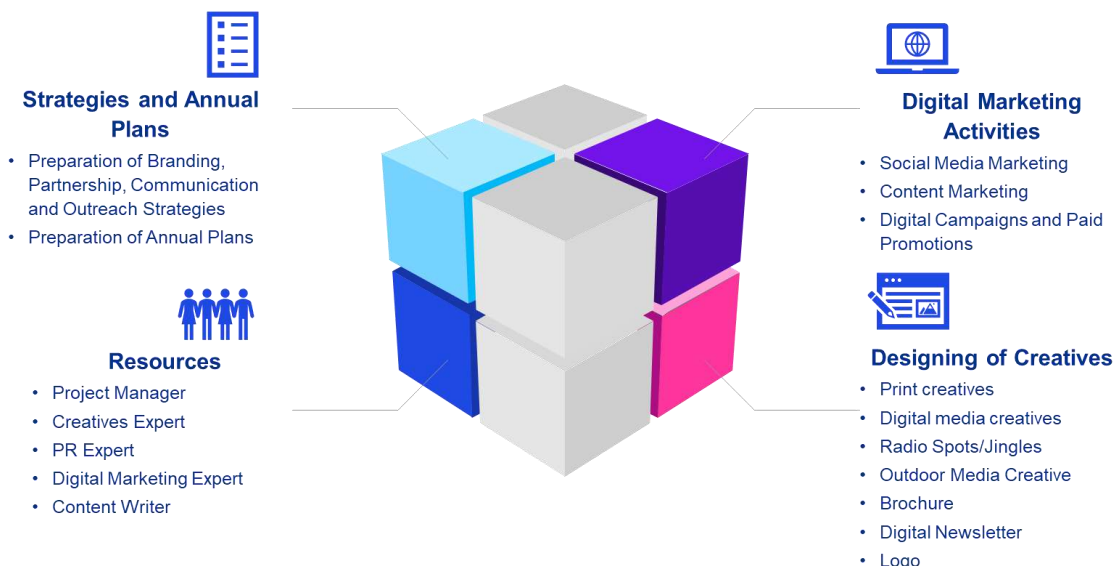


Figure 143: Components of Partnership and Outreach strategy

The cost of engaging a consultant and execution of branding, partnership, outreach, and communication strategies including digital media marketing for a duration of 48 months is estimated at INR 4 crore and shall be supported by Government of India under RAMP Scheme. The breakup of the cost is depicted in the Table 91 below

Table 91: Details of the branding, partnership, outreach and communication strategies.

SN	Description	Estimated Cost (INR)
1	Preparation of Strategies and Annual Plans	15,00,000
2	Cost of 5 Resources	2,80,00,000
3	Digital Marketing Activities	40,00,000
4	Designing Creatives	65,00,000
Total		4,00,00,000

7.2.2. Outreach and partnership development to Industry Associations, Anchor Firms and Financial Institutions.

A summary of proposed outreach and partnership development initiatives with industry associations, anchor firms, and financial institutions is listed below.

- a. **Outreach and Partnership Development with Industry Associations:** Outreach campaigns shall be planned and conducted for the industry associations in collaboration with District Industries Centres (DIC) across 31 districts of Karnataka. The aim is to disseminate program benefits of RAMP and increase the registrations on the Udyam and the proposed State MSME Portal. Workshops and registration camps could be conducted in each district in association with prominent industry associations of Karnataka.

The indicative list of industry associations for outreach and partnership development are as follows:

- i. Karnataka Small Scale Industries Association (KASSIA)
- ii. Karnataka Chamber of Commerce and Industry (KCCI)
- iii. Confederation of Indian Micro, Small and Medium Enterprises (CIMSME) – Karnataka
- iv. Federation of Karnataka Chambers of Commerce and Industry (FKCCI)
- v. Karnataka Federation of Small-Scale Industries (KFSSSI)
- vi. Karnataka Handloom Weavers' Association (KHWA)
- vii. Women's Indian Chamber of Commerce and Industry (WICCI) – Karnataka
- viii. Association of Women Entrepreneurs of Karnataka (AWAKE)

Illustrative Agenda for Outreach Campaign with MSME Industry Associations of Karnataka

Date: _____

Time: _____

Location: _____

Attendees:

- Representatives of various MSME industry associations of Karnataka
- Officials from the Department of MSME, Government of Karnataka
- Representatives of MSME units

Agenda:

1. Welcome and introduction (10 minutes)
2. Overview of the RAMP scheme (15 minutes)
3. Benefits of RAMP for MSMEs (20 minutes)
4. How to register on the State MSME Portal (15 minutes)
5. Q&A (20 minutes)
6. Closing remarks (5 minutes)

Discussion Points:

- How can industry associations help to disseminate the benefits of RAMP to MSMEs?
- How can we increase the registrations on the State MSME Portal?
- What are the challenges that MSMEs face in accessing the benefits of RAMP?
- How can we work together to address these challenges?

Outcomes:

- Increased awareness of the RAMP scheme among MSMEs
- Increased registrations on the State MSME Portal
- Improved understanding of the benefits of RAMP for MSMEs
- Identification of challenges that MSMEs face in accessing the benefits of RAMP
- Development of strategies to address these challenges.

Next Steps:

- Follow up with industry associations to discuss how they can help to disseminate the benefits of RAMP to MSMEs.
- Develop a plan to increase the registrations on the State MSME Portal.
- Continue to work with MSMEs to address the challenges they face in accessing the benefits of RAMP.

The cost of outreach and partnerships with industry associations for a duration of 48 months is estimated at INR 1.24 crore and shall be supported by Government of India under RAMP Scheme. The breakup of the cost is depicted in the table 92 below.

Table 92: Details of the workshops with Industry Associations

SN	Particulars	Event Partners	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Total Cost in four years (INR)
1.	One-day Awareness Workshop	DICs and Industry Associations	1 workshop per year per district (31 districts)	31	124	31,00,000	1,24,00,000
Total				31	124	31,00,000	1,24,00,000

- b. **Marketing Development Assistance for MSMEs:** A Marketing Development Assistance initiative for MSMEs would be launched to support MSMEs in the State for participation in domestic and international expos and marts. The initiative is aimed at helping MSMEs to expand their reach into new markets, improve their brand awareness, and generate new leads and sales. This initiative provides financial support to MSMEs to cover the cost of participating in expos and marts based on defined evaluation criteria(s) for selection. This initiative will be implemented in partnership with industry associations. The industry associations will help to identify MSMEs that are eligible for support and also provide guidance and support to MSMEs throughout the application process. Factors for selection could include size of the business and the product or service they offer. The details of the Marketing Development Assistance for MSMEs are mentioned in Chapter 6, section 6.1.1

- c. **Anchor Supplier Development Programs (ASDPs):** An anchor supplier development program is a program that helps MSMEs to become suppliers to anchor firms. By participating in an ASDP, MSMEs could elevate their standards pertaining to multiple aspects. ASDPs are important for MSMEs because they can help them to grow their businesses and reach new customers. By becoming suppliers to anchor firms, MSMEs can access new markets, learn from the best practices of large companies, and improve their own businesses. Directorate of MSME in collaboration with OEMs/Anchor Firms will conduct workshops across districts in the State covering topics such as quality control, product development, and marketing. The workshop would include the following: a) identify the needs of MSMEs; consult and partner with anchor firms; develop a training program; provide access to technology and equipment. The cost of conducting workshops with OEMs/Anchor Firms for a duration of 48 months is estimated at INR 3.72 crore and shall be supported by Government of India under RAMP Scheme. The breakup of the cost is depicted in the Table 93 below.

Table 93: Details of the Anchor Supplier Development Programs (ASDPs) workshops

SN	Particulars	Event Partners	Location	Total Number of Workshops per year	Total Cost per year (INR)	Total Cost in four years (INR)
1.	One-day ASDP Workshop	Anchor Firms (OEMs)	3 workshop per year per district (31 districts)	93	93,00,000	3,72,00,000
Total				93	93,00,000	3,72,00,000

*INR 1,00,000 is the estimated cost per workshop

7.2.3. Focused outreach strategy to reach women headed MSMEs.

This proposed initiative focuses on formulating an outreach strategy specifically designed to reach women-headed MSMEs to expand the coverages of women-headed MSMEs. The following interventions are proposed:

- Specific Campaigns:** Targeted campaigns on digital media for information dissemination and facilitation of registration of women headed MSMEs in Karnataka. This could include creating and running social media campaigns, running ads on online platforms, and creating informational videos and infographics. The campaigns would be targeted to women headed MSMEs in Karnataka and would be focussed on the benefits of registering with the State MSME Portal and RAMP.
- Associations:** Partnerships with women associations for ensuring the receipt of benefits to women headed MSME under RAMP. Women associations can help to disseminate information about the benefits of registering with the State MSME Portal and RAMP, and they can also help women headed MSMEs to register.

The cost of focused outreach for Women-headed MSMEs for a duration of 48 months is estimated at INR 1.24 crore and shall be supported by Government of India under RAMP Scheme. The details of the workshops are mentioned in Table 94 below.

Table 94: Details regarding conducting workshop for women headed MSMEs.

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Total Cost in four years (INR)
1.	One-day Workshop for Women MSMEs	District Industries Centres and Industry Associations	1 workshop per year per district (31 districts)	31	124	31,00,000	1,24,00,000
Total				124	124	31,00,000	1,24,00,000

- c. **Government Agencies:** Directorate of MSME will partner with Karnataka State Women Development Corporation (KSWDC) to further support women entrepreneurs of Karnataka on various aspects under RAMP. KSWDC is a government agency that provides financial and technical assistance to women entrepreneurs in Karnataka. By partnering with KSWDC, the outreach initiative can tap into their resources and expertise to support women headed MSMEs. KSWDC can help women headed MSMEs to access financial assistance, technical training, and other resources. Knowledge dissemination and capacity building could be the focus areas of collaboration.

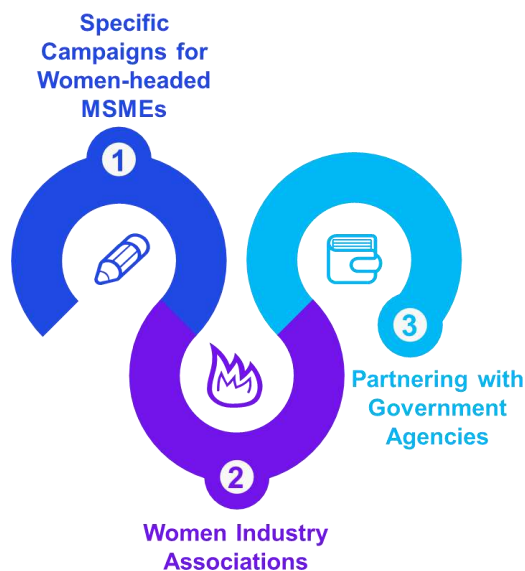


Figure 144: Capacity building between government agencies

- d. **Specific KPI:** The branding, partnerships, outreach, and communication strategy shall include a specific KPI for registration of women headed MSMEs in the State MSME Portal. By implementing these initiatives, the outreach strategy can reach a wider audience of women headed MSMEs in

Karnataka and help them to register with the State MSME Portal. This will enable them to access the benefits of RAMP and to grow their businesses.

7.2.4. Focused outreach strategy to reach SC/ST MSMEs

The Directorate of MSME in collaboration with Department of Social Welfare and Industry Association would organize workshops for SC/ST entrepreneurs with an aim to provide opportunities for SC/ST entrepreneurs to network and come forward in the state and with experts in the field of entrepreneurship. These workshops will be held across the state and will cover a wide range of topics related to entrepreneurship, such as: how to start a business, how to get funding for your business, how to market your business, how to manage your finances, how to comply with government regulations, how to access government schemes and services etc. The workshops will be held in each district across the state to make them accessible to as many SC/ST entrepreneurs as possible. The cost of focused outreach for SC/ST MSMEs for a duration of 48 months is estimated at INR 1.24 crore and shall be supported by Government of India under RAMP Scheme. The details of the workshops are mentioned in Table 95 below.

Table 95: Details regarding the One Day Workshop with Anchor Buyers

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Total Cost in four years (INR)
1.	One-day Workshop for Women MSMEs	District Industries Centres and Industry Associations	1 workshop per year per district (31 districts)	31	124	31,00,000	1,24,00,000
Total				124	124	31,00,000	1,24,00,000

7.2.5. Partnerships with other Government Departments, Boards and Corporations, Institutions for identification and mobilization of MSMEs

This initiative involves identification of relevant departments, board and corporations of the Government of Karnataka and evolving a suitable mechanism to enhance the widespread of information and benefits under RAMP. Memorandum of Understanding (MoU) with the identified government department, boards, and corporations would be explored in this regard. This would create a formal partnership between the outreach initiative and the government departments, which would help to ensure that the information and benefits of RAMP are widely disseminated. Convergence of various schemes could be identified, and facilitation support could be provided.

This initiative would include training and capacity building programs for sector specific MSMEs in collaboration with the relevant government departments and institutions in their domain. This would help dissemination of sector specific skills and knowledge to the MSME in collaboration with the relevant government departments.

The indicative list of government departments and institutions are as follows:

a. Government Departments

- i. Department of Agriculture, Government of Karnataka (DoA)
- ii. Department of Horticulture, Government of Karnataka (DoH)
- iii. Department of Tourism, Government of Karnataka (DoT)

b. Boards / Corporations

- i. Karnataka State Agricultural Produce Processing and Export Corporation Limited (KAPPEC)
- ii. Karnataka Skill Development Corporation (KSDC)
- iii. Karnataka Digital Economy Mission (KDEM)

The cost of partnership with various Government Agencies for a duration of 48 months is estimated at INR 2.48 Crore and shall be supported by Government of India under RAMP Scheme. The breakup of the cost is depicted in the table 96 below.

Table 96: Costing for one day workshop with government agencies.

SN	Partnerships	Event Partners	Location	Total Number of Workshops per year	Total Number of Workshops in four years	Cost per year (INR)	Total Cost for four years (INR)
1.	One-day Workshop with Government Agencies	DICs and Government Agencies	2 workshop per year per district (31 districts)	62	248	62,00,000	2,48,00,000
Total				62	248	62,00,000	2,48,00,000

*INR 1,00,000 is the estimated cost per workshop

7.2.6. Establishment of MSME Promotion Division under Department of MSME, Government of Karnataka

It is proposed to establish a MSME Promotion Division in the Directorate of MSME to execute, monitor and review the promotion plans and events for MSME RAMP in Karnataka.

- a. The Promotion Division shall onboard an Information, Education & Communication (IEC) Expert with expertise in promotion, branding, advertising, creatives, public relations, event management. The IEC expert shall review and monitor communication, partnerships, and outreach strategy and the annual plan prepared by the selected consulting firm.
- b. The MSME Promotion Division shall execute promotional plans for MSME RAMP directly or through consultants / contractors.
- c. The MSME Promotion Division shall engage with governments, trade bodies, investors, and other key stakeholders for the promotion of MSME RAMP.

Division shall formulate an Annual Plan for MSME RAMP, based on the Annual Event and Promotion Plan, the Division shall estimate the Budget and submit it to Government vide DI&C for approval. On approval, the Division shall implement the activities as the Annual Promotion and Event Plan. The cost of hiring an IEC Expert to support the MSME Promotion Division for a duration of 48 months is estimated at INR 72 lakh and shall be supported by Government of India under RAMP Scheme. The breakup of the cost is depicted in the Table 97 below.

Table 97: Costing for hiring an IEC expert.

SN	Description	Estimated Salary of IEC Expert (INR)	Location	Number of Months	Total Cost (INR)
1.	Hiring an IEC Expert	1,50,000	MSME Head Office	48	72,00,000

08

Strengthening Capacity for Development and Delivery of MSME Support Programme in the State



8. Strengthening Capacity for Development and Delivery of MSME Support Programme in the State

8.1 Strengthening State Portals and Integration with National portal: Blueprint for interventions needed (including hiring of Technical Support as needed) to strengthen and integrate existing State online portals for effective service provision; and adoption of national data and reporting standards for integration with national MoMSME unified portal).

With an aim at making Karnataka MSME “Udyam” friendly, creating an MSME portal exclusively for Karnataka would be a valuable resource for entrepreneurs in the state providing information pertaining to the various government schemes, policies, and incentives available and entrepreneurs can access details about financial assistance, subsidies, tax benefits, and other support programs. The portal will also provide access to the information through a centralized platform about the MSME sector, key statistics, industry trends, government initiatives, and available resources. The portal would include a comprehensive database of MSMEs operating in each district, along with a directory of service providers that may also offer networking opportunities and collaborations with other enterprises catering specifically to MSMEs. Through these measures, the Karnataka MSME Portal would be business-friendly, efficiently enabling and supporting the MSMEs to access information, services and ultimately fostering their growth and contributing to the state's economic development.



Under the RAMP program Government through its e-tendering system will onboard a professional and competent technical agency/consultant for the development of the State MSME Portal. The technical consultant would develop the integrated portal under the purview of Directorate of MSME, Government of Karnataka. The activities and milestones for developing the State MSME Portal is shown in Figure 145

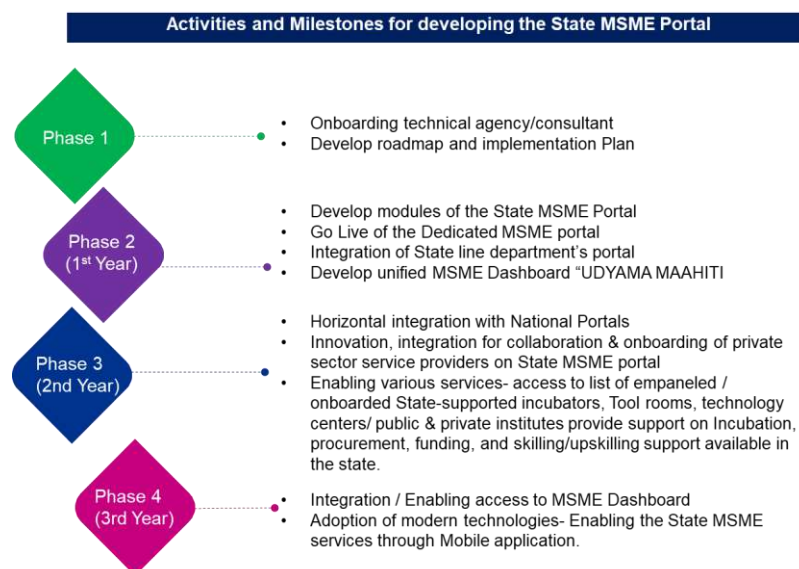


Figure 145: Activities and milestones for developing state MSME portal

The Karnataka MSME portal will be designed and developed with a wide range of objectives.

- **Business Registration:** The portal will facilitate the seamless registration of MSMEs in State, making the process simple, efficient, and transparent. The online platform will provide API integration pertaining to various department's site such as Karnataka State Pollution Control Board (KSPCB), Electricity Supply Companies (ESCOM's), Karnataka Industrial Area Development Board (KIADB), Karnataka State Small Industries Development Corporation (KSSIDC), eBiz Karnataka, etc. This would enable the entrepreneurs to register their businesses, to obtain necessary licenses and permits and complete other statutory requirements.
- **Information and Resource Hub:** The portal will serve as a comprehensive information and resource hub for entrepreneurs. It would provide access to relevant information, guidelines, and resources related to government schemes, policies, regulations, funding opportunities, market trends, and industry-specific knowledge and integration with central portal for schemes. This would enable entrepreneurs to make informed decisions and enhance their competitiveness.
- **Access to Finance:** The portal will provide linkages to connect entrepreneurs with financial institutions, banks, digital lending partners, etc. to explore funding options, apply for loans, and access financial services. It would also offer guidance on preparing business plans and financial statements to increase the chances of securing funding.
- **Market Linkages:** The portal will facilitate networking and collaboration among MSMEs, industry associations, and larger enterprises. It would create a platform for entrepreneurs to connect with e-commerce digital platforms such as ONDC to showcase their products and services, establish business connections, and explore potential partnerships and collaborations. This would open new market opportunities for entrepreneurs and help foster their growth.
- **Grievance Redressal:** The portal will provide a mechanism for entrepreneurs to raise grievances and seek resolution. It can enable entrepreneurs to report issues related to government policies, regulations, or any challenges faced in their business operations. By streamlining the grievance redressal process, the portal will ensure prompt and effective resolution of concerns, thereby improving the business environment for MSMEs.
- **Skill Development and Training:** The portal will provide details pertaining to online training programs, webinars, and workshops specifically designed for entrepreneurs. These initiatives would focus on building entrepreneurship skills, enhancing technical capabilities, promoting innovation, and will help to improve productivity, quality, and competitiveness by offering skill development opportunities.
- **Monitoring and Evaluation:** The portal will entail a monitoring and evaluation framework for government agencies and policymakers. It would facilitate timely data analytics sector-wise/ DIC level data on scheme implementation. This data would be used to identify areas for improvement, assess the effectiveness of initiatives, and make data-driven policy decisions.
- **Technology Adoption and Knowledge Transfer:** The platform will have modules for supporting MSMEs with the technicalities of transfer & adoption of new & emerging technology. Further, the platform will also build a repository of case studies, domain related best practices, etc. which may be adopted by MSMEs in their operations.
- **Disseminate information on Quality Control Standards and Certification:** The platform will provide MSMEs with updated and in-depth information on globally prevalent quality standards

and certifications. The platform will leverage existing informational repositories of FSSAI, AGMARK, Organic Certification etc.

The state-of-the-art MSME portal architecture as given in Figure 135 below would aim at further strengthening the MSME ecosystem in the State and would be designed with the sole objective of bringing the entire ecosystem under one platform and be a one-stop-shop for the entire MSME ecosystem. The portal would entail a user-friendly, inclusive, and supportive online platform that empowers MSMEs and contributes to their growth and development.

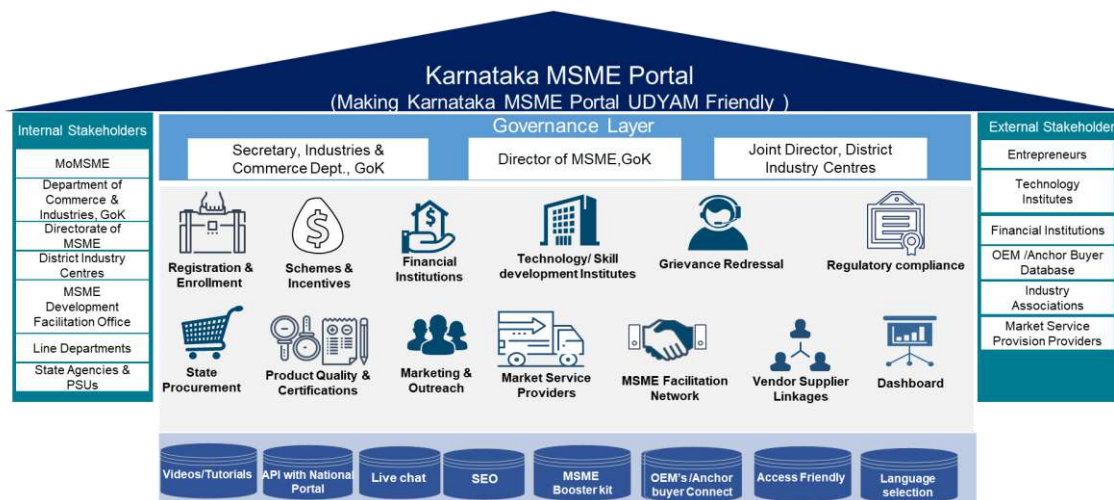


Figure 146: Proposed State MSME Portal

Under the ambit of the RAMP scheme, it is proposed to develop an online technology portal which will have modules targeted at addressing challenges faced in specific areas by the MSME sector in Karnataka. The MSME portal is proposed to be equipped with modular mechanisms and structures around Information, Ease of Doing Business, Skilling, Market and Technology support, Procurement, Digitalization, etc. which would aide MSMEs efficiently in bringing their products to the market.

The key modules proposed under the State MSME Portal include the following:

1. **Registration and Enrollment:** With an aim at formalizing the informal enterprises, the integrated MSME portal would play a vital role in providing seamless registration and integration with the national Udyam portal and other line department portal of the State. The module would aim at creating a unified MSME database at district level wherein the entrepreneurs registering on the State MSME portal would obtain a unique ID. The unique ID will act as an identification to the entrepreneurs, and this would be integrated with other line departments such as Commercial Taxes Department, Karnataka State Pollution Control Board (KSPCB), Electricity Supply Companies (ESCOM's), Karnataka Industrial Area Development Board (KIADB), Karnataka State Small Industries Development Corporation (KSSIDC), Ebiz Karnataka, local authorities, etc. This would result in facilitating the State to have unified database of MSMEs thereby enabling the Directorate to gain valuable insights into the MSME landscape and make informed decisions. With the help of this unique ID basic details such as (classification, ownership type, turnover, social category, activity type, GST, etc.) of the enterprises would be captured. The module would assist the entrepreneurs to avail various Centre and State schemes and benefits and will provide API integration pertaining to various department's site such as Karnataka State Pollution Control Board (KSPCB), Electricity Supply Companies (ESCOM's), Karnataka Industrial Area Development Board (KIADB), Karnataka State Small Industries Development Corporation (KSSIDC), eBiz

Karnataka, etc. to enable the entrepreneurs to register their businesses, obtain necessary licenses and permits and complete other statutory requirements. By facilitating these services through API integration in the State MSME portal, it would encourage the existing informal enterprises to register and obtain the unique ID and gain access to the various services through the portal.

2. **Schemes and Incentives:** The comprehensive policy module would provide the entrepreneurs with crucial information on the various Centre and State MSME schemes and will comprise of details such as: eligibility criteria, type of incentive, and procedural requirements. The module will serve as a valuable resource in providing easy access to entrepreneurs to explore various schemes applicable to their specific industry/business sector. Additionally, the module will enact as a guide, which will provide clear guidelines on the compliances and regulatory requirements (documents, details/supporting information) needed for successful application. By consolidating this information in one place, the module eliminates the need for MSMEs to navigate multiple sources or websites, saving them valuable time and effort. The module's streamlined approach will reduce administrative complexities and time-consuming processes, enabling entrepreneurs to focus more on their core operations and growth strategies.
3. **Financial Institutions:** The MSME sector faces problems in terms of getting adequate, cheap and timely availability of institutional credit. It is seen that rate of growth of credit to MSME sector, has been declining. One of the major challenges faced by MSMEs is the difficulty in accessing financial services, particularly in obtaining suitable financing options. The absence of information often leads entrepreneurs to rely on informal sources, which can limit their growth potential. Against this background, the financial institutional module as part of the integrated State MSME portal shall provide an overview of the current state of the MSME funding ecosystem in the State in order to enable a dialog about the future of the funding ecosystem. The financial institutions module would play a vital role in addressing the demand and supply credit gap faced by the MSMEs and will provide comprehensive information on various financial institutions, loan programs, and other financial services tailored to the needs of MSMEs. The module will act as a centralized information dissemination of financial schemes and incentives the MSMEs might avail. By centralizing this information, the module aims to bridge the gap in accessing finance for entrepreneurs. It will serve as a reliable source of information on essential and relevant financial schemes and initiatives. Additionally, the module will provide guidance on securing credit, including availing term loans and other financing options from apex institutions like NABARD and SIDBI, as well as state institutions such as KSFC and KSWDC.
4. **Technology and Skill Development:** This module will serve as a comprehensive platform that offers various avenues for MSMEs to enhance their technological capabilities and upgrade their skill sets. The module will provide access to a wide range of resources such as seminars, workshops, and training programs specifically designed to address technological advancements and skill development. Industry leaders and experts will contribute their knowledge and insights, sharing best practices and innovative approaches to leverage technology effectively within the MSME sector.

Additionally, the module will provide information on emerging technologies, trends, and their potential impact and provide more insights into the benefits and opportunities associated with adopting digital solutions, automation, and advanced manufacturing techniques by facilitating the collaboration between MSMEs and technology providers, creating partnerships and fostering an ecosystem that promotes technology adoption and skill development. Directorate of MSME will collaborate with existing software firms to create a bouquet of enterprise applications which can be made available to MSME's at very low cost. "Digital Portfolio" offering bouquet of digital solutions

for business models, customer interface, operations and workforce will be operated on the model of Software as a Service (SAAS). The information on the Digital Portfolio would be available on the State MSME Portal. Overall, this module within the integrated MSME portal empowers entrepreneurs to embrace technological advancements, equipping them with the knowledge and tools needed to stay competitive in today's rapidly evolving business landscape. By leveraging technology and upskilling their workforce, MSMEs can enhance productivity, efficiency, and innovation, ultimately driving their growth and success.

5. **Grievance Redressal:** The integrated MSME portal will create a unique grievance mechanism for MSMEs to submit and track grievances or queries regarding financial support, regulatory compliance, public procurement, any other issues, or any other query and will aim to proactively address all grievances submitted in the grievance platform under the State MSME Portal within a period of One (1) to Fifteen (15) business days. MSMEs will have the opportunity to upload a detailed description of their grievances, along with relevant information such as the nature of the issue/ grievances or complaints related to services and policies. Once a grievance is submitted, entrepreneurs will also have the option to track the progress of their raised issues/complaints. This streamlined process will enable the Directorate of MSME to efficiently address the issues faced by entrepreneurs, while simultaneously creating a statistical database of common challenges faced by them at the district and state level. This data will help identify recurring issues and facilitate more effective problem-solving measures. Moreover, by analyzing the frequency and nature of the grievances, the Directorate can consider/ propose certain measures for policy changes to address the challenges. Additionally, the module will feature a query management system within the grievance redressal mechanism wherein prospective/ existing entrepreneurs can find answers to their questions, including a comprehensive FAQ section.
6. **Regulatory Compliances:** Amid the changing landscape of doing business in Karnataka, the State's regulatory landscape for business is a key pre-requisite for facilitating MSME growth. The regulatory compliance module within the integrated MSME portal would provide a conducive business environment that fosters the growth and success of MSMEs. The module would provide information to the entrepreneurs on various approvals/clearances required from concerned line departments during the business lifecycle through easy integration with the concerned line department portals. It would serve as a comprehensive resource that provides guidance, resources such as compliance checklists, sample forms, and templates, and updates on various regulatory requirements, including tax filings, licenses, permits, and various norms making it easier for MSMEs to prepare and submit the necessary documents. Through this module, MSMEs can access information on the specific regulatory frameworks that apply to their industry and business operations. It would offer step-by-step guidance on how to navigate the compliance process, ensuring that entrepreneurs have a clear understanding of their obligations and the necessary procedures to fulfill them. Centralizing regulatory information and streamlining the compliance process, will support entrepreneurs in understanding the implications of non-compliance, helping entrepreneurs avoid penalties and legal complications. The streamlined process will also promote transparency, reduce administrative burden, and ensure that entrepreneurs can focus on their core business activities while remaining compliant with applicable laws and regulations.
7. **MSME Enterprise Facilitation Network:** Recognizing the importance of supporting and empowering MSMEs, the Directorate of MSME would implement various initiatives to facilitate their growth. One such initiative would be to establish a MSME Enterprise Facilitation Network across 31 districts in the State. The MSME enterprise facilitation network would support the entrepreneur through the entire business cycle right from pre-investment stage (pre-approval) to implementation stage (post approval of project) and to post implementation stage (incentives/concessions/

renewals. A focused and an effective handholding support programme through an enterprise facilitation network would be created to assist the entrepreneurs in every aspect of setting up an enterprise, starting from the concept planning to the postproduction stage including the application for licenses, subsidies, loans, etc. and for establishing better coordination with the stakeholder agencies and departments. The enterprise facilitation network would comprise of the following:

- **MSME Facilitation Desk at Taluk level** with the posting of Taluk Resource Persons with qualification BTech/MBA/MCA and knowledge in computer data entry. The role of these TRPs is to assist the entrepreneurs to file online applications for clearances, registration, assistances etc.
- **Ask Industry Desks:** Ask Industry Desk would be established at all local bodies across the State. Through these desks, the entrepreneurs could avail the services of the young professionals in all industry / enterprise. Young Professionals could be recruited and deployed at all local bodies 'Ask Industry Desks' across the State. The young professionals would provide awareness to entrepreneurs on the various services available, and to assist the entrepreneurs in aspects of application for licenses, subsidies, loans, etc. in coordination with various agencies and departments.
- **MSME Expert Desk:** could be established in all 31 District Industries Centre to give support to those enterprises requiring consultancy where entrepreneurs could interact with the already empaneled experts in each sector (Law, Marketing, DPR preparation, Export, GST, Technology, Consents, Licenses and Banking) in a pre-assigned date and time and clear their queries/doubts.

The integrated MSME portal through the MSME Enterprise Facilitation module would enhance access to information and resources at taluk and district level and foster a conducive business environment for MSMEs to thrive.

8. **Procurement:** To fully utilizing the potential of Public Procurement Policy to indigenize production/improve local content and facilitate the emergence of local entrepreneurs, the procurement module as part of the integrated State MSME Portal will focus on maximizing the participation of MSMEs in government procurements through various modes of access to government procurement opportunities such as contracting processes, etc. The module would provide access to centralized information, providing seamless integration with relevant platforms such as the Government e-Marketplace (GEM) and e-procurement websites and will simplify/streamline the procurement processes enabling MSMEs to search for tenders, submit bids, manage orders, and track deliveries in a more efficient and user-friendly manner resulting in overcoming the procurement challenges and enhance the overall efficiency and effectiveness of MSME operations.
9. **Product Quality and Certifications:** MSMEs have limited awareness regarding ever changing dynamics of product standards requirements by the domestic and international players for sourcing their requirement. Also, MSMEs have limited ability to understand the technicalities of these requirements. Hence, efforts are required to create adequate awareness among MSMEs to adopt processes and standards for becoming a preferred supplier in the domestic/global value chain. The module within the integrated MSME portal would be a valuable resource for entrepreneurs seeking to enhance the quality of their products and gain relevant certifications. It would provide information on various facilities and institutions that support research and development (R&D), incubation centres, and product testing centres. By accessing these resources, entrepreneurs would benefit from expert guidance and improve the quality and competitiveness of their products. The module

would also provide seamless integration with national portals on ZED (Zero Defect Zero Effect) and LEAN along with the necessary information and guidelines to pursue these certifications, which can contribute to improved product quality, operational efficiency, and overall business performance. In addition to these, the module would also provide information on other relevant product quality certifications such as ISI, ISO, FSSAI, Agmark etc.

10. **Marketing and outreach events:** For the implementation of an efficient business intelligence platform for MSMEs, building a successful digital brand building landscape is imperative to boost the digital branding efforts of MSMEs and support them with the skill and knowledge required to create a winning digital brand. The marketing module would act as a catalyst for entrepreneurs to explore and access into diverse market opportunities, both within the country and on a global scale. The module would foster networking and collaboration among entrepreneurs through a dedicated platform for interaction, communication, and knowledge sharing, and would facilitate exchange of ideas, experiences, and best practices among entrepreneurs who can connect, explore potential partnerships to enhance their business operations. The module would create a platform for entrepreneurs to connect with e-commerce digital platforms such as ONDC, Amazon, etc. to showcase their products and services, establish business connections, explore potential partnerships and collaborations, secure contracts, and expand their business networks. This collaborative approach enhances the overall competitiveness of MSMEs and opens doors to mutually beneficial partnerships. This module will also serve as a comprehensive resource for accessing information on domestic and international trade fairs and exhibitions, buyer-seller meets etc. Entrepreneurs can leverage this information to showcase their products and services to a wider audience and explore new business avenues, and through these avenues gain visibility, attract potential customers, expand their market reach.
11. **Market Service Providers:** Government of Karnataka would be launching the **MSME Booster Kit** in partnership with ecosystem partners to provide a gamut of pro bono services to further assist the MSMEs in their growth journey. The MSME Booster Kit will supplement and complement the scaling up of the MSMEs in the value chain and will contain a power-packed collection of tools and services tailor made to cater to the needs of MSMEs. The service provided by these ecosystem partners is intended to promote entrepreneurship and create a nurturing ecosystem for State MSMEs with financial, business, technology, market, digitalization, skilling support etc. Government would enter strategic partnerships and MoUs with other service providers to expand the reach and impact of the booster kit. The booster kit will offer a range of services such as awareness, marketing, and mentorship support. MSMEs will benefit from expert guidance and mentorship provided by established organizations. These organizations will share their knowledge and experience to help MSMEs develop effective business strategies, improve their products or services, and explore new market opportunities.

In addition, Directorate of MSME by partnering with Not-for-Profit organizations and private incubators who have considerable experience will set up a virtual incubation platform which would be integrated with the proposed State MSME Portal to provide incubation support to MSMEs as per global standards accessible to MSMEs wherever they want. The **virtual incubation platform** through industry experts and mentors will provide MSMEs services such as incubation, mentoring and seed financing; access to labs, production facilities; outreach & investor connect; entrepreneur tool kit and detailed analytics, etc. Also, the module will comprise of a knowledge repository of the empaneled pool of consultants providing guidance and advice to MSMEs on various government schemes and initiatives such as Zero Defect Zero Effect (ZED), Lean Manufacturing, MSME Champion schemes, Trade Receivables Discounting System (TREDS), etc. These consultants will have expertise in these areas and will assist MSMEs in understanding and availing the benefits of

these schemes, ensuring their compliance with regulatory requirements, and driving overall business growth. Also, Directorate of MSME will collaborate with existing software firms to create a bouquet of enterprise applications which can be made available to MSME's at very low cost. **"Digital Portfolio"** offering bouquet of digital solutions for business models, customer interface, operations and workforce will be operated on the model of Software as a Service (SAAS).

12. Vendor Supplier Linkages

With an aim to facilitate focused Vendor Development Programs across the State and to facilitate forward and backward market linkages for MSMEs in the State, Directorate would link anchor units with MSMEs by creating a **digital directory** at district level to provide information on sector wise, details of anchor and ancillary units. The directory will improve the visibility and reach of MSMEs, enhance their networking opportunities, and provide a cost-effective way to market their businesses. The details of the directory the State MSME Portal.

13. Karnataka One Stop integrated market promotion B2B platform:

Developing an enabling and strong ecosystem for the promotion of MSMEs in the State that will drive sustainable economic growth through a secure, scalable, and sustainable one stop business portal shall be the most important lever to raise the competitiveness and achieve a high growth trajectory. Government of Karnataka in collaboration with industry association would aim at developing an ICT-enabled access to a one stop business portal providing B2B platform for all the services required by MSMEs. The **'Karnataka One Stop B2B Portal'** would act as an integrated market promotion B2B platform envisaged to provide a common platform for all services required by MSMEs to boost their growth, enhance productivity, ensure competitiveness, and create more sustainable business enterprises. All players in a product value chain (raw material suppliers, service providers, consultants, suppliers and traders, logistic support, and human resource requirements) would be integrated onto a single B2B platform and this would promote collaboration, improve productivity, increase sales and raise competitiveness. An estimated cost of INR 50 Lakhs is required towards the development of the integrated B2B platform for MSMEs and shall be supported.

14. Unified MSME Dashboard "UDYAMA MAAHITI":

Establishing the State MSME dashboard aligns with the government's efforts to promote the growth, competitiveness, and sustainability of the MSME sector. By harnessing the power of data and technology, the dashboard would enhance the decision-making, streamline policy interventions, and would create a balanced ecosystem for MSMEs in the State. In view of this, Government would be launching a State MSME dashboard with an aim of bringing transparency and improvements into the governance and providing comprehensive data insights related to the MSME sector in the State. This dashboard would aim at facilitating effective monitoring, evaluation, and decision-making for the government stakeholders involved in promoting the growth and development of MSMEs. The dashboard would have a bi-lingual interface in Kannada and English. The dashboard would act as a centralized platform to collect, analyze, and disseminate relevant data and information related to MSMEs.

The Dashboard for the Secretary to Government, Commerce and Industries Department, and Director (MSME), Department of Industries and Commerce, Government of Karnataka and Joint Director, District Industries Centre would provide a comprehensive view of the MSME ecosystem in Karnataka, performance of flagship MSME programmes, projects, district wise performance, etc. thereby allowing the government to monitor the progress of the sector and evaluate the

effectiveness of implemented policies and programs. It would enable tracking of key indicators such as number of MSMEs, classification wise distribution, gender and social category wise distribution, employment generation, investment inflows, credit availability, sector-wise performance, and geographical distribution of MSMEs.

State MSME Dashboard would be designed and developed with a wide range of objectives as mentioned below:

- **Data collection and consolidation:** The dashboard would aim to gather data from district level enterprises/ entrepreneurs' data from DIC's pertaining to registrations, sector wise, social category and gender wise data.
- **Performance evaluation:** The dashboard would provide insights into the sector-wise performance of MSMEs in terms of revenue, exports, productivity, details pertaining to schemes, grants/loans availed, and other relevant indicators. It would allow for the tracking of key performance metrics over time for MSMEs across different regions and sectors.
- **Identification of challenges and bottlenecks:** By analyzing the data available on the dashboard, policymakers/government and respective stakeholders would be able to identify the specific challenges and bottlenecks faced by enterprises/ entrepreneurs.
- **Policy formulation and evaluation:** The dashboard would enable and serve as a decision tool for policymakers in evaluating and framing policies and programs aimed at promoting the growth and sustainability of MSMEs, by providing real-time data and insights that would enable evidence-based decision-making.
- **To increase transparency:** The dashboard would provide a real time readiness of the data which would allow the government to monitor the implementation and impact of policies and programs fostering trust and collaboration among various line departments and stakeholders.

The key features of the State MSME Dashboard would entail the following:

- DIC/State/Sector/Scheme wise data review on a real time basis
- Investment in various projects will be reviewed and monitored online.

Easy compilation of project-based data and generate user defined reports for review and monitoring at appropriate tiers.

- Institutional shift towards structured reviews across levels for data-driven and evidence-based decision/policy development.
- Complete online system to review the process in designated timelines.
- Institutionalize data collection & validation from the concerned stakeholders in a time-bound manner.
- Robust monitoring and evaluation system and data management system

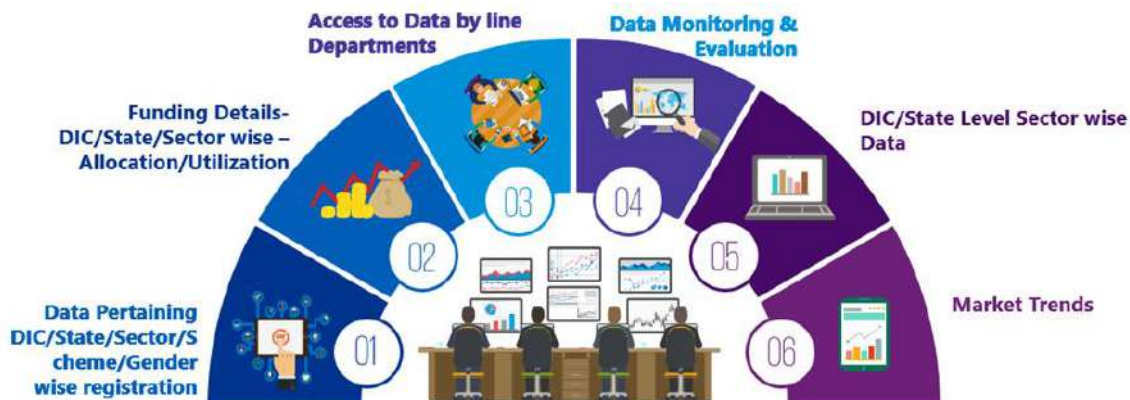


Figure 147: Components of Unified MSME Dashboard “UDYAMA MAAHITI”

Under the RAMP program the State MSME Portal through API integration would be integrated with the existing national portals which offer a multitude of services for MSMEs through various portals viz. the Champions Portal (including a grievance redressal function), Udyog Aadhar (unique ID), SAMADHAAN Portal (delayed payments resolution), ZED scheme portal etc., in addition to portals such as Udyami Mitra Portal (Technical service provision for access to credit) and Udaan Portal of SIDBI, etc. The Integration of the portals would significantly streamline the delivery of various services, enhance administrative efficiency, create a seamless citizen-centric digital experience facilitate data sharing, and promote a better governance at different levels. Integration would allow prospective/ existing entrepreneurs to access a wide range of MSME services through a single platform, and would receive accurate and up-to-date information on policies, schemes, and initiatives, eliminating disparities caused by fragmented information available across different portals.

The introduction of dedicated MSME State Portal and MSME dashboard signifies the Government's commitment to supporting the growth and development of MSMEs. The State MSME portal would serve as a centralized hub for MSME-related information and resources and would streamline various processes, promote ease of doing business, and facilitate the growth of MSMEs in the region by harnessing the potential of technology and digitization to simplify processes, improve access to resources, and support the overall development of MSMEs in Karnataka. The estimated budget cost for developing the State MSME Portal and MSME Dashboard is INR 15 crore (including operating cost for four years) and shall be supported by Government of India under the RAMP scheme.

8.2 Strengthening M&E Framework for MSME Support: Blueprint for strengthening M&E framework, including MIS systems; tracking of inputs; outputs/ outcomes for MSME interventions; availability of gender disaggregated data and data by other social groups etc., to track and report data on SIP implementation; RAMP Programme and MSME support in the State.

The success or failure for any interventions can be effectively judged through a well-designed monitoring and evaluation (M&E) plan. Appropriate monitoring and evaluation practices ensures scalability of best practices learnt and necessary revision of policies. The monitoring and evaluation of the State/Central schemes require mechanism of constant monitoring and timely evaluation to assess the impact of the said programs. The essence of the recommended M&E would accord to use of best practices to enhance the overall effectiveness of the schemes under the MSME sector. **The Directorate of MSME would develop the M&E framework to assess the performance of various initiatives, policies, and schemes implemented and would also entail impact evaluations embedded into**

the framework during the life of the RAMP program to ensure that projects/programmes initiated have achieved the intended outcomes.

Objectives of the proposed MSME M&E Framework

The proposed M&E framework would comprise of the following objectives:

1. **Performance Assessment:** To measure the performance of the MSME programmes implemented by the in achieving targets, outcome against output and to identify the areas of success and areas that need improvements.

2. **Impact Evaluation:** To assess the overall impact of the initiatives/ programmes implemented to understand how these initiatives have contributed to the growth of the MSME sector. The impact evaluation will include aspects pertaining to number of trainings conducted, number of beneficiaries undergone trainings/skilling/upskilling, job creation, economic growth, social development, technology upgradation etc.

3. **Programme Effectiveness:** Evaluate the effectiveness of various programs and policies introduced with an aim to determine if the interventions are achieving the desired outcomes and identify any necessary changes/adjustments to be incorporated.

4. **Long-term Plan:** To use a strategic and evidence-based approach by considering the M&E data to make informed policy decisions.

5. **Stakeholder engagement:** Evaluate the level of engagement and collaboration with the MSME ecosystem stakeholders.

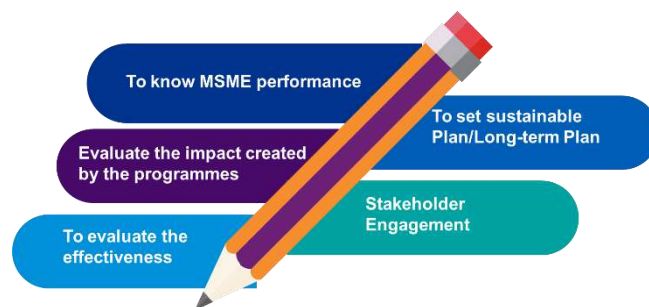


Figure 148: Objective of proposed M&E framework

Methods to carry out M&E

The Directorate of MSME would carry out the critical process of M&E (assessing the effectiveness, efficiency, and impact of programs, projects, or interventions) through the following key methods.

1. **Baseline Data:** Gather the baseline target data at the beginning of the M&E process to understand the benchmark levels available for comparison.

2. **Data Collection:** Data collection on regular basis will enable the Directorate of MSME to monitor the effectiveness of the various programmes implemented under RAMP scheme. To initiate the same the Directorate of MSME would introduce data collection mechanism through pre-defined formats which enable officers/officials to access the updated data pertaining to the sector on regular basis.
3. **Regular Reporting:** The Government through the tendering process would engage the services of a consultant/external agency to carry out impact evaluations during the RAMP program.
4. **Data Analysis and Interpretation:** Use data visualization techniques to analyze the data collected and interpret the findings to identify trends, strengths, weaknesses, and areas for improvement.
5. **Feedback Mechanism:** Establish feedback mechanisms allowing beneficiaries and stakeholders to provide their input, suggestions, and concerns.



Figure 149: Methods to carry out M&E

A. Directorate of MSME M&E Framework

The proposed M&E framework would be divided into three stages (**M&E Plan, Executing M&E, Data Review & Dissemination**). The intended framework through these three stages would ensure that the work allocation of officers/officials at all levels are effectively mapped to obtain data/information on regular intervals resulting in improved strategies and policies in order to achieve desired outcomes.

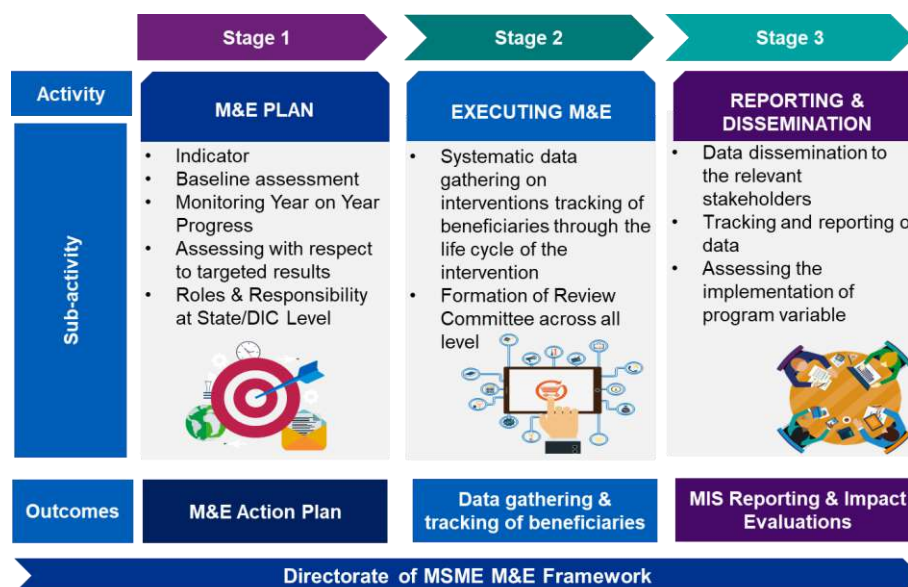


Figure 150: M&E plan

I. M&E Plan:

The M&E plan would explain the operationalization strategy to monitor performance or achievements of the various interventions/policies/programs implemented by the Directorate for MSME sector. The M&E plan would comprise of the following elements:

- **Baseline and target values of indicators:** Identify key parameters for which a baseline of corresponding KPI's/targets to be considered and determined. The tracking of progress made along indicators such as number of UDYAM registrations, data pertaining on gender, social sector, trainings/workshops conducted, tracking schemes initiated such as Champion schemes ZED/LEAN etc.
- **Methodology, tools, and frequency for data collection:** MIS/Dashboard- a unified data system at State/DIC level and adherence to standard periodicity/ timeline for the data collection would be followed regularly and collected through standard mechanisms from respective officers/officials at DIC/State level. This would result in obtaining real time information on tracking outputs.
- **Allocation of primary roles in a responsibility:** The Directorate of MSME has been implementing various schemes by allocating these works to one or many bodies performing various functions - planning, execution, review, fund disbursement etc. Likewise, the Directorate of MSME under implementation of various state/central schemes/RAMP would allocate each of these key bodies/officers/officials at DIC/State level for data correspondence, analysis, interpretation and monitoring of the overall performance of the MSME schemes.
- **Identify measurable indicators to track outputs, outcomes, and impact:** The Directorate of MSME would initiate and recommended for developing the mechanisms for data collection in a prescribed format, post data collection timely review by the competitive authority to assess the outcomes against output, and impact created through the programmes/schemes. There would be one or more indicators that exclusively put together to measure the achievement of the defined results. The various levels of results would be defined as per defined KPI's/Indicators (In case of RAMP scheme Disbursement Linked Indicators- DLI's as defined in manual).

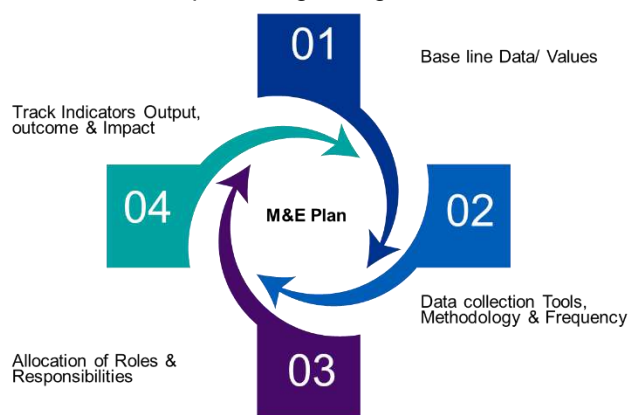


Figure 151: M&E plan

II. Executing M&E:

The Directorate of MSME would establish review committees at State and District level and assign dedicated officer/official personnel at State/District level to monitor M&E activities and carry out impact evaluations during the life of the program.

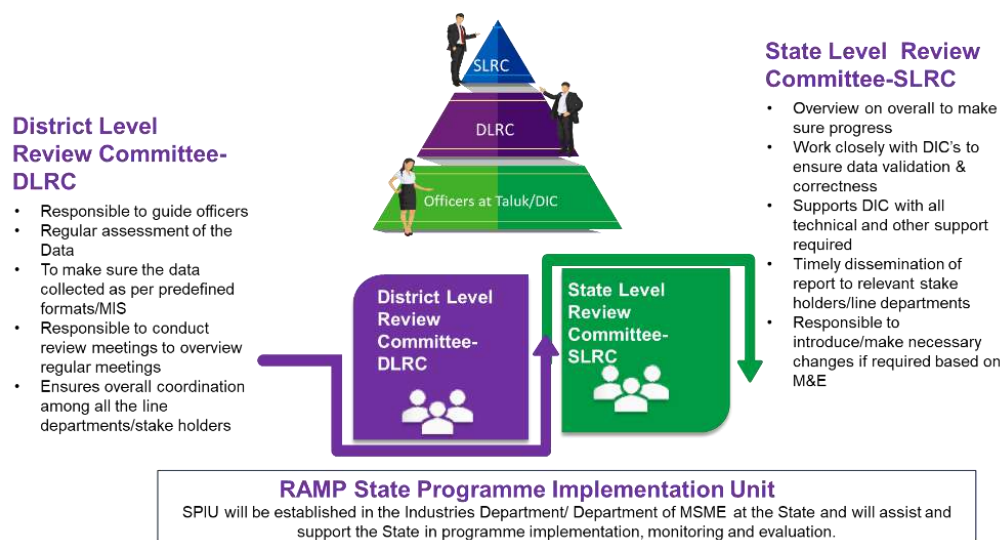


Figure 152: M&E Governance Structure

The Directorate of MSME would initiate the monitoring activities/tools to track progress against performance through the following mechanism.

1. Programme review – Biweekly review meetings would be conducted by DLRC to overview and ensure the data collection is as per predefined plan. Capturing the data pertaining to the activities such as UDYAM registration, awareness/trainings/workshops conducted for MSME's/officers on various programs Champion schemes- ZED, Lean, IPR, Digital, Design and Incubation.

2. Progress review – Monthly review meetings conducted by SLRC encompassing in depth review and analysis of the data collected to overview the progress in the programme. Assessing and provide necessary suggestions/iterations for changes required to achieve the desired results (output against outcome) over the past year and cumulative progress till date.

3. Impact Assessment Report Scheme completion/final review & reporting -As the RAMP scheme is time bound, annually an impact evaluation study would be conducted to review the progress made, linkages with national/ state goals, outcomes achieved, impact created, actions undertaken, programme sustainability, challenges faced etc.

III. Reporting & Data Dissemination:

The Directorate of MSME would adopt a structured approach for reporting, validating, and disseminating programme results. The following steps would be proposed as standard mechanisms for data reporting, validating, and disseminating results viz., on MSME schemes. The reporting mechanism is mentioned in Figure 154 below.

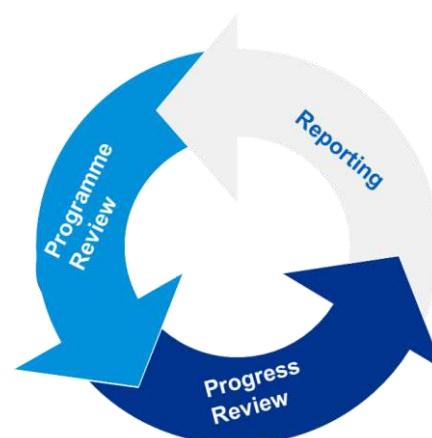


Figure 153: Representation of Monitoring activities

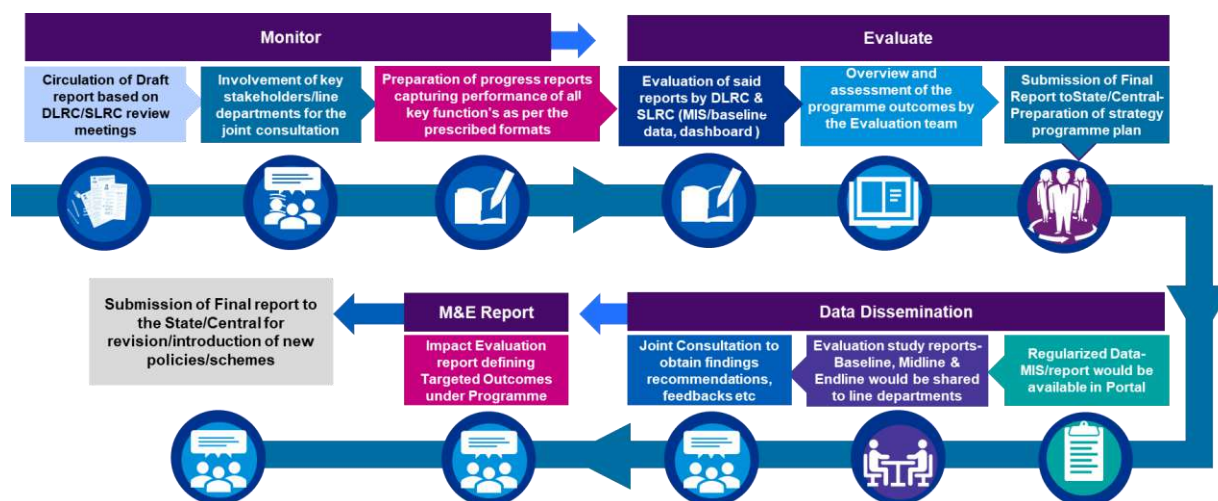


Figure 154: Reporting & Data Dissemination Mechanism

RAMP M&E Framework for Karnataka

Creating a key matrix to monitor progress involves identifying key performance indicators (KPIs) or metrics that are crucial for measuring the success of a project or programme. The state's progress under RAMP scheme will be monitored on basis of Disbursement Linked Indicators (DLI's) as defined in the Figure 155 below.

Result Area#2: Support to market access, firm capabilities, and access to finance			
DLI 3- Enhancing effectiveness of MSME CHAMPIONS Scheme		DLI 4- Strengthening Receivable Financing Market for MSMEs	DLI 5- Enhancing Effectiveness of CGTMSE and "Greening and Gender" delivery
ZED Scaling up Strategy	Karnataka LEAN Enterprise Programme	<ol style="list-style-type: none"> Dissemination of information and expertise Leveraging existing digital platforms/e-marketplaces for digitalizing MSMEs Open Network for Digital Commerce (ONDC) Karnataka Elevate Program Sensitization workshops on Government e-Marketplace (GeM) for MSMEs Trade Receivables Discounting System (TReDS) - Revolutionizing MSME Receivables 	<ol style="list-style-type: none"> Identification of potential pool of FIs. Outreach, partnerships with Financial Institutions and pilot interventions to enhance access to finance for MSMEs <ul style="list-style-type: none"> - MSME Funding Melas - Institutional Strengthening of MSME Branches in the State - Framework for convergence of Central & State sponsored MSME schemes - MSME Green Financing Committee - Financial Literacy Camp for MSMEs Partnering with CGTMSE Trust for outreach <ul style="list-style-type: none"> - Karnataka Credit Guarantee Scheme in collaboration with CGTMSE
MSME Innovative (Incubation programme)	Intellectual Property Rights Scheme		
Design Clinic Scheme	Digital MSME Scheme		
Market access support initiatives <ul style="list-style-type: none"> • Karnataka Brand • Export promotion & Facilitation 			
<ol style="list-style-type: none"> Business & Technical services leveraging from existing service providers Identification of the potential pool of anchor buyers to partner with on supplier development programmes 			
			DLI 6-Reducing the incidence of delayed payments
			<ol style="list-style-type: none"> Outreach and technical assistance to MSMEs to use ODR under Samadhaan Portal: <ul style="list-style-type: none"> • Strengthening of technological infrastructure of MSEFCs • Capacity building and upskilling of MSEFCs • Hiring of qualified and experienced neutrals • Increase in UDYAM registrations for increased access to SAMADHAAN portal • Outreach programme for MSME's • Strengthening MSEFC's with dedicated personnel • MSEFC Feed back drive • Strategy for data privacy, storage & protection • Govt notification issued for other state govt departments.

Figure 155: RAMP M&E Framework

The Directorate of MSME envisages to attain the desired target during the RAMP program implementation period (FY 2023-24- FY 2026-27) by adopting a systematic approach to track and assess the progress and outcomes of project and programmes under RAMP. To carry out M&E activities effectively under RAMP program, the Directorate of MSME would set up a **State Program Implementation Unit (SPIU)**- a 9-member team comprising of key specialist (MIS, Environmental, M&E, Social, etc.). The team composition of the SPIC is given in Figure 156 below



Figure 156: Roles and responsibilities of SPIU

The roles and responsibilities of the SPIU would include the following:

- Provide professional advice and support to the State in all matters relating to M&E and Data analysis in the RAMP Programme.
- Developing MIS to track the progress of the Programme in the State and aligning it with the State MIS and to provide regular reports on the physical and financial progress of the Programme
- Developing reports with respect to inputs, outputs, outcomes, processes and impacts of the various interventions and their compliance by participating in regular monitoring and evaluation of the Programme at the State level.
- Preparing / collating and submitting all reports related to RAMP for internal and external reporting.

The Directorate of MSME would initiate standard/ predefined formats to overview the updates of the programme by directing the officers/officials to overview the progress on regular basis. The illustrative MIS/ report format to overview the progress by State/DIC level is placed in Annexure 3, the said formats would be revised/updated based on requirement & need basis of the project. The estimated budget for setting up of SPIU unit is INR 20.19 crore and the cost breakup is placed at Annexure 3 The impact evaluation will be initiated during the life of the program and these evaluations are embedded into the monitoring and evaluation of the program. During the four-year RAMP implementation period, impact evaluation studies would be carried out annually. The cost for carrying out the impact evaluation study during the four-year period is estimated at INR 1 crore.

8.3 Environmental and Social Management for MSME support: Action plan to institute a screening, assessment, and monitoring system in line with the ‘Programme Implementation Plan’; which is being developed by Ministry of MSME

India remains an economy growing strongly and accounts for 1/6th of the global growth. The International Monetary Fund (IMF) has raised India’s GDP growth forecast to 6.1 per cent (which is more than the regional average of 5.3 per cent) in 2023¹²¹. With the government’s initiatives and private investments coming through, there is a strong growth momentum. However, despite the efforts, there are challenges that dampen this growth. One of them being that India is still highly dependent on fossil fuels (~2,50,000 MW of installed capacity of coal and other fossil fuels). With India being in the global spotlight as the country takes on the presidency of G20 in 2022-23, newer mechanisms for redressal of global issues related to climate change need to be created within the country.

India is home to 1.3 billion people but contributes less than 4 per cent to the world’s cumulative emissions and its annual per capita emissions are about 1/3rd of the global average¹²². India has undertaken arduous efforts towards combatting climate change. Under the updated nationally determined contributions (NDC¹²³) in 2022, India aims to reduce emission intensity of its Gross Domestic Product (GDP)¹²⁴ by 45 per cent by 2030 and target net 0 emissions¹²⁵ by 2070 and has designed a ‘long-term low emissions growth strategy’ indicating low carbon transition in key economic sectors. India has also embarked on new initiatives in renewable energy, e-mobility, ethanol blended fuels, and green hydrogen as an alternate energy source. The International Solar Alliance and Coalition of Disaster Resilience Infrastructure were both launched by India to foster strong international cooperation through action and solutions-oriented coalitions on climate change.

The MSME segment plays a significant role in the Indian economy by providing large employment opportunities at comparatively lower capital cost than large industries and boost industrialization of rural & backward areas. However, the MSME sector is a greenhouse gas (GHG) intensive sector because of its dependence on fossil fuels and the informal nature of functioning of the MSMEs. Of the total energy consumed by the industrial sector in India, the MSMEs account for about 25 per cent (15 and 85 per cent towards electricity and thermal energy respectively)¹²⁶. The energy consumption of the sector is projected to be above 72 million metric tons of carbon dioxide (CO₂)¹²⁷ by 2030. Although MSMEs operate on a small scale, they could lead to adverse environmental impact due to their numbers of units and are often located in clusters contributing to cumulative risks. Trades such as metal finishing, leather tanning, dry cleaning, printing, and dyeing, brewing, food processing, chemical production witness adverse environmental impacts including hazardous waste generation, toxic emissions and effluent discharge, pollution. On the social aspects, caste and gender disparities exist. The share of female entrepreneurs is low in India compared to other countries. SC-ST ownership of MSMEs is smaller, more prominent in rural than urban

¹²¹ IMF’s World Economic Outlook Update, July 2023

¹²² India’s National Statement at the 27th Conference of the Parties (CoP) to the United Nations Framework Convention on Climate Change (UNFCCC), Egypt, November 2022

¹²³ National plans to mitigate climate change; first adopted at the Conference of Parties 21 in Paris, 2015 and entered into force in 2016

¹²⁴ Measure of greenhouse gas emitted per unit of economic activity

¹²⁵ When a country does not add to the overall amount of greenhouse gases in the atmosphere

¹²⁶ FMC and GIZ 2018

¹²⁷ Financing Low Carbon Transition in India’s MSME Sector, September 2022

areas and have declined over time. India also exhibits the 3rd highest gender gap in entrepreneurship globally¹²⁸.

The MSMEs need to adapt environmental and social management (ESM) measures into their business models. The cost of managing environmental challenges continue to rise with the increasing complexity of issues. Businesses have realized that environmental challenges are better managed in a systematic way. Investors are scrutinizing environmental risk liabilities of firms, while customers prefer environmentally conscious companies. To encourage voluntary environmental reporting, the ESM system for MSMEs should be improved giving industries an edge for growth, access to premium markets and easy access to finance. There are centrally launched and funded schemes and programs by the Ministry of MSME which are designed to work towards low carbon transmission efforts in the sector and promote greening of MSMEs, such as: RAMP program which has a focus on resource efficient cleaner production (RECP) techniques; ZED certification, CGTMSE (mainstreaming coverage of green/sustainable finance), cluster development, credit guarantee fund, BEE-SME scheme and the 'national program on energy efficiency and technology up gradation of SMEs' and the newly proposed scheme Green MSME Development Scheme.

Karnataka is currently the best equipped State to transition its electricity system from fossil-powered to renewable energy (RE) sources, based on the analysis by the Institute for Energy Economics and Financial Analysis (IEEFA). The state is one among the country's top 5 renewable rich states with an RE installed capacity of about 15,875 MW (as of November 2022)¹²⁹. Over half of the total installed capacity (31,635 MW as on November 2022)¹³⁰ is through RE green energy sector and the State has an RE target of 500 GW by 2030¹³¹. Karnataka was the 1st southern state in India to notify a RE policy in 2009; 1st southern state to notify its solar policy in 2011 and the 1st Indian state to launch an electric vehicle and energy storage policy in 2017. In 2018, the State has also implemented a first-of-its-kind 2,050 MW Solar Park in Pavagada and distributed generation of 20 MW in each of 109 taluks. The state is endowed with immense renewable energy potential viz. wind, hydro, solar, mini- hydel etc.

Karnataka, as a first, has initiated the concept of Green Index- a composite measure of the environmental performance of a program/ scheme/ project. Developed by the Environmental Management & Policy Research Institute (EMPRI) and Indian Institute of Science, Bengaluru (IISc), the index is an assessment of environment friendly measures taken up by State Departments such as GHS emission reduction, usage of energy efficient fuel and afforestation etc. A score card has been created and the points obtained decide the release of funds from the state government to the departments.

Furthering its greening initiatives, the Department of Industries and Commerce, Government of Karnataka under its industrial policy framework (Karnataka

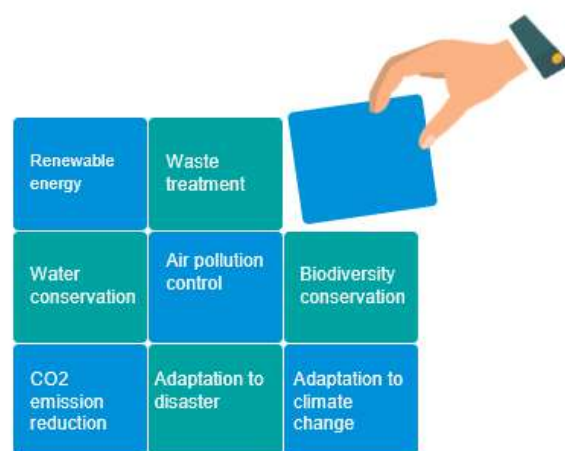


Figure 157: Environment friendly measures to be adopted by the departments for a better green index score

¹²⁸ India: Raising and Accelerating MSME Performance (P172226). Program for Results. Environmental and Social Systems Assessment (FINAL), May 3, 2021

¹²⁹ Karnataka Economic Survey 2022-23

¹³⁰ Karnataka Economic Survey 2022-23

¹³¹ Karnataka Renewable Energy Policy 2022-2027

Industrial Policy 2020-25) lays a significant thrust on the adoption of greener, sustainable, and responsible manufacturing practices. It provides a set of incentives and concessions mentioned in Table 98 below to MSMEs for adopting sustainable and responsible industrial practices.

Table 98: Incentives for MSMEs for adopting sustainable and responsible industrial practices under the Karnataka Industrial Policy 2020-25

SN	Type of sustainable and responsible industrial practice	Incentives under the policy for general category entrepreneurs	Incentives under the policy for special category entrepreneurs (SC/ST, women, minorities, physically challenged & ex-servicemen)
1.	Rainwater Harvesting	50 per cent of cost of equipment (max. INR 2.00 lakh)	75 per cent of cost of equipment (max. INR 2.50 lakh)
2.	Wastewater Recycling	50 per cent of cost of equipment (max. INR 7.50 lakh)	75 per cent of cost of equipment (max. INR 8.50 lakh)
3.	Reimbursement of expenses incurred for Water Audit	75 per cent subject to max. of INR 1.00 lakh each for water audit (one time)	75 per cent subject to max. of INR 1.00 lakh each for water audit (one time)
4.	Zero Discharge	50 per cent of cost of equipment (max. INR 7.50 lakh)	75 per cent of cost of equipment (max. INR 8.50 lakh)
5.	Recycling of electronic waste and plastic waste	5 per cent of VFA (max. INR 10.00 lakh)	5 per cent of VFA (max. INR 12.00 lakh)
6.	Subsidy for setting up ETP	50 per cent of cost of ETP (max. INR 50.00 lakh)	75 per cent of cost of equipment (max. INR 60.00 lakh)

Source: Karnataka Industrial Policy 2020-25, GoK

Under the aegis of the Directorate of MSMEs, a MSME survey was conducted amongst 4,007 MSMEs across 16 districts in Karnataka during June and July 2023. From the market study it was inferred that more than 60 per cent of the MSME survey respondents had not availed any aid under central or state scheme for adopting sustainable practices. Though 66 per cent of the respondents were aware of the benefits of adopting sustainable practices, it was observed that only 23 per cent were implementing sustainable practices and 8 per cent of the respondents were not planning to adopt sustainable practices. Moreover, 49 per cent of the respondents were unaware of using green energy sources and more than half of the respondents were unaware of conducting green audits to improve energy efficiency. 39 per cent of the respondents did not regularly measure the consumption or release of electricity, water, dry, wet waste, and emissions. 36 per cent of the respondents had below 10 per cent of recycled water consumption, 29 per cent of the respondents had below 10 per cent of recycled heat consumption and 29 per cent of the respondents had below 10 per cent of recycled raw materials consumption. 68 per cent of the respondents had a lack of awareness and knowledge on use and benefits on sustainable practices, 51 per cent of the respondents' faced challenges in availability of technical know-how, 35 per cent of the respondents had a lack of capital and awareness on green financing instruments.

Under the RAMP program, Government of Karnataka aims to formulate a '**Strategy to strengthen Environmental and Social Management (ESM) of MSMEs**' with an aim to support the MSMEs to manage the environmental and social risks that arise during their industrial operations and recommend actions to

address the gaps. For this, Directorate of MSME would develop an action plan to institute a screening, assessment, and monitoring mechanism by conducting environmental due diligence of MSMEs at district level. Along this, Directorate through outreach activities would be creating awareness, communication, behavior change and capacity building amongst MSMEs around environment and social risks and on adopting greener and sustainable practices in their business models.

The key objectives and guiding principles of the state ESM action plan is illustrated in Figure 158 below:



Figure 158: Objectives and principles of the state ESM action plan

The proposed interventions to be implemented as part of the State Strategy to Strengthen Environment and Social Management of MSMEs under the RAMP program is mentioned below:

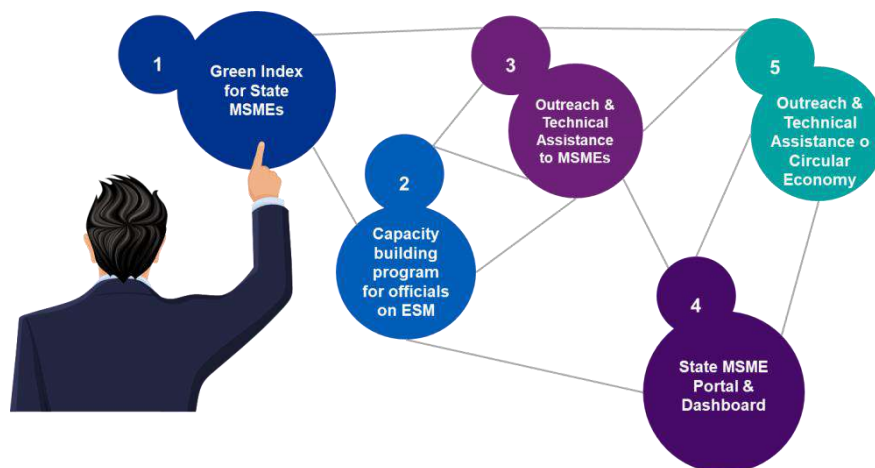


Figure 159: State ESM Action Plan

1. **Green Index for State MSMEs:** Directorate of MSME aims at developing the first 'Green Index for MSMEs' in the State which would measure the environmental performance of the MSMEs by carrying out due diligence of the existing facilities of the MSMEs at district level and perception regarding the dimensions of sustainability. The Green Index would be developed in collaboration with Indian Institute of Science & Environment Management and Policy Research Institute using a set of indicators and sub- indicators reflecting the environmental concerns such as: adoption of Energy Efficiency and Renewable Energy, Water Conservation and Recycling, Waste Treatment and Recycling, and air Pollution Control, Biodiversity Conservation, Carbon dioxide (CO₂), Emission Reduction or Sequestration, and Adaptation to Disasters and Climate Change. An ESM screening and monitoring

criteria to assess the applicability and check MSMEs' compliance status with respect to the different environmental parameters and valid permits/licenses/certificates to meet compliance would be incorporated in the green index. The cost for preparing the Green Index is estimated at INR 5 crore and shall be supported by Government of India under the RAMP scheme.

2. **Capacity building program for officials on ESM:** A capacity building program would be designed to assist the officials at the district level to understand the environment and social risk management procedures and to build capacity around environment and social aspects including awareness building on environmental regulatory obligations and compliance requirements and equip the officials to assist the MSMEs to understand the importance of ESM. The capacity building workshop would comprise of officers from District Industries Centre, MSME DFOs (Development and Facilitation Office) and officers from other departments. These officers will be trained with the help of ESM experts or industry experts who have implemented the ESM measures successfully. The workshop will cover a wide range of topics, such as environmental management practices, social management practices and governance measures as per the guiding document prepared by MoMSME, new technological solutions, industry standards and best practices. The cost for conducting the capacity building workshop for 150 officials from DICs and MSME DFOs is estimated at INR 7 lakhs and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the capacity building workshop for officials on ESM during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 28 lakh. The details of the workshops are mentioned in the Table 99 below.

Table 99: Details of the capacity building program for officials on ESM

SN	Particulars	No of Events per year	Beneficiary	Cost per Workshop (INR)	Total Cost per year (INR)	Total Cost for four years (INR)
1.	One day capacity building workshop on ESM practices at district level	7 across the State	150 officials from District Industries Centers, MSME DFO)	1,00,000	7,00,000	28,00,000

3. **Outreach & Technical Assistance to MSMEs on Greening & ESM:** With an aim to increase outreach and technical assistance on ESM and on application of resource efficient cleaner production techniques (RECP), Directorate of MSME in association with District Industries Centre (DICs) and Industry Association would organize a series of awareness workshops across districts and clusters to sensitize the MSMEs on ESM measures including adoption of cleaner production methods to reduce waste of material inputs such as water, energy and improve energy efficiency; and the benefits of environment and social compliance to minimize business risks and enhance competitiveness. Awareness will be built on green energy sources (such as solar, hydro, wind, geothermal, etc.), conducting energy audits to improve energy efficiency, credit/ financial assistance under central/ State scheme/ sector specific policy for adopting sustainable practices, green finance instruments with financial institutions, NBFCs, Fin tech companies, etc. The cost for conducting these awareness workshops per year is estimated at INR 74 lakh and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the awareness workshops on ESM during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.96 crore. The details of the awareness workshops are given in Table 100 below.

Table 100: Details of the awareness workshop on ESM scheme.

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Cost per year (INR)	Total Cost for four years (INR)
1.	One day Awareness Workshop on ESM scheme	DICs and Industry Associations	2 workshop per district (31 districts)	62	62,00,000	2,48,00,000
2.	One day Awareness Workshop on ESM scheme	DICs and Cluster Associations	1 workshop per cluster for the 12 implemented clusters under MSE-CDP scheme	12	12,00,000	48,00,000
Total				74	74,00,000	2,96,00,000

*INR 100,000 is the estimated cost for conducting the workshop

4. **Sensitization on ESM through the State MSME Portal & Dashboard:** At present, there is no consolidated MIS/ database system that provides information on MSMEs in a categorized manner (by gender and social status) nor is there enough data on women entrepreneurship, women labor force, literacy, health aspects etc. There is a need for a state level integrated portal for transparent data listing.
 - i. **Strengthening/convergence of state-level MIS systems:** The Government would be launching a State MSME Portal & MSME dashboard (UDYAMA MAAHITI) with an aim of bringing transparency and improvements into the governance, enhancing interoperability of the various portals on MSMEs and providing comprehensive data insights through the state-level MIS system related to the MSME sector (social and gender status of entrepreneurs) in the State. The dashboard would act as a centralized platform to collect, analyze, and disseminate relevant data and information related to MSMEs. The details of the State MSME Portal and State MSME dashboard (UDYAMA MAAHITI) is mentioned in Chapter 8 and Section 8.1
 - ii. **E-modules on ESM on State MSME Portal:** The module on regulatory, compliance, innovative technology and product quality within the integrated State MSME Portal would be a valuable resource for entrepreneurs seeking to upgrade their productions methods to environment- safe ways. By accessing these resources, MSME entrepreneurs would benefit from self-tutorial videos, knowledge material and expert guidance and improve their firm's operations and enhance quality and competitiveness of their products. The module would also provide seamless integration with national portals related to MSMEs along with the necessary information and guidelines to incorporate environment conscious measures; thereby improving their product quality, operational efficiency, and overall business performance.
5. **Outreach & Technical Assistance to MSMEs on Circular Economy:** In a circular economy, goods and services are designed and produced in such a way that they can be reused, refurbished,

re-manufactured or recycled at the end of their life, thereby preventing waste generation. Karnataka has already embarked on ambitious policy and regulatory landscape which guides the industries towards a path of sustainable development and is embracing circular business models to tap into the benefits of circular economy. The transition to circular business models is of paramount importance and Government intends to promote MSMEs to create business models with backward and forward linkages to the circular economy. There is a need to promote a section of MSMEs working on circular economy and these MSMEs should benefit from the State's Industrial Policy, its schemes, and initiatives. With an aim to increase outreach and technical assistance on circular economy and its application, Directorate of MSME in association with District Industries Centre (DICs) and Industry Association would organize a series of awareness workshops across districts and clusters to sensitize the MSMEs on circular economy and resource efficiency so as to maximize profitability, reduce wastage, and ultimately reduce the overall manufacturing cost of products. **Awareness will be built on MSME Scheme for promotion & Investment in Circular Economy (MSME SPICE)** and other State specific credit/ financial assistance for circular economy. The cost for conducting these awareness workshops per year is estimated at INR 74 lakhs and shall be supported by Government of India under the RAMP scheme. The total cost for conducting the awareness workshops on circular economy during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 2.96 crore. The details of the awareness workshops are given in Table 101 below

Table 101: Details of the awareness program on SPICE and circular economy

SN	Particulars	Event Partner	Location	Total Number of Workshops per year	Total Cost per year (INR)	Total Cost for four years (INR)
1.	One day Awareness Workshop on MSME SPICE & Circular Economy	DICs and Industry Associations	2 workshop per district (31 districts)	62	62,00,000	2,48,00,000
2.	One day Awareness Workshop on MSME SPICE & Circular economy	DICs and Cluster Associations	1 workshop per cluster for the 12 implemented clusters under MSE-CDP scheme	12	12,00,000	48,00,000
Total				74	74,00,000	2,96,00,000

*INR 100,000 is the estimated cost for conducting the workshop

8.4 Strengthening Coordination on MSME agenda in the State: Identification of measures to be undertaken to strengthen coordination mechanisms among Government Departments, Agencies and private sector key stakeholders and implementation partners to implement MSME support Programme.

Strengthening the coordination mechanism among Government departments, agencies and private sector and implementation partners to implement MSME support Programme is crucial towards creating an enabling ecosystem for MSMEs to thrive and contribute to sustainable economic development. For strengthening of the MSME ecosystem there is a need for a collaborative and well-coordinated approach between different stakeholders. Through a robust coordination mechanism Government would be able to align policies and regulations, allocate targeted MSME support programs to different State agencies and institutions and leverage the private sector for their expertise, resources, and market access. A robust coordination mechanism facilitates effective communication, information sharing, and decision-making, leading to a more supportive environment for MSMEs. It enables the identification of challenges, the development of joint strategies, and the efficient allocation of resources. The proposed interventions for strengthening the co-ordination mechanism amongst the concerned internal and external stakeholders to enhance MSME productivity is mentioned in Figure 160

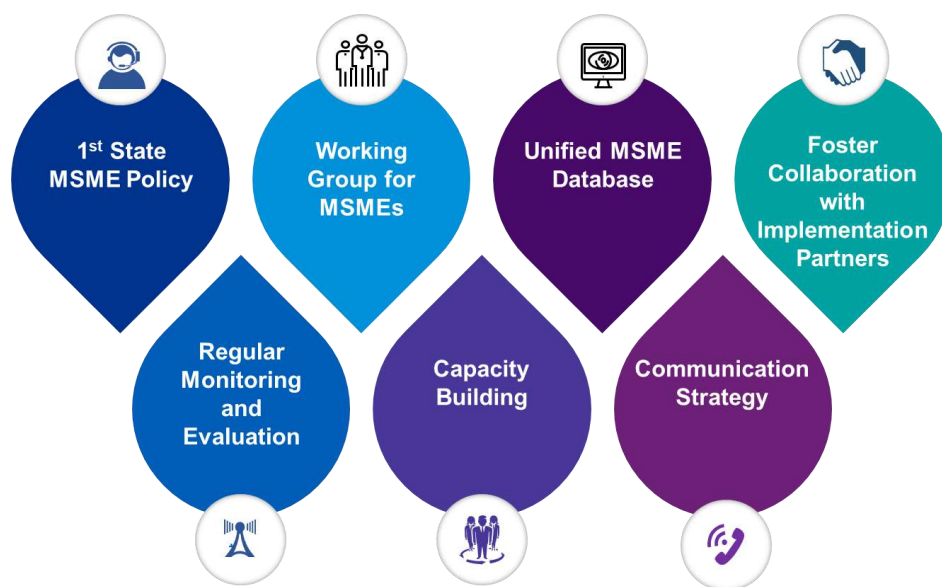


Figure 160: Interventions for strengthening the co-ordination mechanism amongst the concerned internal and external stakeholders to enhance MSME productivity.

- a) **1st State MSME Policy:** Government of Karnataka would be launching the 1st State MSME Policy with a vision to propel the growth of MSMEs in the State by fostering a conducive climate for entrepreneurship, innovation, competitiveness. The policy would aim at tapping the full growth potential of the MSMEs in the State by creating a robust policy environment by incentivizing the industry and by creating economic opportunities and significant trickle-down effects (multiplier effects), in supporting economic activity in allied industries/services through forward and backward linkages. The Directorate of MSME would be committed to institute the requisite mechanisms and facilitate a conducive environment for the implementation of the Policy. Institutional arrangements would be put in place to provide facilitation support and enhance co-ordination mechanisms amongst the various stakeholders. For this purpose, under the policy framework a State Level Co-Ordination committee would be set up

under the Chairmanship of Secretary to Government, Commerce and Industries Department and line department officers as members to address any ambiguity that arises in the Policy and to strengthen inter-departmental co-ordination mechanism in strengthening Karnataka's MSME ecosystem through a collaborative and an inclusive approach across the State. Government through the tendering process would engage the services of a consultant with the required experience and expertise for preparation of the State MSME Policy. The cost for preparation of State MSME Policy is estimated at INR 1 crore and shall be supported by Government of India under the RAMP program.

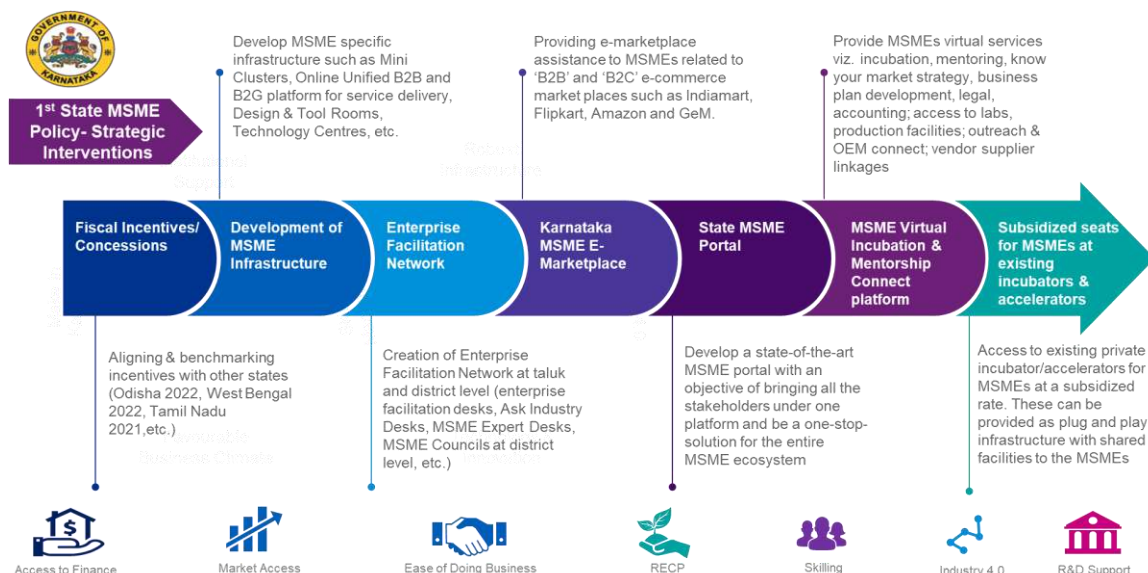


Figure 161: MSME Policy

- Working Group for MSMEs:** Government would constitute Working Group for MSMEs led by industry captains and stalwarts to provide insights and strategies for strengthening service delivery to MSMEs, ensure schemes/programs are aligned with the needs of MSMEs, knowledge sharing on key trends and markets and identify solutions that would help MSMEs increase their participation in global value chain. The Working Group will make recommendations and suggestions to State Government on suitable course of action to be taken for implementation of various initiatives to nurture and promote MSME ecosystem in the State.
- Unified MSME Database:** Directorate of MSME in collaboration with Centre for Smart Governance would be facilitating the creation of a unified MSME database platform in collaboration with the concerned line departments with an aim to provide a centralized hub for information sharing with the concerned MSME stakeholders viz. including the regulators and facilitators. As part of the unified MSME database creation concerned line departments such as Commercial and Taxes Department, Registrar of Companies, Electricity Supply Companies, infrastructure supporting agencies, Labour Department, etc. would be identified for information sharing. This centralized platform will act as a hub for MSME-related information and resources and will support the growth and development of MSMEs. The details of the integrated State MSME Portal and MSME Dashboard is mentioned in Chapter 8 and Section 8.1.
- Foster Collaboration with Implementation Partners:** Government would establish a mechanism to design efficient ways to foster collaboration with implementation partners to provide effective support to MSMEs in the state. Government stays committed to work together with its

implementation partners by leveraging their expertise, networks, and resources in scaling the growth of MSMEs.

- **Capacity Building:** Under the RAMP Scheme the state government is committed to develop the MSME sector. As part of this commitment, the government would be providing capacity building programs and training sessions for government officials, private sector stakeholders, and implementation partners. These programs and training sessions will provide the necessary knowledge and skills to effectively implement the MSME support program. By providing capacity building programs and training sessions, the state government will ensure that all stakeholders have the necessary knowledge and skills to effectively implement the MSME support program. The details of the capacity building program is mentioned in Chapter 8 and Section 8.5
- **Communication Strategy:** The state government would be establishing a robust communication strategy comprising of workshops, regular meetings, MSME monthly bulletin, etc. to ensure effective communication among stakeholders. By using a variety of communication channels, the government will ensure that stakeholders are kept informed about the latest developments and that they have a chance to contribute their ideas and feedback. This will help to create a sense of shared commitment and responsibility for the program, which will in turn would lead to cooperation amongst the concerned stakeholders. The details of the communication and branding strategy is mentioned in Chapter 6.
- **Regular Monitoring and Evaluation:** The state government would implement a robust monitoring and evaluation framework to assess the progress and impact of the state MSME support programs implemented by the concerned stakeholders. A Monitoring and Evaluation committee would be set up under the Chairmanship of Director (MSME), Department of Industries and Commerce and line department officers, private stakeholders as members to assess the progress and success of the programs and highlight and identify bottlenecks, and areas for improvement critical for the successful implementation of the program.

8.5 Capacity Building of Key players to deliver on the MSME agenda, including coordination mechanisms: Blueprint for Interventions to enhance capacity of key Government and other support agencies to implement MSME support Programme as reflected in the SIP and on MSME grievance redressal. This will include: (i) Filling staff vacancies; (ii) Identification of main functional areas where capacity building is needed or institutional change to better respond to market demand, including to (a) implement and monitor environmental and social management strategy as per the guiding document prepared by MoMSME; (b) procurement and contract management functions; (iii) Training and capacity building of staff including identification and partnerships with relevant public and private training institutions and development of training calendar; (iv) Hiring of additional technical staff / consultants

The State level department personnel are the key determinants for the department's success and are often the "representative/ face" for the public. Hence, maintaining a well-trained and qualified workforce is critical. As mentioned in Chapter of 5 and section 5.2, the Directorate of MSME and DIC's are facing several capacity gaps. These gaps arise from various factors such as limited resources, inadequate/untimely skilling/reskilling/upskilling training programs, outdated technologies, and organizational structures that hinder innovation and growth. To address these gaps, the capacity

building and institutional development framework for the State under the RAMP program would focus on rebuilding and gradually increasing the efficiency of government organizations to achieve its objectives in a sustainable manner. With a complete orientation towards effective implementation, the institutional and capacity building requirements will be addressed by mapping the present institutional set-up and strengthening, reorientation (role-defining) and redesigning of public service delivery for efficiency. Focus will be laid on a strong consultation and dialogue mechanism, transparency, clearly/exclusively defined roles and functions and spatial implications (exclusive mechanisms at state and districts), wherever applicable. For this purpose, the government will develop a capacity building action plan for officials of Department of Industries and Commerce and other concerned State institutions and agencies identified as key to SIP implementation. The capacity building plan would be based on a training needs assessment of the state functionaries to increase internal efficiency.

a) Filling staff vacancies

The Directorate of MSME under the aegis of Commerce and Industries Department, Government of Karnataka spearheads initiatives for making MSMEs efficient, innovative, and inclusive for growth and job creation. Currently, there is a manpower requirement (sanctioned posts) of 936 Group 'A', 'B', 'C' and 'D' officers within Department of Industries and Commerce/Directorate of MSME/ 31 District Industries Centres across Karnataka. Out of the 936 posts only 363 positions are filled resulting in 573 vacant posts across the Department.

Further to this, Directorate of MSME carried out an assessment at District Industries Centre (DIC) level to understand the existing institutional structure and gaps. Approximately 90 per cent of the respondents (Joint Director, DICs) during the assessment suggested the challenge of shortage of manpower at DIC level exists due to the lack of regular recruitment/hiring process which has led to a shortfall in resources and skills necessary to address the issues on a regular basis thereby hindering policy implementation, creating gaps in enforcement, and undermining the Department's ability to achieve its objectives. To fill the remaining 573 posts, Department would initiate the recruitment process for more priority posts by following procedures and norms pertaining to the state, through recruitment authorities such as Karnataka Public Service Commission (KPSC), Karnataka Examination Authority (KEA). There are 24 boards/corporations under the Department of Industries and Commerce, Government of Karnataka. The Department would also initiate a mechanism for filling the staff vacancies across the various boards/ corporations.

Filling staff vacancies within the Department would result in bridging gaps in human, organisational and technical resources thereby enabling the officials to respond to the evolving needs of the MSME sector ensuring timely addressal of queries and grievances and effective implementation of policies and programs.

b) Identification of main functional areas where capacity building is needed or institutional change to better respond to market demand, including to (a) implement and monitor environmental and social management strategy as per the guiding document prepared by MoMSME

Discovering the key knowledge gaps in the functioning of the MSME sector in Karnataka is necessary so that the capacity building program can be concentrated on such specific focus areas. The Directorate of MSME would design a capacity building program for officials by considering the functional areas where capacity building or institutional change is needed to make the MSME sector more resilient and stronger. The main functional areas the capacity building program under RAMP would focus on the functional areas such as:

a) Collaboration and Networking

- b) Policy Advocacy
- c) Innovation and Technology and
- d) Development and Sustainability

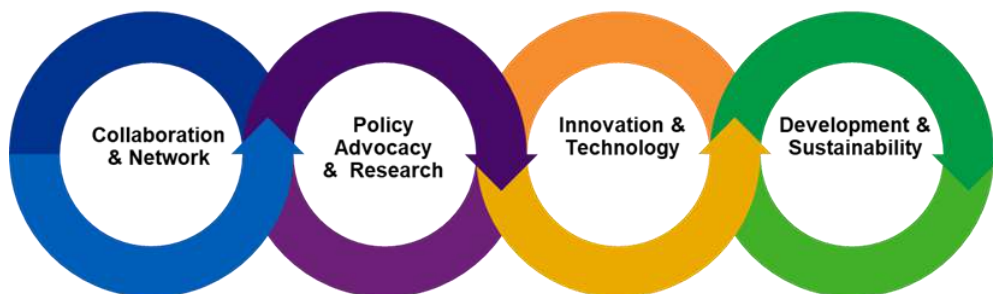


Figure 162: Capacity building program under RAMP

i. Collaboration and Networking

The capacity building program aims at equipping the officers/officials with skilling/ upskilling modules to increase knowledge and to build successful partnerships and establish networks among the various stakeholders thereby fostering networking and collaboration opportunities for sustainable development and growth of MSME sector. Effective collaboration and networking among relevant stakeholders/line departments through cross learning modules would lead to increased capacity of officers/officials as they would get a better understanding and more insights pertaining to the sector and enable improved access to information pertaining to the sector.

ii. Policy Advocacy & Research

Capacity building of officers on policy advocacy and research is essential to ensure that they have the skills and knowledge necessary to effectively influence policy and generate evidence-based recommendations. The Directorate of MSME intends to train officials and officers to empower them with the knowledge and skills necessary for the successful implementation of existing and new policies, regulations, schemes, and initiatives pertaining to the MSME sector. This can be done through a variety of means, such as training courses, workshops, and mentorship programs. Training courses would focus on the following areas like identifying and analyzing policy intervention, developing policy options, advocating for policy change, writing policy briefs etc.

iii. Innovation and Technology

The capacity building program would focus on developing digital skills and leveraging technology to meet sector demands. The Directorate would support the officers/officials in the process of embracing modern technologies and using innovative practices that would enable more efficient management systems and help officers/officials to skill/upskill to modern/ upgraded ICT Tools– new applications e-office, access to dashboard, single window system, etc.

iv. Development and Sustainability

It's essential to sensitize the officials on the leading sustainable and green initiatives being implemented for the MSME sector for implementation and successful integration of sustainable practices pertaining to the MSME sector.

c) Training and capacity building of staff including identification and partnerships with relevant public and private training institutions and development of training calendar

With an aim at supporting and building a strong MSME sector in the State, capacity enhancement of the State level department personnel would need to be strengthened. The Directorate of MSME in collaboration with public and private training institutions would develop a dedicated capacity building program for officials of Department of Industries and Commerce and other concerned State Departments/ institutions and agencies identified as key to SIP implementation under RAMP program. The capacity building framework of Directorate of MSME would aim at streamlining the human capital and increasing the internal efficiency, managing change, and developing training and skill development plans for the officials. The training program will assist in the institutional and capacity building of the concerned government departments & agencies leading to an improved skilled workforce in a multidisciplinary environment. The program would also aim at developing the technical and soft skills of state government department personnel and at strengthening coordination among Directorate of MSME and other line departments thereby increasing their knowledge on specific areas related to MSME sector such as regulatory compliances, technology management, digitalization, greening, skilling, access to credit, quality certifications and standards, schemes, monitoring and evaluation etc.

Objectives:

- Enhance capacity and capabilities to maximize the performance and efficiency of the Officers/officials
- Develop expertise for better service delivery, ushering in transparency and accountability, as well as empowering the officials/officers with upgraded information/tools
- Enhance the skills of Group A, B and C Officers/Officials and make them to adapt to market/ sector specific trends, digitalization, following success stories to benchmark the best practices, to resolve the issues pertaining to the sector concurrently
- Fostering collaboration and strengthening coordination with other line departments and MSME stakeholders for knowledge sharing and dissemination

Capacity Need Assessment:

Capacity need assessment would be carried out at two levels i.e., organizational, and individual level with an aim at assessing the current gaps and strengthening the capacity of officers/ officials to bring about regulatory changes and enhance harmonization and information-sharing across departments and divisions. The organisational level assessment would seek to establish congruence between State level departments in their structure, management, input transformation processes and resultant outputs. It would comprise of an aggregation of individual and departmental capacities within a broader State government vision, mission, goals and objectives. Hence, organisational capacity building would focus on enabling Directorate of MSME to meet State level priorities as well as delivering on their departmental targets.

The capacity building needs assessment would result in assessing the existing capacity and skills of various officers/officials and identify knowledge gaps and demand for key skills and capacity building

areas to enhance efficiency of processes and improve individual skills (knowledge application), project planning and management.

Capacity Building Plan:

Once the capacity needs assessment has been carried out, a capacity building plan would be developed showing the general structure of capacity building activities for Directorate of MSME within a given period. It would contain the functional area, objectives, outputs and outcomes, activities, period and duration of activity, resources, etc.

A capacity building/ training requirement program within the context of Directorate of MSME would consist of the following activities:

- Develop training objectives and expected outcomes
- Assess knowledge gaps in and demand for capacity building in Directorate of MSME
- Identify the officers / officials of directorate and other State Departments/ agencies to be trained
- Assess capacity by identifying key skills and knowledge areas
- Enumerate various modes of training and capacity building to bridge the gap
- Conduct feasibility analysis to identify most suitable mode of capacity building
- Prioritise training topics and scope for each grade/position category
- Schedule sequence of training programmes
- Develop training/reference materials
- Develop training feedback/ evaluation forms

a. Target Audience

- 331 Group 'A' 'B' and 'C' officers from Department of Commerce & Industries/ Directorate of MSME/ 31 DIC's officials.¹³²

b. Preparation of Training Modules

Once the capacity needs assessment has been carried out, training modules would be designed for officials consisting of both technical and soft skills. These modules along with imparting hands-on training would ensure efficient implementation of projects of Directorate of MSME. The indicative list of the modules is given in Figure 163

¹³² Cadre list obtained from Directorate of MSME, GoK

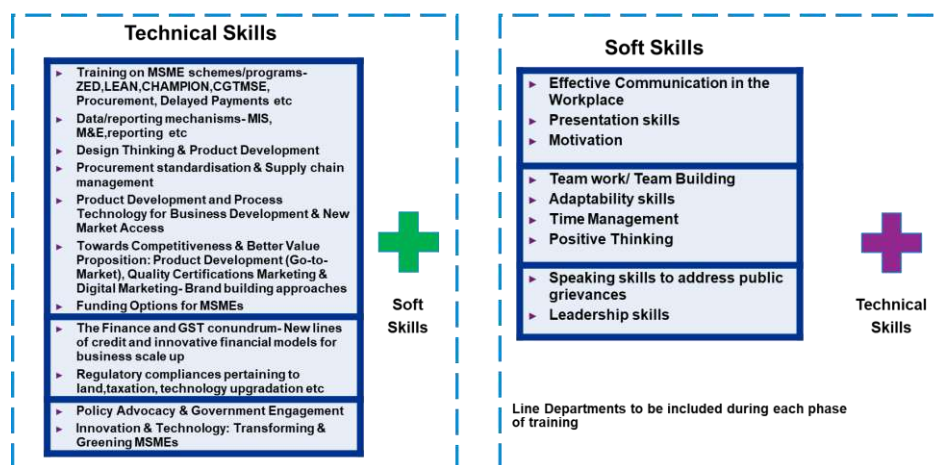


Figure 163: Indicative list of Modules

c. Modes of Training

The capacity building and knowledge transfer of officials should be primarily transmitted through, webinars, external trainers, niche experts and department modules. The various modes of capacity building are illustrated in Figure 164 below.

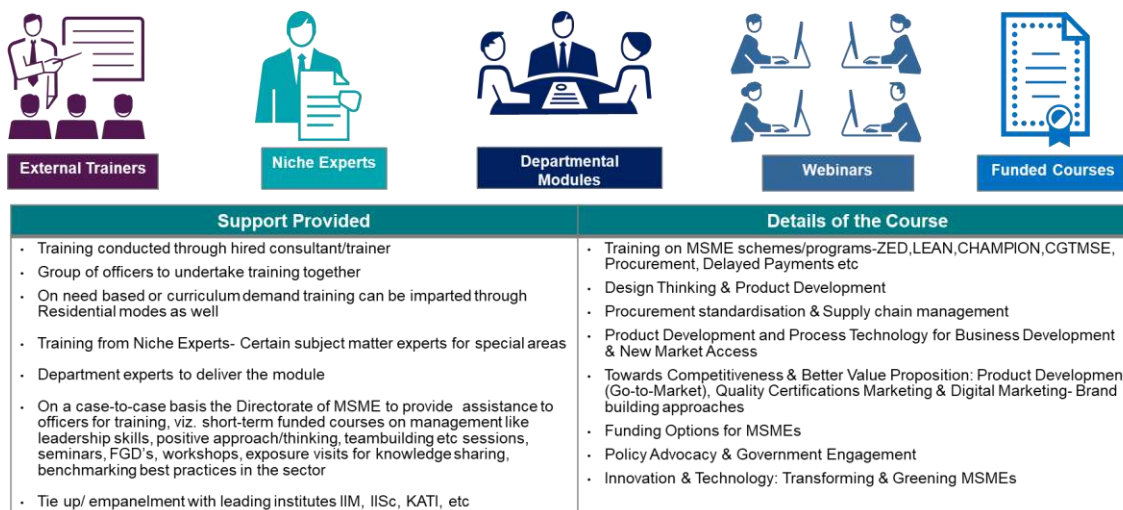


Figure 164: Mechanism of Capacity building and knowledge transfer of officials

Under the capacity building framework, the **Directorate of MSME would be curating three specific capacity building training programs** based on a need assessment carried out across the 31 District Industries Centres, where the Joint Director (JD) of the DIC was the key respondent for the assessment. Approximately 84 per cent of the respondents (~ 25 districts) have stated that training for skilling, re-skilling and upskilling of officers/staff need to be conducted at regular intervals. In consideration of this, **the Directorate of MSME intends to implement three capacity building training programs in collaboration with public and private training institutions comprising of a combination of training sessions, case studies, demonstrations, interactive discussions, exposure visits and experiential learning.** The details of the three capacity building programs mentioned in Figure 165 below.



Figure 165: Capacity building program

I. Advanced Management Development program:

The Directorate of MSME in collaboration with external agencies/empaneled private & public training institutions would design a specialized '**Advanced Management Development Program**' focusing on enhancing the competitiveness, technical and interpersonal skills of 185 Department officials to support the growth and development of MSMEs. The program would be designed to help the officials acquire a strong foundation about the MSME ecosystem, policy advocacy, stakeholder engagement, enhance & equip them with updated skills and capabilities and bring about a spirit of leadership within them.

The residential training program would aim to train Group A and Group B cadre - 185 officers/officials from the Department and would be carried out in a phase manner as illustrated in Figure 155. This training would aim to enhance their managerial skills, leadership capabilities, and strategic thinking abilities. The program shall be designed in modules by combining different course topics providing opportunities for experiential learning, networking, and personal growth.



The residential training program would comprise of the following four key modules including:

- Module 1:** MSME support programmes would provide necessary insights on various central/state government policies and schemes viz. MSME Champions, SAMADHAAN, TReDS, E-Commerce platforms such as ONDC, Public procurement platforms such as GeM, Quality control standards including ZED, Lean and CGTMSE

- ii. **Module 2:** would aim at delivering knowledge and skills to the officials on different course topics such as: data/reporting/MIS, M&E; design thinking & product development; procurement standardization & supply chain management; product development and process technology for business development; quality certifications; marketing & digital marketing; funding options for MSMEs, regulatory compliances, market access, skilling, technology, etc.
- iii. **Module 3:** would encompass soft skills such as teamwork/ team Building; adaptability and agility; time management; strategic thinking; effective communication; leadership skills, etc.
- iv. **Module 4:** on building an inclusive and sustainable MSME ecosystem covering topics such as: women support programmes, greening of MSMEs, sustainability measures, rural entrepreneurship, etc.

These four modules would be curated in the form of sessions, case studies, workshops, experiential learning activities, open house discussions, etc. and will be conducted by subject matter experts, external trainers/ consultants, industry stalwarts, etc.



Figure 166: Training components of Advanced Management Program

Program Schedule

The tentative/ illustrative training schedule for the 5-day residential training program is given below:

Day 1		Day 2		Day 3	
Time	Session	Time	Session	Time	Session
10:00 -10:30	Introduction	10:00 -11:00	Revolutionizing MSME sector with Industry 4.0 technologies	10:00 -11:00	Easing access to finance for MSMEs
10:30- 11:30	Policy and Regulatory Environment, MSME ecosystem in Karnataka & National and Global Best Practice	11:00- 12:00	Design Thinking & Product Development	11:00- 12:00	The Finance and GST conundrum- New lines of credit and innovative financial models for business scale up
11:30-12:30	Competitiveness Support schemes: MSME Champion Schemes	12:00- 01:00	Procurement standardisation & Supply chain management	12:00- 01:30	MSME term loans extended through Financial Institutions (FIs) under the CGTMSE umbrella
12:30- 01:30	Impact of Digitalization on MSEs	01:00- 02:00	Product Development and Process Technology for Business Development & New Market Access	01:30- 02:30	Lunch
01:30- 02:30	Lunch	02:00- 03:00	Lunch	02:00-03:30	Presentation by leading NBFCs on support programs for MSMEs
02:30-03:30	Reimagining Digital Commerce- Presentation by ONDC	03:00-04:00	Easing Regulatory compliances	03-30-05:00	Digital lending for MSMEs
03:30-04:30	Invoice Factoring- Presentation by TReDS platform aggregators	04:00-04:45	M&E Framework/MIS Reporting		
04:30-05:30	Industry & Demonstration Session by E-marketplaces	04:45-05:30	Policy Advocacy & Government Engagement		

Day 4		Day 5	
Time	Session	Time	Session
10:00 -11:00	Building an inclusive and sustainable MSME ecosystem,	10:00 -11:30	Open House Discussion with Sector experts/ industry stalwarts/policy experts/ industrial associations
11:00-12:00	Adopting energy efficient measures in MSME's	11:30-12:30	Showcase of Inter State Leading Practices
01:30- 02:30	Lunch	12:30- 01:00	Pilot use cases with Govt Department
02:30- 03:30	Support programmes for Women MSMEs	01:00- 02:00	Lunch
03:30- 04:30	Fireside chat with Women Entrepreneurs	02:00- 05:00	Sector Presentation
04:30-05:30	Transitioning Industrial Clusters to Net Zero	0:00-05:30	Valedictory/closure event

Figure 167: Training Schedule for the 5-day residential training program

The training schedule as well as the modules for the training sessions will be customized and tailored as per the need of the officer/official. The cost for the advanced management development program per year is estimated at INR 3.14 crore. The total cost during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 6.29 crore and shall be supported by Government of India under the RAMP scheme. The details of the capacity building workshop is given in the Table 102 below.

Table 102: Details of the advance management development program

SN	Number of Days	No of Officials	No of Batches	Target Beneficiaries	Cost per Official	Cost per year (INR crore)	Total Cost in four years (INR crore)
1	5 days for 1 st and 2 nd year	185 officers/ officials	~ 12 (each batch comprising of 15 officials)	Senior Officials - Secretary/ MD/ Director/JD /	1,00,000	1,85,00,000	3,70,00,000

SN	Number of Days	No of Officials	No of Batches	Target Beneficiaries	Cost per Official	Cost per year (INR crore)	Total Cost in four years (INR crore)
2	3 days for 3 rd and 4 th years		~ 12 (each batch comprising of 15 officials)	Additional Director) and Mid-Level - (Asst. Directors, AGM's, Superintendents, Statistical officers)	70,000	1,29,50,000	2,59,00,000
Total						3,14,00,000	6,29,00,000

II. Executive Development Program

The '**Executive Development Program**' would be designed to enhance the skills, knowledge, capacities, and capabilities of senior, mid-level, and executive level officers/officials within the Directorate of MSME/DIC level. These programs would be specifically tailored to meet the unique needs and requirements of the officers in their day-to-day activities. The goal of this training program is to cultivate and refine the leadership abilities of officers/officials, equipping them with the necessary tools and insights to excel in their roles. The program would ideally focus on enhancing the technical & soft skills of the officers/officials. The **One-day training program would be carried out at regular intervals on need basis and would enable and support 331 officers/officials (senior, mid-level & executive level) in the Department.**

The training program would comprise of the following two key modules mentioned below:

- Module 1:** Would aim at delivering knowledge and skills to the participants, such as organization management, leadership abilities, decision making, problem solving, account/operations management, single window operations, co-ordination skills, grievance mechanisms, access to dashboards, MIS, report writing, data management, presentation skills, team building, communication skills, adaptability skills, etc.
- Module 2:** Modules/ training sessions would be curated on sensitizing the officers/officials on the MSME support programmes, various central/state government policies and schemes viz. MSME Champions, SAMADHAAN, TReDS, E-Commerce platforms such as ONDC, public procurement platforms such as GeM, Quality control standards including ZED, Lean and CGTMSE, greening MSMEs, women support programmes, etc.



The two modules would be organized on a need basis in the form of sessions, workshops, seminars etc. and will be conducted by subject matter experts, external trainers/ consultants, industry stalwarts, etc.

Program Schedule

The tentative/illustrative schedule for conducting one day executive training program is shown below.

One Day Executive Development Program	
Time	Session
10:00 -10.15	Introduction
10.15- 11:15	Organization management, leadership skills single window operations, accounts/operation management
11:15-12:15	Grievance redressal & query mechanism, MIS reporting
12.15-01.15	Data tools, report writing and presentation skills
01:15- 02:00	Lunch
02:00-03:30	MSME Champions, SAMADHAAN, TReDS E-Commerce platforms- ONDC, GEM , ZED & Lean CGTMSE, MSE-CDP, etc.
03:30-05:00	Women Support programmes

Figure 168: One day Executive Development Program

The one-day training schedule will be customized and tailored as per the need of the officer/official. The cost for the advanced management development program per year is estimated at INR 33.10 lakh. The total cost during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 1.32 Crore and shall be supported by Government of India under the RAMP scheme. The details of the capacity building workshop is given in the Table 103 below.

Table 103: Costing for MSME ecosystem capacity building workshop

SN	Number of Days	No of Officials	Target Beneficiaries	Cost per Official	Cost per year (INR)	Total Cost for four years (INR)
1	1 day	331 officers/ officials	Secretary/MD/ Director/JD/ Additional Director) and Mid-Level - (Asst. Directors, AGM's, Superintends, Statistical officers etc.)	10,000	33,10,000	1,32,40,000

III. Know your MSME Ecosystem

The Directorate of MSME in order to ensure active participation from all State Government Departments and PSEs in strengthening and nourishing the MSME ecosystem would design capacity building workshop for 1000 state government officials in collaboration with external agencies/empaneled private & public training institutions for officials from State Government Departments and PSEs in the State. The Directorate of MSME, Government of Karnataka being the nodal Department for MSMEs in the State, would conduct a one-day physical capacity building workshop on the MSME ecosystem of Karnataka and India. The objective of this workshop would be to sensitize the State Government Department officials on the drivers, challenges, and pillars of the MSME ecosystem in the state, in the country and around the globe. This is an important step towards supporting the initiative for encouraging and nourishing Startups and for promoting AatmaNirbhar Bharat.



Through this workshop, the Directorate of MSME intends to initiate cross learning with line departments that would enable officials to develop a comprehensive understanding of the MSME ecosystem. This in turn would help enhance the services provided to the entrepreneurs. This understanding is crucial as it would help the officials recognize the interdependencies and interconnectedness of various functions, enabling them to make informed decisions and foster better collaboration and communication and gain insights into the processes, challenges, and priorities of different departments. This in turn would facilitate a smoother coordination mechanism amongst line departments catering to the MSME sector.

The cost for conducting the capacity building workshops per year is estimated at INR 33 lakhs. The total cost for conducting capacity building workshops during the RAMP program implementation period (FY 2023-24- FY 2026-27) is estimated at INR 1.32 crore and shall be supported by Government of India under the RAMP scheme. The details of the Know Your MSME Ecosystem capacity building workshop is given in the Table 104 below.

Table 104: Costing for Ecosystem capacity building workshop.

Target Beneficiaries	Number of Workshops per year	Cost per Workshop	Total Cost per year (INR lakh)	Total Cost for 4 years (INR)
<ul style="list-style-type: none"> Secretary/MD/ Director/JD/ Additional Director) Mid-Level - (Asst. Directors, AGM's, Superintends, Statistical officers etc.) Administration level - (Manager/ Engineers/Extension/Field Officers, FDA's, SDA's) 	33 (batch of 30 officials)	1,00,000	33,00,000	1,32,00,000

Program Schedule

The tentative/ illustrative program schedule of the Know Your MSME Ecosystem capacity building workshop is given below.

Agenda: Know your MSME Ecosystem		
Time	Session	Participating Departments
09:05 -9.30	Welcome Address	<ol style="list-style-type: none"> 1. Labour Department 2. Karnataka State Rural Livelihood Mission 3. Skill Development Entrepreneurship and Livelihood Dept, GoK 4. Karnataka State Women Development Corporation 5. Department of Agriculture 6. Department of Horticulture & Sericulture 7. Karnataka Skill Development Corporation (KSDC) 8. Department of Industrial Training and Employment 9. Karnataka German Technical Training Institute (KGTTI) 10. Department of Social Welfare, Minority Welfare 11. Backward Classes Welfare and Tribal Welfare, GoK 12. Department of Tourism 13. Health & Family Welfare Dept.
09:05 -9.30	Policy and Regulatory Environment, MSME ecosystem in Karnataka & National and Global Best Practice	
09.30- 10:30	MSME schemes and programs MSME Champions, SAMADHAAN, TReDS, ZED & Lean, CGTMSE	
10.30-11.30	Session by subject experts on- E-Commerce platforms- ONDC, GEM, TReDS including pilot projects with Government Departments	
11.30-12.00	Funding Options for MSMEs	
12.00-01.00	Fireside chat- Inspiring Innovation & Entrepreneurship, Role of GoK	
01:00- 01:45	Lunch	
01:45-03:30	Towards Competitiveness & Better Value Proposition: Product Development (Go-to-Market), Quality Certifications Marketing & Digital Marketing- Brand building approaches	
03:30-05:30	Interactive cross learning session with Government officials on on updates on current policies/procedures/amendments for supporting MSME ecosystem	

Figure 169: Program Schedule for Know your MSME.

The above programs under the respective modules and the activities mentioned would be set within the context of the Directorate of MSME and with other line departments. The key activities would include the following:

- Recruitment of manpower by assessing the vacant posts.
- Selecting/prioritizing the training topics and scope for each staff-member/officer pertaining to their respective grade/position.
- Development of training outputs and expected outcomes.
- Development of modes of training.
- Design training/communications material viz. training manuals, handouts, reference materials etc.
- Preparation of modules/ schedule of the training programmes.
- Design of training programmes- selection/empanelment of training institutions.
- Design of training feedback/ evaluation forms/assessment tools such as self-review questions, certifications etc.
- Empanelment/ hiring of consultants/agencies to impart regular training.

09

Budget Estimates & SIP Summary Tables



9. Karnataka SIP Summary

9.1. Snapshot of SIP Summary

Table 105: Total Budgetary Outlay under SIP (in INR cr.)

SN	Main Interventions Under SIP [including MOMSME and State schemes – including convergence of schemes]	Total Budgetary Outlay (INR crore)	Convergence of existing scheme financing (INR Crore)	Gap financing required through RAMP Program
	Competitiveness Support			
	ZED Scheme			
a	Appointment of Consultant (ZED scheme)	14.11		
b	Awareness program (ZED Scheme)	2.96		
c	Capacity building program (ZED scheme)	0.40		
	LEAN scheme			
a	Training program (LEAN Scheme)	0.40		
b	Appointment of consultant (Lean Scheme)	8.46		
c	Lean awareness workshop (Lean Scheme)	2.96		
	Incubation scheme			
a	Awareness workshop (Incubation scheme)	2.80		
b	Collaboration with industrial bodies (Incubation scheme)	2.48		
	IPR scheme			
a	Training program for official on IPR	0.40		
b	Awareness workshop on IPR	2.48		
	Design Scheme			

SN	Main Interventions Under SIP [including MOMSME and State schemes – including convergence of schemes]	Total Budgetary Outlay (INR crore)	Convergence of existing scheme financing (INR Crore)	Gap financing required through RAMP Program
a	Strengthening of State Design Clinics	2		
b	Awareness workshop	2.48		
c	Design Festival	9		
d	Exposure visit	1.50		
	Digital scheme			
a	Training program on official on Digital	0.40		
b	Awareness workshop for MSMEs	2.48		
Leveraging existing private and public service providers for business and technical services to MSMEs				
a	Periodic Meets & Knowledge Sessions	2.48		
Identification of the potential pool of anchor buyers to partner with on supplier development programmes, to enhance MSME competitiveness				
a	Digital Directory District wise	3.10		
b	Regional Vendor Meets	0.96		
c	Collaboration with Business Development Organizations	2.48		
Market Access				
a	Brand Karnataka	155	31	
b	Awareness workshops for export promotion and facilitation	2.48		
c	Hiring of Technical consultant for preparation of Diagnostic Study Report district wise to enhance export concentration and diversification of export product basket	1.24		

SN	Main Interventions Under SIP [including MOMSME and State schemes – including convergence of schemes]	Total Budgetary Outlay (INR crore)	Convergence of existing scheme financing (INR Crore)	Gap financing required through RAMP Program
d	Market development assistance	12.60		
e	Export directory at district level	0.25		
Dispute Resolution for Delayed Payments				
a	Strengthening of technological infrastructure of MSEFCs to access ODR platforms	3.50		
b	Capacity building and upskilling of MSEFCs to effectively resolve delayed payment disputes through ODR	0.64		
c	Hiring of qualified and experienced neutrals to reduce time taken for resolution	8.40		
d	Increase in UDYAM registrations for increased access to SAMADHAAN portal	1.24		
e	Outreach programmes for MSMEs to increase awareness about legal recourses in case of delayed payments, filing of cases on SAMADHAAN portal, and regulatory framework	1.24		
f	Strengthening the MSEFCs with resources (Manpower support)	8.40		
Digitalization				
a	Leveraging existing digital platforms/e-marketplaces for digitalizing MSMEs	2.48		
b	Open Network for Digital Commerce (ONDC) Karnataka Elevate Program	2.60		
c	Cataloguing support for MSMEs on ONDC, 5000 per MSMEs	7.50		

SN	Main Interventions Under SIP [including MOMSME and State schemes – including convergence of schemes]	Total Budgetary Outlay (INR crore)	Convergence of existing scheme financing (INR Crore)	Gap financing required through RAMP Program
d	Trade Receivables Discounting System (TReDS) - Revolutionizing MSME Receivables	2.12		
e	Training, Capacity building for TReDS stakeholders (including SPUs, FIs, NBFCs, TReDS players)	4.96		
f	Onboarding Workshops with GeM	2.48		
Identification of potential Cluster level technical interventions				
a	Technology Clinics	4.96		
b	Institutional Strengthening and Capacity Building for Cluster Associations	2.48		
c	Establishing cluster linkages to connect with Business Service Providers	0.96		
d	Hiring of Technical consultant for preparation of Detailed Project Report (DPR) for Kalyana Karnataka Region	1.40		
Partnership with Financial Institutions (FIs) including on-boarding with TReDs				
	MSME Funding Melas	7.44		
	Institutional Strengthening of MSME Branches in the State	4.96		
	Financial Literacy Camp for MSMEs	4.96		
Strengthening markets for service provision to MSMEs in the State				
a	Hiring of technical consultant to assess the institutional gaps	13.23		
b	Entrepreneurship development program at division level- Residential training program	0.38		

SN	Main Interventions Under SIP [including MOMSME and State schemes – including convergence of schemes]	Total Budgetary Outlay (INR crore)	Convergence of existing scheme financing (INR Crore)	Gap financing required through RAMP Program
c	Entrepreneurship development program at division level- Exposure Visits to innovation hubs/centres in the country	1.13		
d	Entrepreneurship development program at division level- Exposure Visits to Global Innovation Hubs/Centres	2		
Women				
a	Incubation Program for Women owned/led Micro Enterprises beyond Bengaluru and Bengaluru	14.40		
b	Acceleration Program for Women owned/led Micro & Small Enterprises	13.60		
c	Capacity Development Program	0.60		
d	Karnataka Hackathon for Women Innovators	5		
Funding support to MSEs				
a	Elevate MSE	300	60	
b	Beyond Bengaluru fund	100	20	
Skilling				
a	Vocational Training Program for Micro Enterprises	55		
b	Imparting skill training in collaboration with Industries Associations and DIC's	0.43		
c	District-level Joint Awareness and Orientation Programs	0.31		
Sector specific Interventions				
a	Sector Symposiums	20		

SN	Main Interventions Under SIP [including MOMSME and State schemes – including convergence of schemes]	Total Budgetary Outlay (INR crore)	Convergence of existing scheme financing (INR Crore)	Gap financing required through RAMP Program
b	Upskilling/Re-skilling Courses for sectors at cluster level	1.74		
c	Exposure learning visit for sectors at cluster level	41.77		
d	MSME Conclave	20		
e	Accelerator Program for Sector-specific MSMEs	43.20		
f	Sector-Specific Skilling Program for the other core sectors	1.20		
g	Sector-Specific Exposure Visits for the other core sectors	8		
Enterprise Facilitation Network				
a	MSME Facilitation Desk	33.19		
b	Ask Industry Desk at local bodies	114.36		
c	MSME Expert Desk	7.44		
d	Project Management Unit	7.07		
Partnership and Outreach Strategy				
a	Onboarding a Consulting Firm for Preparation and Implementation of Branding, Partnership, Outreach and Communication Strategies	4		
b	Outreach and Partnership Development with Industry Associations, Anchor Firms and Financial Institutions	1.24		
c	Anchor Supplier Development Programs	3.72		
d	Women association workshop	1.24		
e	Workshops with Government agencies	2.48		

SN	Main Interventions Under SIP [including MOMSME and State schemes – including convergence of schemes]	Total Budgetary Outlay (INR crore)	Convergence of existing scheme financing (INR Crore)	Gap financing required through RAMP Program
f	Establishment of MSME Promotion Division under Department of MSME, Government of Karnataka	0.72		
	Workshop for SC ST entrepreneurs	1.24		
Strengthening State Portals and Integration with National portal				
a	API Integrations	3.40		
b	Portal Development	3.50		
c	MSME Dashboard Development	3		
d	Service Engineer/ maintenance cost	4.60		
e	Karnataka one stop B2B portal to boost MSME sector	0.50		
Strengthening M&E Framework for MSME Support				
a	Impact assessment study	1		
b	Technical expert SPIU	15.39		
Environmental and Social Management for MSME Support				
a	Green Index for State MSMEs	5		
b	Capacity building program for officials on ESM	0.28		
c	Outreach & Technical Assistance to MSMEs on Greening & ESM	2.96		
d	Outreach & Technical Assistance to MSMEs on Circular Economy	2.96		
Capacity Building of Key players to deliver on the MSME agenda, including coordination Mechanism				

SN	Main Interventions Under SIP [including MOMSME and State schemes – including convergence of schemes]	Total Budgetary Outlay (INR crore)	Convergence of existing scheme financing (INR Crore)	Gap financing required through RAMP Program
a	Advanced Management Development program	6.29		
b	Executive development program	1.32		
c	Know your MSME ecosystem	1.32		
Strengthening Coordination on MSME agenda in the State				
a	1 st State MSME Policy	1		
Infrastructure				
a	Strengthening of DICs	7.75		
Total		1187.58	111.00	
Administration Cost @ 15%		178.14		
GRAND TOTAL		1365.72	111.00	

9.2. Summary of Critical Actions to be supported Under SIP (Year 1-Year 4 of implementation period of SIP)

Table 106: Summary of Critical Actions to be supported under SIP (Year1-Year4 of implementation period of SIP)

SN	Particular	Name of scheme	Activities	Target Outputs and Outcomes			
				Year 1	Year 2	Year 3	Year 4
1	Competitiveness	ZED scheme	Appointment of consultants for handholding of ZED scheme	10-member consultant/ external agency would be onboarded for handholding support on ZED.			
			Creating Awareness across State in all districts along with all clusters	74	74	74	74
			Capacity building program for officers at Division levels	4	4	4	4
		Lean Scheme	Conducting training program	4	4	4	4

SN	Particular	Name of scheme	Activities	Target Outputs and Outcomes			
				Year 1	Year 2	Year 3	Year 4
			Appointment of consultants for handholding of LEAN Manufacturing scheme	6-member consultant/ external agency would be onboarded for handholding support on LEAN.			
			Awareness Program across state	74	74	74	74
		Incubation scheme	Strengthening Outreach and Awareness	70	70	70	70
			Collaboration with Industry bodies	62	62	62	62
		IPR Scheme	Conducting training program for officers in the state	4	4	4	4
			Awareness Workshop across state	62	62	62	62
		Design Scheme	Awareness program across state	62	62	62	62
			Design Festival	1	1	1	1
			Design Exposure Visits	5 officials and 25 MSMEs			
		Digital Scheme	Training program for officials	4	4	4	4
			Awareness program from across state	62	62	62	62
			Brand Karnataka	3875 MSMEs will be benefitted	3875 MSMEs will be benefitted	3875 MSMEs will be benefitted	3875 MSMEs will be benefitted
2	Market Access		Awareness Workshops for Export Promotion & Facilitation	62	62	62	62
			Hiring of Technical Consultant for preparation of Diagnostic Study Report district wise to enhance export concentration and diversification of export product basket	One time across 31 districts			

SN	Particular	Name of scheme	Activities	Target Outputs and Outcomes			
				Year 1	Year 2	Year 3	Year 4
			Marketing Development Assistance for MSMEs	50 MSMEs to be supported every year	50 MSMEs to be supported every year	50 MSMEs to be supported every year	50 MSMEs to be supported every year
3	Leveraging Private and Public Service Providers for Business and Technical Services to MSMEs		Periodic meets and knowledge transfer sessions	62	62	62	62
4	Anchor Supplier Development Programme		Conducting Vendor Meet	24	24	24	24
			Collaborate with business development organizations	62	62	62	62
5	Delayed Payments		Strengthening of technological infrastructure of MSEFCs to access ODR platforms	One-time financial assistance for upgradation of technological infrastructure across 35 MSEFCs in the State			
			Capacity building and upskilling of MSEFCs to effectively resolve delayed payment disputes through ODR	16	16	16	16
			Hiring of qualified and experienced neutrals	1 neutral per MSEFC (35 MSEFCs)			
			Increase in UDYAM registrations for increased access to SAMADHAAN portal	31	31	31	31
			Outreach programmes for MSMEs to increase awareness about legal recourses in case of delayed payments, filing of cases on SAMADHAAN portal, and regulatory framework	31	31	31	31

SN	Particular	Name of scheme	Activities	Target Outputs and Outcomes			
				Year 1	Year 2	Year 3	Year 4
6	Digitalization		Leveraging existing digital platforms/e-marketplaces for digitalizing MSMEs	62	62	62	62
			Open Network for Digital Commerce (ONDC) Karnataka Elevate Program	65	65	65	65
			Cataloguing Support for MSMEs onboarding on ONDC	3750 MSMEs will be supported	3750 MSMEs will be supported	3750 MSMEs will be supported	3750 MSMEs will be supported
			Sensitization workshops on Government e-Marketplace (GeM) for MSMEs	62	62	62	62
			Trade Receivables Discounting System (TReDS) - Revolutionizing MSME Receivables	53	53	53	53
			Training, Capacity building for TReDS Stakeholders (Including SPU, FIs, NBFCs, TReDS players)	124	124	124	124
7	Cluster level Technical Interventions		Technology Clinics	124	124	124	124
			Institutional Strengthening and capacity building for cluster associations	62	62	62	62
			Establishing cluster linkages to connect with Business Service Providers	24	24	24	24
		Identification of potential clusters in Kalyan Karnataka Region	Hiring of Technical consultant for preparation of Diagnostic Study Report followed by Detailed Project Report for Kalyan Karnataka Region	7 DPRs of 7 districts of KKR region			

SN	Particular	Name of scheme	Activities	Target Outputs and Outcomes			
				Year 1	Year 2	Year 3	Year 4
8	Partnership with Financial Institutions (FIs) including on-boarding with TReDs	Blueprint for Outreach, partnerships with Financial Institutions	MSME Funding Melas	186	186	186	186
			Institutional Strengthening of MSME Branches in the State	124	124	124	124
			Financial Literacy Camp for MSMEs	124	124	124	124
9	Strengthening markets for service provision to MSMEs	Capacity building of nodal technical institutions	Hiring of technical consultant to assess the institutional gaps	It will be done in 9 months			
			Entrepreneurship development program at division level				
			Residential training program	5 officials	5 officials	10 officials	5 officials
			Exposure visits for officials to renowned innovation hubs/centres in country	5 officials	5 officials	10 officials	5 officials
			Exposure visits for officials to global technology hubs	5 officials	5 officials	10 officials	5 officials
10	Support to Women-headed MSMEs	Enhance coverage under MSME Champions schemes	Incubation Program for Women owned/led Micro Enterprises	10 cohorts 200 women entrepreneurs will be benefitted	10 cohorts 200 women entrepreneurs will be benefitted	10 cohorts 200 women entrepreneurs will be benefitted	10 cohorts 200 women entrepreneurs will be benefitted

SN	Particular	Name of scheme	Activities	Target Outputs and Outcomes			
				Year 1	Year 2	Year 3	Year 4
			Acceleration Program for Women owned/led Micro & Small Enterprises	7 cohort 140 women MSEs	7 cohort 140 women MSEs	7 cohort 140 women MSEs	7 cohort 140 women MSEs
			Capacity Development Programs	15 workshops 750 women MSEs	15 workshops 750 women MSEs	15 workshops 750 women MSEs	15 workshops 750 women MSEs
			Karnataka Hackathon for Women Innovators	1	1	1	2
	Interventions and financing being converged under State interventions and allied Gol interventions						
11	Finance		Elevate MSE scheme	50 MSEs	50 MSEs	50 MSEs	50 MSEs
			Beyond Bengaluru MSE Fund	50 MSEs	50 MSEs	50 MSEs	50 MSEs
12	Skills Development		Vocational Training Program for Micro Enterprises	50000	50000	50000	50000
			Imparting skill training in collaboration with Industries Associations and DIC's	31	31	31	31
			District-level Joint Awareness and Orientation Programs	43	43	43	43
13	Branding and Communication Strategy	Covered under the section: Partnership and Outreach Strategy					
14	Sector specific interventions		Sector symposium	2 sectors	2 sectors	3 sectors	2 sectors
			Sector specific cluster interventions				
			Upskilling/Re-skilling Courses -1173 MSMEs Units	293	293	293	294

SN	Particular	Name of scheme	Activities	Target Outputs and Outcomes			
				Year 1	Year 2	Year 3	Year 4
			Exposure learning visit - 1173 MSMEs Units	293	293	293	294
		MSME Conclave		1 per 2 years		1 per 2 years	
		Accelerator Program for Sector-specific MSMEs	Accelerator program proposed across the 9 focus sectors	108 cohorts 2160 MSMEs will be benefitted	108 cohorts 2160 MSMEs will be benefitted	108 cohorts 2160 MSMEs will be benefitted	108 cohorts 2160 MSMEs will be benefitted
		Sector-Specific Skilling Program	Across 4 sectors	200 MSMEs will be benefitted	200 MSMEs will be benefitted	200 MSMEs will be benefitted	200 MSMEs will be benefitted
		Sector-Specific Exposure Visits	Across 4 sectors	50 MSMEs will be benefitted	50 MSMEs will be benefitted	50 MSMEs will be benefitted	50 MSMEs will be benefitted
15	Establishing this Enterprise Facilitation Network		MSME Facilitation desk at taluk level	56 Taluk resource person	57 Taluk resource person	57 Taluk resource person	57 Taluk resource person
			Ask Industry Desks at local body level	238 young professionals	238 young professionals	238 young professionals	239 young professionals
			MSME expert desk	62 experts across districts (on case to case basis)	62 experts across districts (on case to case basis)	62 experts across districts (on case to case basis)	62 experts across districts (on case to case basis)
			Program management unit (for 4 years)	5 resources	5 resources	5 resources	5 resources
	Partnership and Outreach Strategy						
16	Onboarding a Consulting Firm (For 4 years)			5 resources	5 resources	5 resources	5 resources
	Outreach and partnership development		Outreach and Partnership Development with Industry Associations	31	31	31	31

SN	Particular	Name of scheme	Activities	Target Outputs and Outcomes			
				Year 1	Year 2	Year 3	Year 4
			Anchor Supplier Development Programs (ASDP)	93	93	93	93
		Focused outreach strategy to reach women headed MSMEs	Specific Campaigns	31	31	31	31
			Associations				
			Government Agencies				
			Specific KPI				
		Focused outreach strategy to reach SC/ST women headed MSMEs		31	31	31	31
		Partnerships with other Government Departments, Boards and Corporations, Institutions for identification and mobilization of MSMEs	One day workshop with Government Agencies	62	62	62	62
	Establishment of MSME Promotion Division under Department of MSME, Government of Karnataka	Hiring an IEC expert	1 IEC expert				
Strengthening Capacity for Development and Delivery of MSME Support Programme							
17		Environmental and Social Management	Capacity building program for officials on ESM	7	7	7	7

SN	Particular	Name of scheme	Activities	Target Outputs and Outcomes			
				Year 1	Year 2	Year 3	Year 4
			Outreach & Technical Assistance to MSMEs on Greening & ESM	74	74	74	74
			Outreach & Technical Assistance to MSMEs on Circular Economy	74	74	74	74
18		Strengthening Coordination on MSME agenda in the State	1 st State MSME Policy	Consultants will be hired for preparation of State MSME Policy			
19		Capacity Building of Key players to deliver on the MSME agenda	Training and capacity building of staff				
			Advanced Management Development program for 185 officials	12 batches of 15 officials each	12 batches of 15 officials each	12 batches of 15 officials each	12 batches of 15 officials each
			Executive Development Program for officials	331	331	331	331
			Know your MSME Ecosystem workshop	1000 officials	1000 officials	1000 officials	1000 officials
20	Strengthening M&E Framework for MSME Support						
			Impact Assessment Study	1	1	1	1
			SPIU	9 (full time) + 10 5 (sector experts)	11 (full time) + 5 (sector experts)	12 (full time) + 5 (sector experts)	13 (full time) + 5 (sector experts)

9.3. Summary of Results Targeted

Table 107: Summary of Results Targeted

SN	Indicator	Baseline	Year 1	Year 2	Year 3	Year 4
1	Number of MSMEs completing bronze level under ZED	~ 500	4500	11250	15750	13500
	(Of which women-headed)		900	2250	3150	2700
2	Number of MSMEs accessing credit under CGTMSE for RECP/Greening investments	10689	705	1762	2468	2115
3	Number of women headed MSMEs accessing credit under CGTMSE		45	112	158	135
4	Number of MSMEs initiated a case for Online Dispute Resolution through SAMADHAAN Portal and direct referrals by State Facilitation Councils (SFCs).	2281 (contributing to 3.4 % as of July 2023)	375	937	1313	1125
5	Number of MSMEs completing silver level under ZED	6	675	1687	2363	2025
6	Number of MSMEs completing gold level under ZED	9			337	338
7	Number of MSMEs completing Lean		60	150	210	180
8	Number of MSMEs on-boarded onto TReDS platform.	4200	1500	3750	5250	4500
	(Of which women headed)		300	750	1050	900
9	Number of MSME delayed payments cases resolved by ODR through the SAMADHAAN Portal	2281 (contributing to 3.4 % as of July 2023)	375	937	1313	1125

SN	Indicator	Baseline	Year 1	Year 2	Year 3	Year 4
10	Training and capacity building of State Industries Department and DICs for outreach and implementation support of MSME Program	Proportion of staff trained.	31	82	115	102

09

Annexure



10. Annexure

10.1. Annexure 1: Karnataka MSME Market Study Questionnaire

**Government of Karnataka
Department of Industries and Commerce
Market Study for MSMEs located in Karnataka for the Raising and Accelerating MSME
Performance (RAMP) scheme**

1.1.1. Survey Consent

SN	Consent	Options
1.	<p>This study is being conducted on behalf of Directorate of MSME, Department of Industries and Commerce, Government of Karnataka which aims to develop the State Strategic Investment Plan under the Raising and Accelerating MSME Performance (RAMP) - an evidence-based, holistic MSME-support Programme.</p> <p>We are conducting this survey for MSMEs located in districts across the State. The information provided by you will help us in improving various aspects of Karnataka's MSME State ecosystem and scale up the number of MSMEs in the State.</p> <p>However, all the information provided by you will remain confidential and your name will not be included in any documents or presentations at any stage of the study.</p> <p>Do you give your consent for this survey?</p>	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No

1.1.2. Profile of the Enterprise (MSME)

SN	Question	Response
1.	Name of the Respondent	_____
2.	Email- ID of the respondent	_____
3.	Contact Number of the respondent	_____
4.	Name of the Enterprise	_____
5.	Name of the District of the Enterprise	_____
6.	Address of the Enterprise	Address Line 1: _____ Address Line 2: _____ Street: _____ City/Town/Village: _____ Taluka: _____ District: _____ Pin Code: _____ State: _____
7.	Year of Establishment	_____
8.	Type of the Enterprise	<input type="checkbox"/> 1 = Micro (where the investment in Plant and Machinery or Equipment does not exceed 1 crore and turnover does not exceed 5 crore) <input type="checkbox"/> 2 = Small (where the investment in Plant and Machinery or Equipment does not exceed 10 crore rupees and turnover does not exceed 50 crore rupees) <input type="checkbox"/> 3 = Medium (where the investment in Plant and Machinery or Equipment does not exceed 50 crore rupees and turnover does not exceed 250 crore)
9.	Type of Constitution	<input type="checkbox"/> 1 = Sole Proprietorship <input type="checkbox"/> 2 = Partnership <input type="checkbox"/> 3 = Limited Liability Partnership <input type="checkbox"/> 4 = Public Limited company <input type="checkbox"/> 5 = Private Limited company <input type="checkbox"/> 6 = Co-operative Society <input type="checkbox"/> 7 = Others, please specify _____

SN	Question	Response								
10.	Age of Enterprise	<input type="checkbox"/> 1 = Less than 1 year <input type="checkbox"/> 2 = 1-5 years <input type="checkbox"/> 3 = 6-10 years <input type="checkbox"/> 4 = 11-25 years <input type="checkbox"/> 5 = More than 25 years								
11.	Social category	<input type="checkbox"/> 1 = General <input type="checkbox"/> 2 = SC <input type="checkbox"/> 3 = ST <input type="checkbox"/> 4 = OBC <input type="checkbox"/> 5 = Minority								
12.	Is the founder/promoter of the enterprise a woman	<input type="checkbox"/> 1 = Founder/Promoter <input type="checkbox"/> 2 = One of the Founder/Promoter <input type="checkbox"/> 3 = No								
13.	GST Registration No	_____								
14.	Udyam Registration Number	_____								
15.	Annual Turnover	<input type="checkbox"/> 1 = less than INR 25 Lakhs <input type="checkbox"/> 2 = >INR 25 Lakhs up to INR 1 Crore <input type="checkbox"/> 3 = > INR 1 Crore up to INR 5 Crore <input type="checkbox"/> 4 = >INR 5 Crore up to INR 10 Crore <input type="checkbox"/> 5 = >INR 10 Crore up to INR 50 Crore <input type="checkbox"/> 6 = >INR 50 Crore up to INR 250 Crore								
16.	Breakup of Total Sales	<table border="1"> <thead> <tr> <th></th><th>% Sales Breakup</th></tr> </thead> <tbody> <tr> <td>Domestic Sales</td><td></td></tr> <tr> <td>Export Sales, if applicable</td><td></td></tr> <tr> <td>Total</td><td>100%</td></tr> </tbody> </table>		% Sales Breakup	Domestic Sales		Export Sales, if applicable		Total	100%
	% Sales Breakup									
Domestic Sales										
Export Sales, if applicable										
Total	100%									
17.	Electric Power Connection Revenue Register (RR) No.	_____								
18.	Sanctioned Load	_____(HP)								

SN	Question	Response												
19.	Total Employees as on date	<input type="checkbox"/> 1 = 1 <input type="checkbox"/> 2 = 2-5 <input type="checkbox"/> 3 = 6-9 <input type="checkbox"/> 4 = 10-19 <input type="checkbox"/> 5 = 20-49 <input type="checkbox"/> 6 = 50-99 <input type="checkbox"/> 7 = 100-499 <input type="checkbox"/> 8 = above 500												
20.	Gender wise breakup of employees	<table border="1"> <thead> <tr> <th></th><th>Number of Employees</th><th>% Employee Breakup</th></tr> </thead> <tbody> <tr> <td>Male employees</td><td></td><td></td></tr> <tr> <td>Female employees</td><td></td><td></td></tr> <tr> <td>Total employees</td><td></td><td>100%</td></tr> </tbody> </table>		Number of Employees	% Employee Breakup	Male employees			Female employees			Total employees		100%
	Number of Employees	% Employee Breakup												
Male employees														
Female employees														
Total employees		100%												
21.	Type of Activity	<input type="checkbox"/> 1 = Manufacturing <input type="checkbox"/> 2 = Services, <i>if services please go to Question 22</i> <input type="checkbox"/> 3 = Trading												
22.	Type of Service	<input type="checkbox"/> 1 = Financial Services <input type="checkbox"/> 2 = Healthcare Services <input type="checkbox"/> 3 = Legal & Accounting Services <input type="checkbox"/> 4 = Real Estate <input type="checkbox"/> 5 = Research & Development <input type="checkbox"/> 6 = Others, please specify _____												
23.	Name of the Sector in which the enterprise does commercial activity in	<input type="checkbox"/> 1 = Aerospace & Defence <input type="checkbox"/> 2 = Agri based activities and machinery <input type="checkbox"/> 3 = Apparel & Leather Products <input type="checkbox"/> 4 = Automotive & Auto Components <input type="checkbox"/> 5 = Chemicals <input type="checkbox"/> 6 = Construction <input type="checkbox"/> 7 = Education <input type="checkbox"/> 8 = Energy (Petroleum, Natural Gas, Power Generation) <input type="checkbox"/> 9 = Food Processing												

SN	Question	Response
		<input type="checkbox"/> 10 = IT& ITeS <input type="checkbox"/> 11 = Jewellery <input type="checkbox"/> 12 = Logistics (Transport, Warehousing, Courier) <input type="checkbox"/> 13 = Machinery & Equipment <input type="checkbox"/> 14 = Metals & Fabricated Metals <input type="checkbox"/> 15 = Mining <input type="checkbox"/> 16 = Non-Metallic Mineral Products <input type="checkbox"/> 17 = Paper & Paper Allied Products <input type="checkbox"/> 18 = Pharmaceuticals & Medical Devices <input type="checkbox"/> 19 = Printing <input type="checkbox"/> 20 = Rubber & Plastic Products <input type="checkbox"/> 21 = Telecommunication <input type="checkbox"/> 22 = Textile <input type="checkbox"/> 23 = Tourism & Hospitality <input type="checkbox"/> 24 = Toys <input type="checkbox"/> 25 = Wood & Allied Products including Furniture <input type="checkbox"/> 26 = Others, please specify_____
24.	Type of products manufactured in the Sector	_____
25.	NIC 5-digit code	_____
26.	Is the enterprise engaged in exports	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <i>if yes go to Question 27 and 28</i>
27.	How are you exporting	<input type="checkbox"/> 1 = Direct <input type="checkbox"/> 2 = Third Party <input type="checkbox"/> 3 = Direct and Third Party
28.	Which are the markets/countries the products are exported to <i>(please select all that apply)</i>	<input type="checkbox"/> 1 = Australia <input type="checkbox"/> 2 = Bangladesh <input type="checkbox"/> 3 = Belgium <input type="checkbox"/> 4 = Brazil <input type="checkbox"/> 5 = China <input type="checkbox"/> 6 = East African Countries <input type="checkbox"/> 7 = France <input type="checkbox"/> 8 = Germany <input type="checkbox"/> 9 = Indonesia <input type="checkbox"/> 10 = Italy <input type="checkbox"/> 11 = Japan

SN	Question	Response																						
		<input type="checkbox"/> 12 = Jordan & Kuwait <input type="checkbox"/> 13 = Korea <input type="checkbox"/> 14 = Malaysia <input type="checkbox"/> 15 = Nepal <input type="checkbox"/> 16 = Netherlands <input type="checkbox"/> 17 = Oman <input type="checkbox"/> 18 = Singapore <input type="checkbox"/> 19 = South Africa <input type="checkbox"/> 20 = Spain <input type="checkbox"/> 21 = Sweden <input type="checkbox"/> 22 = Switzerland <input type="checkbox"/> 23 = Taiwan <input type="checkbox"/> 24 = Thailand <input type="checkbox"/> 25 = Turkey <input type="checkbox"/> 26 = UAE <input type="checkbox"/> 27 = United Kingdom <input type="checkbox"/> 28 = USA <input type="checkbox"/> 29 = Vietnam <input type="checkbox"/> 30 = Others, please specify_____																						
29.	Are you aware about Central Government Schemes for MSMEs (please select all that apply)	<table border="1"> <thead> <tr> <th></th><th>Tick</th></tr> </thead> <tbody> <tr> <td>Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)</td><td></td></tr> <tr> <td>Emergency Credit Line Guaranteed Scheme (ECLGS)</td><td></td></tr> <tr> <td>Prime Ministers Employment Generation Programme (PMEGP)</td><td></td></tr> <tr> <td>Credit Linked Capital Subsidy & Technology upgradation Scheme</td><td></td></tr> <tr> <td>Scheme of Fund for Regeneration of Traditional Industries (SFURTI)</td><td></td></tr> <tr> <td>Procurement and Marketing Support (PMS) scheme</td><td></td></tr> <tr> <td>Zero Defect Zero Effect (ZED)</td><td></td></tr> <tr> <td>Lean Manufacturing Competitiveness Scheme (LEAN)</td><td></td></tr> <tr> <td>Design Clinic for Design Expertise to MSMEs</td><td></td></tr> <tr> <td>Digital MSME</td><td></td></tr> </tbody> </table>		Tick	Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)		Emergency Credit Line Guaranteed Scheme (ECLGS)		Prime Ministers Employment Generation Programme (PMEGP)		Credit Linked Capital Subsidy & Technology upgradation Scheme		Scheme of Fund for Regeneration of Traditional Industries (SFURTI)		Procurement and Marketing Support (PMS) scheme		Zero Defect Zero Effect (ZED)		Lean Manufacturing Competitiveness Scheme (LEAN)		Design Clinic for Design Expertise to MSMEs		Digital MSME	
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Design Clinic for Design Expertise to MSMEs																								
Digital MSME																								

SN	Question	Response		
		Awareness on Intellectual Property Rights (IPR)		
30.	Please rate your experience in availing assistance under the Central schemes mentioned in Question 30 on a 2-point scale; where 2 = Good & 1 = Poor		Rating Scale	
			Ease in Applying	Documentation
				Time taken for Credit Disbursement
		Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)		
		Emergency Credit Line Guaranteed Scheme (ECLGS)		
		Prime Ministers Employment Generation Programme (PMEGP)		
		Credit Linked Capital Subsidy & Technology upgradation Scheme		
		Scheme of Fund for Regeneration of Traditional Industries (SFURTI)		
		Procurement and Marketing Support (PMS) scheme		
		Zero Defect Zero Effect (ZED)		
		Lean Manufacturing Competitiveness Scheme (LEAN)		

SN	Question	Response				
			Design Clinic for Design Expertise to MSMEs			
			Digital MSME			
			Awareness on Intellectual Property Rights (IPR)			
31.	What are the challenges faced by you in doing business (please select top 3 challenges on priority basis)	<div><input type="checkbox"/> 1 = Access to Market</div> <div><input type="checkbox"/> 2 = Access to Credit</div> <div><input type="checkbox"/> 3 = Access to Technology</div> <div><input type="checkbox"/> 4 = Access to Infrastructure (Hard Infrastructure- energy, water, roads, industrial land)</div> <div><input type="checkbox"/> 5 = Regulatory (Approvals & Clearances)</div> <div><input type="checkbox"/> 6 = Access to Skilled Manpower</div> <div><input type="checkbox"/> 7 = Access to Service Providers</div> <div><input type="checkbox"/> 8= Greening MSMEs</div> <div><input type="checkbox"/> 9= Delayed Payments</div> <div><input type="checkbox"/> 10 = Others, please specify_____</div>				

1.1.3. Main Challenges/Constraints faced by MSMEs:

This section will identify key constraints and challenges to MSME growth in the State including regulatory, access to market, access to credit, access to technology, greening MSMEs, access to infrastructure, access to skilled manpower, delayed payment and constraints faced by women headed MSMEs.

1.1.3.1. Access to Market

SL No	Question	Response						
32.	Are you registered on the Government e-Market Place (GeM Portal)	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <input type="checkbox"/> 3 = Not Aware						
33.	Are you registered on the Open Network Digital for Commerce (ONDC)	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <input type="checkbox"/> 3 = Not Aware						
34.	Are you empaneled with Original Equipment Manufacturer (OEMs)	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <i>if yes, please specify OEM Name(s)_____</i>						
35.	Please indicate how you reach your markets. Please also provide the breakup of sales among the options you select.	<table> <tr> <th></th><th>Tick</th><th>% of Sales</th></tr> <tr> <td>Selling Agents</td><td></td><td></td></tr> </table>		Tick	% of Sales	Selling Agents		
	Tick	% of Sales						
Selling Agents								

SL No	Question	Response																											
		<table border="1"> <tr> <td>e-commerce Marketplaces such as GeM, Open Network for Digital Commerce, Indiamart, Trademart, etc.</td><td></td><td></td></tr> <tr> <td>Participating in Trade fairs/exhibitions</td><td></td><td></td></tr> <tr> <td>Distributors</td><td></td><td></td></tr> <tr> <td>Retailers</td><td></td><td></td></tr> <tr> <td>Others, please specify</td><td></td><td></td></tr> <tr> <td>Total</td><td></td><td>100%</td></tr> </table>	e-commerce Marketplaces such as GeM, Open Network for Digital Commerce, Indiamart, Trademart, etc.			Participating in Trade fairs/exhibitions			Distributors			Retailers			Others, please specify			Total		100%									
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Distributors																													
Retailers																													
Others, please specify																													
Total		100%																											
36.	Please indicate which are the e-marketplaces you are registered on <i>(please mention up to 3)</i>	_____																											
37.	Please indicate your buyer profile. Please also provide the breakup of sales among the options you select.	<table border="1"> <thead> <tr> <th></th><th>Tick</th><th>% of Sales</th></tr> </thead> <tbody> <tr> <td>Retailers</td><td></td><td></td></tr> <tr> <td>Wholesalers</td><td></td><td></td></tr> <tr> <td>Government PSUs at central and state level</td><td></td><td></td></tr> <tr> <td>Buyers at trade fairs/ exhibitions</td><td></td><td></td></tr> <tr> <td>Online buyers</td><td></td><td></td></tr> <tr> <td>OEMs</td><td></td><td></td></tr> <tr> <td>Others, please specify</td><td></td><td></td></tr> <tr> <td>Total</td><td></td><td>100%</td></tr> </tbody> </table>		Tick	% of Sales	Retailers			Wholesalers			Government PSUs at central and state level			Buyers at trade fairs/ exhibitions			Online buyers			OEMs			Others, please specify			Total		100%
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OEMs																													
Others, please specify																													
Total		100%																											
38.	Please indicate how you promote your product. <i>(Please select all that apply)</i>	<input type="checkbox"/> 1 = Product catalogue / Marketing Brochures <input type="checkbox"/> 2 = Own Website <input type="checkbox"/> 3 = Third party website (Amazon, Indiamart.com, Trademart.com, etc.) <input type="checkbox"/> 4 = Sending emails / SMS to potential customers <input type="checkbox"/> 5 = Participating in trade fairs / exhibitions <input type="checkbox"/> 6 = Event sponsorship																											

SL No	Question	Response														
		<input type="checkbox"/> 7 = Others, please specify _____														
39.	Please provide information on the quality standard certification you have	<table border="1"> <thead> <tr> <th></th><th>Tick</th></tr> </thead> <tbody> <tr> <td>ISO 9001:2015</td><td></td></tr> <tr> <td>Zero-defect, Zero-effect (ZED) Certification (Gold)</td><td></td></tr> <tr> <td>Zero-defect, Zero-effect (ZED) Certification (Silver)</td><td></td></tr> <tr> <td>Zero-defect, Zero-effect (ZED) Certification (Bronze)</td><td></td></tr> </tbody> </table>		Tick	ISO 9001:2015		Zero-defect, Zero-effect (ZED) Certification (Gold)		Zero-defect, Zero-effect (ZED) Certification (Silver)		Zero-defect, Zero-effect (ZED) Certification (Bronze)					
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Zero-defect, Zero-effect (ZED) Certification (Silver)																
Zero-defect, Zero-effect (ZED) Certification (Bronze)																
40.	Please indicate if you have any other or sector specific quality standard certification apart from the ones mentioned in Question 39	_____														
41.	Please rate your awareness of the listed lean manufacturing techniques on a 2-point scale; where 2 = Aware & 1 = Not aware.	<table border="1"> <thead> <tr> <th></th><th>Rating</th></tr> </thead> <tbody> <tr> <td>Minimizing inventory (Just in time technique)</td><td></td></tr> <tr> <td>Equipment reliability (Total productive maintenance)</td><td></td></tr> <tr> <td>Eliminating waste through process and workplace redesigning (Cellular manufacturing)</td><td></td></tr> <tr> <td>Continuous improvement in quality (Total quality management)</td><td></td></tr> <tr> <td>Improvement in productivity through training etc.</td><td></td></tr> <tr> <td>Energy audits to improve energy efficiency</td><td></td></tr> </tbody> </table>		Rating	Minimizing inventory (Just in time technique)		Equipment reliability (Total productive maintenance)		Eliminating waste through process and workplace redesigning (Cellular manufacturing)		Continuous improvement in quality (Total quality management)		Improvement in productivity through training etc.		Energy audits to improve energy efficiency	
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Energy audits to improve energy efficiency																
42.	Have you availed marketing support under any Central Government scheme	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <i>if yes, please specify name of scheme(s) _____</i>														
43.	Have you availed marketing support under any State Government scheme or sector specific policy	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No														

SL No	Question	Response
		<i>if yes, please specify name of scheme/sector specific policy and name of the incentive_____</i>
44.	Please select the challenges pertaining to market access that you face (please select top 3 on priority basis)	<input type="checkbox"/> 1 = Lack of knowledge and awareness on potential markets <input type="checkbox"/> 2 = Limited adoption of quality control standards and certifications <input type="checkbox"/> 3 = High logistic cost and inability to procure raw material at competitive prices <input type="checkbox"/> 4 = Lack of awareness on digital marketing channels for brand promotion <input type="checkbox"/> 5 = Lack of expertise in product development, designing, packaging, and marketing strategy <input type="checkbox"/> 6 = Limited access to logistics and sales support, and information and communication technology (ICT) support <input type="checkbox"/> 7= Limited linkages with online marketplaces <input type="checkbox"/> 8 = Limited linkages with Public State Undertakings, Government Departments, Wholesalers, Retailers <input type="checkbox"/> 9 = Limited value chain linkages with clusters <input type="checkbox"/> 10 = Others, please specify_____

1.1.3.2. Access to Credit

SL No	Question	Response
45.	What is the source for raising capital?	<input type="checkbox"/> 1 = Equity (own funds, sourced from friends and family, etc.) <input type="checkbox"/> 2 = Debt (Banking & Non-Banking Financial Institutions), <i>if yes please Question 46</i> <input type="checkbox"/> 3 = Grant/Subsidy
46.	Source for debt funding	<input type="checkbox"/> 1 = Banks <input type="checkbox"/> 2 = Non-Banking Financial Companies <input type="checkbox"/> 3 = State Finance Corporations <input type="checkbox"/> 4 = Informal credit market (moneylenders) <input type="checkbox"/> 5 = Others, please specify_____
47.	What is the need for your financial requirement	<input type="checkbox"/> 1 = Expansion and Diversification <input type="checkbox"/> 2 = Adoption of technology including digitalization

SL No	Question	Response
		<input type="checkbox"/> 3 = Adoption of sustainability measures <input type="checkbox"/> 4 = Working Capital
48.	What is your financial requirement?	<input type="checkbox"/> 1 = Up to INR 5 lakhs <input type="checkbox"/> 2 = > INR 5 lakhs up to INR 25 lakhs <input type="checkbox"/> 3 = >INR 25 lakhs up to INR 50 lakhs <input type="checkbox"/> 4 = >INR 50 lakhs up to INR 1 crore <input type="checkbox"/> 5 = > INR 1 crore
49.	Have you availed credit or financial assistance under any Central Government scheme	<input type="checkbox"/> 1 = Yes, <i>if yes please go to Question 50</i> <input type="checkbox"/> 2 = No, <i>if not please go to Question 51</i>
50.	Under which Central Government scheme have you availed credit or financial assistance (<i>please select all that apply</i>)	<input type="checkbox"/> 1 = Mudra Loan <input type="checkbox"/> 2 = Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) <input type="checkbox"/> 3 = Emergency Credit Line Guaranteed Scheme (ECLGS) <input type="checkbox"/> 4 = Prime Ministers Employment Generation Programme (PMEGP) <input type="checkbox"/> 5 = Credit Linked Capital Subsidy & Technology upgradation Scheme <input type="checkbox"/> 6 = Others, please specify_____
51.	Why couldn't you avail credit under the Central Government scheme	_____
52.	Have you availed incentives and concessions under the Karnataka Industrial Policy or any other sector specific policy	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No, <i>if no, please go to Question 53</i> <i>If yes, please state the name of the Policy and incentive/concession_____</i>
53.	Why couldn't you avail incentives and concessions under the Karnataka Industrial Policy or any other sector specific policy	_____
54.	Have you availed credit under the Chief Minister Employment Generation scheme	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <i>If no, please go to Question 55</i>

SL No	Question	Response
55.	Why couldn't you avail credit under the Chief Minister Employment Generation scheme	_____
56.	Are you aware about the Trade Receivables electronic Discounting System (TReDS) platform sent by Government of India <i>(to facilitate the discounting of trade receivables of MSMEs from corporate buyers through invoice discounting by multiple financiers)</i>	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No
57.	Are your buyers registered on TReDS platform <i>(please select all that apply)</i>	<input type="checkbox"/> 1 = Yes, if yes go to Question 58 <input type="checkbox"/> 2 = <50% of the buyers <input type="checkbox"/> 3 = >50% of the buyers <input type="checkbox"/> 4 = No <input type="checkbox"/> 5 = Not aware
58.	On which of the four operating TReDS platforms in India, is your buyer registered	<input type="checkbox"/> 1 = M1xchange <input type="checkbox"/> 2 = RXIL <input type="checkbox"/> 3 = Invoicemart <input type="checkbox"/> 4 = C2FO
59.	What are the challenges you face in raising capital <i>(please select top 3 on priority basis)</i>	<input type="checkbox"/> 1 = Limited availability of working capital products <input type="checkbox"/> 2 = Requirement of collateral for MSME loans <input type="checkbox"/> 3 = Lack of credit availability with Non-Banking Financial Corporations (NBFCs) <input type="checkbox"/> 4 = Stringent due-diligence processes and evaluation criteria/credit ratings <input type="checkbox"/> 5 = Cumbersome, unclear, and complex documentation <input type="checkbox"/> 6 = Higher borrowing cost and interest rates from informal sources <input type="checkbox"/> 7 = Buyer not registered on the three operating TReDS platform for invoice discounting <input type="checkbox"/> 8 = Others, please specify_____

1.1.3.3. Access to Technology

SL No	Question	Response																		
60.	Have you availed credit/financial assistance under Credit Linked Capital Subsidy & Technology upgradation Scheme	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No, <i>if not please go to Question 61</i> <input type="checkbox"/> 3 = Not aware																		
61.	Why couldn't you avail credit/financial assistance under Credit Linked Capital Subsidy & Technology upgradation Scheme	_____																		
62.	For manufacturing units- Please indicate the type of technology being used at your plant/unit	<input type="checkbox"/> 1 = Computerized machines <input type="checkbox"/> 2 = Manual machines <input type="checkbox"/> 3 = Domestic machinery <input type="checkbox"/> 4 = Imported machinery <input type="checkbox"/> 5 = Others, please specify _____																		
63.	Please rate your awareness of the listed Industry 4.0 technologies on a 2-point scale: where 2= Aware & 1 = Not aware	<table border="1"> <thead> <tr> <th></th><th>Rating</th></tr> </thead> <tbody> <tr> <td>Automation</td><td></td></tr> <tr> <td>3D Printing</td><td></td></tr> <tr> <td>Additive Manufacturing</td><td></td></tr> <tr> <td>Virtual and Augmented Reality</td><td></td></tr> <tr> <td>Internet of Things</td><td></td></tr> <tr> <td>Robotics</td><td></td></tr> <tr> <td>Blockchain</td><td></td></tr> <tr> <td>Robotics</td><td></td></tr> </tbody> </table>		Rating	Automation		3D Printing		Additive Manufacturing		Virtual and Augmented Reality		Internet of Things		Robotics		Blockchain		Robotics	
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Blockchain																				
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64.	Are you implementing any of the industry 4.0 technologies (<i>technologies such as automation, 3D printing, additive manufacturing, artificial intelligence, virtual and augmented reality, the internet of things and next-generation robotics, blockchain, etc.</i>)	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <input type="checkbox"/> 3 = Not Applicable <i>If yes, please specify which technology _____</i>																		
65.	Please select the challenges pertaining to access to technology that you face (<i>please select top 3 on priority basis</i>)	<input type="checkbox"/> 1 = Lack of confidence to adopt innovative technologies <input type="checkbox"/> 2 = Lack of knowledge and awareness of sector specific and digital technologies for production <input type="checkbox"/> 3 = Lack of capital for adoption of innovative technologies <input type="checkbox"/> 4 = Lack of knowledge and awareness on green and climate friendly technologies and benefits for adoption of green & energy efficiency technologies																		

SL No	Question	Response
		<input type="checkbox"/> 5 = Lack of technical skilled manpower <input type="checkbox"/> 6 = Limited linkages of MSMEs with R&D labs and centres, academia for technology transfer and access <input type="checkbox"/> 7 = Others, please specify_____

1.1.3.4. Access to Infrastructure

SL No	Question	Response																		
66.	Land Agency	<div><input type="checkbox"/> 1 = Plot on Industrial Area of Karnataka Industrial Area Development Board (KIADB)</div> <div><input type="checkbox"/> 2 = Plot/shed on Industrial Estate of Karnataka State Small Industries Development Corporation Limited</div> <div><input type="checkbox"/> 3 = Special Economic Zone</div> <div><input type="checkbox"/> 4 = Private Industrial Park</div> <div><input type="checkbox"/> 5 = Karnataka State Electronics Development Corporation Limited (KEONICS)</div> <div><input type="checkbox"/> 6 = Agriculture land converted to non-agriculture land</div>																		
67.	Land Type	<div><input type="checkbox"/> 1 = Own/Lease building</div> <div><input type="checkbox"/> 2 = Rented building</div>																		
68.	Please rate the available basic industrial infrastructure available on KIADB Industrial Areas <i>on a 5-point scale; where 5 = Excellent, 4=Very Good, 3=Average,2= Poor & 1 = Very poor</i>	<table><tr><td></td><td>Rating Scale</td></tr><tr><td>Roads (Approach and Internal roads)</td><td></td></tr><tr><td>Drainage</td><td></td></tr><tr><td>Supply of Electricity (express feeders, transformers, poles, conductors)</td><td></td></tr><tr><td>Water supply</td><td></td></tr><tr><td>Common Effluent Treatment Plant/Sewage Treatment Plant</td><td></td></tr><tr><td>Technical and R&D centres</td><td></td></tr><tr><td>Internet Connectivity</td><td></td></tr><tr><td>Common Facility Centres</td><td></td></tr></table>		Rating Scale	Roads (Approach and Internal roads)		Drainage		Supply of Electricity (express feeders, transformers, poles, conductors)		Water supply		Common Effluent Treatment Plant/Sewage Treatment Plant		Technical and R&D centres		Internet Connectivity		Common Facility Centres	
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Internet Connectivity																				
Common Facility Centres																				

SL No	Question	Response																		
69.	Please rate the available basic industrial infrastructure available on KSSIDC Industrial Estates <i>on a 5-point scale; where 5 = Excellent, 4=Very Good, 3=Average,2= Poor & 1 = Very poor</i>	<table><tr><th></th><th>Rating Scale</th></tr><tr><td>Roads (Approach and Internal roads)</td><td></td></tr><tr><td>Drainage</td><td></td></tr><tr><td>Supply of Electricity (express feeders, transformers, poles, conductors)</td><td></td></tr><tr><td>Water supply</td><td></td></tr><tr><td>Common Effluent Treatment Plant/Sewage Treatment Plant</td><td></td></tr><tr><td>Technical and R&D centres</td><td></td></tr><tr><td>Internet Connectivity</td><td></td></tr><tr><td>Common Facility Centres</td><td></td></tr></table>		Rating Scale	Roads (Approach and Internal roads)		Drainage		Supply of Electricity (express feeders, transformers, poles, conductors)		Water supply		Common Effluent Treatment Plant/Sewage Treatment Plant		Technical and R&D centres		Internet Connectivity		Common Facility Centres	
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Common Effluent Treatment Plant/Sewage Treatment Plant																				
Technical and R&D centres																				
Internet Connectivity																				
Common Facility Centres																				
70.	What are the challenges that you face regarding availability of infrastructure (please select top 3 on priority basis)	<div><input type="checkbox"/> 1 = Limited availability of serviced industrial land and core public infrastructure accessed by MSMEs - power, water, roads, common facility centres</div> <div><input type="checkbox"/> 2 = Limited availability of infrastructure provided through third party providers (such as warehousing, cold chains, transportation)</div> <div><input type="checkbox"/> 3 = Limited availability of soft infrastructure such as laboratory facilities and inspection capacity; quality testing facilities</div> <div><input type="checkbox"/> 4 = Lack of infrastructure facilities at affordable cost</div> <div><input type="checkbox"/> 5 = Others, please specify _____</div>																		

1.1.3.5. Regulatory Constraints

SL No	Question	Response
71.	Are you aware about the Udyam Registration Portal for MSMEs	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <input type="checkbox"/> 3 = Not aware
72.	Are you registered on the Udyam Registration Portal for MSMEs	<input type="checkbox"/> 1 = Yes

SL No	Question	Response								
		<input type="checkbox"/> 2 = No <i>If no, why aren't you registered on the Udyam Portal for MSMEs, please specify_____</i>								
73.	Are you aware about Udyam Assist Platform (UAP), to assist MSMEs to register on Udyam Portal	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <input type="checkbox"/> 3 = Not aware								
74.	Are you filing the application for various departmental approvals/clearances for your unit through the single window mechanism called 'e-udyami' facilitated by Karnataka Udyog Mitra, Government of Karnataka (please select all that apply)	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <input type="checkbox"/> 3 = Not aware about the single window mechanism								
75.	If not single window Please provide information on the mode of mechanism adopted by you for attaining various departmental approvals/clearances for your unit	<table border="1"> <tr> <td></td><td></td></tr> <tr> <td>Approximate number of departments / agencies at the state level from which clearances were taken</td><td> <input type="checkbox"/> 1-5 <input type="checkbox"/> >5 up to 10 <input type="checkbox"/> >10 </td></tr> <tr> <td>Approximate number of forms to be filled for clearances</td><td> <input type="checkbox"/> 1-5 <input type="checkbox"/> >5 up to 10 <input type="checkbox"/> >10 </td></tr> <tr> <td>Approximate number of days taken for approval</td><td> <input type="checkbox"/> up to 2 weeks <input type="checkbox"/> > 2 weeks up to 4 weeks <input type="checkbox"/> 3 = > 4 weeks up to 6 weeks <input type="checkbox"/> 4 = > 6 weeks up to 8 weeks <input type="checkbox"/> 5 = > 8 weeks </td></tr> </table>			Approximate number of departments / agencies at the state level from which clearances were taken	<input type="checkbox"/> 1-5 <input type="checkbox"/> >5 up to 10 <input type="checkbox"/> >10	Approximate number of forms to be filled for clearances	<input type="checkbox"/> 1-5 <input type="checkbox"/> >5 up to 10 <input type="checkbox"/> >10	Approximate number of days taken for approval	<input type="checkbox"/> up to 2 weeks <input type="checkbox"/> > 2 weeks up to 4 weeks <input type="checkbox"/> 3 = > 4 weeks up to 6 weeks <input type="checkbox"/> 4 = > 6 weeks up to 8 weeks <input type="checkbox"/> 5 = > 8 weeks
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76.	Please provide information on the single window mechanism	<table border="1"> <tr> <td></td><td></td></tr> <tr> <td>Have you utilised the common application form facility under single window clearance mechanism</td><td> <input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No </td></tr> </table>			Have you utilised the common application form facility under single window clearance mechanism	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No				
Have you utilised the common application form facility under single window clearance mechanism	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No									

SL No	Question	Response						
		<table border="1"> <tr> <td>Approximate number of departments / agencies at the state level from which clearances were taken under single window mechanism</td><td> <input type="checkbox"/> 1-5 <input type="checkbox"/> >5 up to 10 <input type="checkbox"/> >10 </td></tr> <tr> <td>Approximate number of forms to be filled for clearances</td><td> <input type="checkbox"/> 1-5 <input type="checkbox"/> >5 up to 10 <input type="checkbox"/> >10 </td></tr> <tr> <td>Approximate number of days taken for approval through the single window clearance mechanism in the state</td><td> <input type="checkbox"/> up to 2 weeks <input type="checkbox"/> > 2 weeks up to 4 weeks <input type="checkbox"/> 3 = > 4 weeks up to 6 weeks <input type="checkbox"/> 4 = > 6 weeks up to 8 weeks <input type="checkbox"/> 5 = > 8 weeks </td></tr> </table>	Approximate number of departments / agencies at the state level from which clearances were taken under single window mechanism	<input type="checkbox"/> 1-5 <input type="checkbox"/> >5 up to 10 <input type="checkbox"/> >10	Approximate number of forms to be filled for clearances	<input type="checkbox"/> 1-5 <input type="checkbox"/> >5 up to 10 <input type="checkbox"/> >10	Approximate number of days taken for approval through the single window clearance mechanism in the state	<input type="checkbox"/> up to 2 weeks <input type="checkbox"/> > 2 weeks up to 4 weeks <input type="checkbox"/> 3 = > 4 weeks up to 6 weeks <input type="checkbox"/> 4 = > 6 weeks up to 8 weeks <input type="checkbox"/> 5 = > 8 weeks
Approximate number of departments / agencies at the state level from which clearances were taken under single window mechanism	<input type="checkbox"/> 1-5 <input type="checkbox"/> >5 up to 10 <input type="checkbox"/> >10							
Approximate number of forms to be filled for clearances	<input type="checkbox"/> 1-5 <input type="checkbox"/> >5 up to 10 <input type="checkbox"/> >10							
Approximate number of days taken for approval through the single window clearance mechanism in the state	<input type="checkbox"/> up to 2 weeks <input type="checkbox"/> > 2 weeks up to 4 weeks <input type="checkbox"/> 3 = > 4 weeks up to 6 weeks <input type="checkbox"/> 4 = > 6 weeks up to 8 weeks <input type="checkbox"/> 5 = > 8 weeks							
77.	Please select the approvals / clearances / acts applicable for your unit	<input type="checkbox"/> 1 = Trade License/ No Objection Certificate (NOC) from Urban Local Body/Gram Panchayat <input type="checkbox"/> 2 = The Karnataka Shops & Commercial Establishments Act 1961 <input type="checkbox"/> 3 = The Factories Act 1948 <input type="checkbox"/> 4 = Consent for Establishment- Karnataka State Pollution Control Board <input type="checkbox"/> 5 = Consent for Operation- Karnataka State Pollution Control Board <input type="checkbox"/> 6 = Building Plan Approval <input type="checkbox"/> 7 = Provisional Fire No-Objection Certificate (NOC) <input type="checkbox"/> 8 = The Contract Labour (Regulations & Abolition) Act 1970 <input type="checkbox"/> 9 = The Payment of Wages Act, 1936 <input type="checkbox"/> 10 = The Minimum Wages Act 1948 <input type="checkbox"/> 11 = Other, please specify_____						
78.	Please rate your overall experience of the Single Window	<table border="1"> <tr> <td></td><td>Rating</td></tr> </table>		Rating				
	Rating							

SL No	Question	Response	
	Clearance Mechanism in the state on a 5-point scale; where 5 = Strongly agree; 4=agree; 3= satisfactory; 2= disagree & 1 = strongly disagree	Time taken for application processing / providing clearances through the Single Window Clearance Mechanism is reasonable	
		Forms / information pertaining to availing the services of the Single Window Clearance Mechanism is easily available	
		Forms to be filled for availing the services of the Single Window Clearance Mechanism are simple and self-explanatory	
		Number of departments visited for obtaining approvals / clearances is not too many	
		Number of visits to various departments for obtaining approvals / clearances is not too many	
79.	What are the regulatory challenges you face in doing business (please select top 3 on priority basis)	<div><input type="checkbox"/> 1 = Time-consuming procedures pertaining to application submission, payments, inspections, final approval certificates</div> <div><input type="checkbox"/> 2 = Lack of information and guidance available at Department level to meet compliance requirements</div> <div><input type="checkbox"/> 3 = Forms to be filled for availing / renewal of license is cumbersome and complicated</div> <div><input type="checkbox"/> 4 = Multiple inter-departmental/intra-departmental coordination for approvals</div> <div><input type="checkbox"/> 5 = Others, please specify_____</div>	

1.1.3.6. Access to Skilled Manpower

SL No	Question	Response																								
80.	Are you aware about the digital job portal MSME SAMPARK	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No																								
81.	What is the breakup of full time and contract employees? Please also provide the split between skilled and unskilled employees for part time and full-time employees.	<table border="1"> <thead> <tr> <th></th><th>No of Employees</th><th>Skilled (%)</th><th>Unskilled/ Manual (%)</th></tr> </thead> <tbody> <tr> <td>Permanent Staff</td><td></td><td></td><td></td></tr> <tr> <td>Contract Employees</td><td></td><td></td><td></td></tr> <tr> <td>Total</td><td></td><td>100%</td><td></td></tr> </tbody> </table> <p>Note:</p> <p>Skilled: As per ILO, skills refer to the relevant knowledge and experience needed to perform a specific task or job and /or the product of education, training, and experience which, together with relevant know-how, are the characteristics of technical knowledge</p> <p>Low skilled: As per ILO engaged in “simple and routine tasks which require the use of hand-held tools and often some physical effort”¹³³</p>		No of Employees	Skilled (%)	Unskilled/ Manual (%)	Permanent Staff				Contract Employees				Total		100%									
	No of Employees	Skilled (%)	Unskilled/ Manual (%)																							
Permanent Staff																										
Contract Employees																										
Total		100%																								
82.	What is the breakup of full-time employees, division wise?	<table border="1"> <thead> <tr> <th></th><th>Number of Employees</th><th>%</th></tr> </thead> <tbody> <tr> <td>Top Management</td><td></td><td></td></tr> <tr> <td>Production</td><td></td><td></td></tr> <tr> <td>Finance</td><td></td><td></td></tr> <tr> <td>Marketing/Merchandising</td><td></td><td></td></tr> <tr> <td>HR / Admin</td><td></td><td></td></tr> <tr> <td>Support/Others</td><td></td><td></td></tr> <tr> <td>Total</td><td></td><td>100%</td></tr> </tbody> </table>		Number of Employees	%	Top Management			Production			Finance			Marketing/Merchandising			HR / Admin			Support/Others			Total		100%
	Number of Employees	%																								
Top Management																										
Production																										
Finance																										
Marketing/Merchandising																										
HR / Admin																										
Support/Others																										
Total		100%																								
83.	Educational qualification of full-time employees. (Please provide broad estimates)	<table border="1"> <thead> <tr> <th></th><th>Number of Employees</th><th>%</th></tr> </thead> <tbody> <tr> <td>Class 10th & below</td><td></td><td></td></tr> <tr> <td>Class 12th & below</td><td></td><td></td></tr> <tr> <td>Diploma</td><td></td><td></td></tr> </tbody> </table>		Number of Employees	%	Class 10 th & below			Class 12 th & below			Diploma														
	Number of Employees	%																								
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Diploma																										

¹³³ https://www.ilo.org/global/topics/labour-migration/WCMS_830770/lang--en/index.htm

SL No	Question	Response																														
		<table border="1"> <tr> <td>ITI or other vocational course</td><td></td><td></td></tr> <tr> <td>Graduates</td><td></td><td></td></tr> <tr> <td>Postgraduate</td><td></td><td></td></tr> <tr> <td>PhD/Professional degrees</td><td></td><td></td></tr> <tr> <td>Total number of employees</td><td></td><td>100%</td></tr> </table>	ITI or other vocational course			Graduates			Postgraduate			PhD/Professional degrees			Total number of employees		100%															
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Graduates																																
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PhD/Professional degrees																																
Total number of employees		100%																														
84.	Skill level break up of full-time employees	<table border="1"> <tr> <th></th><th>Top Management/Owner</th><th>Middle Management</th><th>Supervisor</th><th>Worker</th></tr> <tr> <td>Basic</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Aware</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Knowledgeable</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Expert</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Total</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr> </table>		Top Management/Owner	Middle Management	Supervisor	Worker	Basic					Aware					Knowledgeable					Expert					Total	100%	100%	100%	100%
	Top Management/Owner	Middle Management	Supervisor	Worker																												
Basic																																
Aware																																
Knowledgeable																																
Expert																																
Total	100%	100%	100%	100%																												
85.	For manufacturing units- Please rate the available skill level of your employees for the listed operations on a 2-point scale; where 2 = sufficient & 1 = Insufficient	<table border="1"> <tr> <th></th><th>Rating Value</th></tr> <tr> <td>Process planning</td><td></td></tr> <tr> <td>Production planning</td><td></td></tr> <tr> <td>Scheduling</td><td></td></tr> <tr> <td>Inventory management</td><td></td></tr> <tr> <td>Marketing</td><td></td></tr> <tr> <td>Quality checking</td><td></td></tr> <tr> <td>Packaging</td><td></td></tr> </table>		Rating Value	Process planning		Production planning		Scheduling		Inventory management		Marketing		Quality checking		Packaging															
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Process planning																																
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86.	Please rate the available soft skill level of your employees on a 2-point scale; where 2 = sufficient & 1 = Insufficient	<table border="1"> <tr> <th></th><th>Rating Value</th></tr> <tr> <td>Communication skills</td><td></td></tr> <tr> <td>Leadership skills</td><td></td></tr> <tr> <td>Team development and motivation skills</td><td></td></tr> <tr> <td>Time management</td><td></td></tr> </table>		Rating Value	Communication skills		Leadership skills		Team development and motivation skills		Time management																					
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SL No	Question	Response						
		<table><tr><td>Critical thinking</td><td></td></tr><tr><td>Adaptability</td><td></td></tr><tr><td>Problem-solving</td><td></td></tr></table>	Critical thinking		Adaptability		Problem-solving	
Critical thinking								
Adaptability								
Problem-solving								
87.	What are the main reasons for your employees lacking skills? (Please select top 3 on priority basis)	<div><input type="checkbox"/> 1 = Lack of knowledge and awareness on new-age sector skills</div> <div><input type="checkbox"/> 2 = Lack of knowledge on entrepreneurial development programs, domain- specific training programs and re-skilling/up-skilling programs</div> <div><input type="checkbox"/> 3 = Lack of formal qualification</div> <div><input type="checkbox"/> 4 = Lack of willingness from employee to learn</div> <div><input type="checkbox"/> 5 = Lack of capital or incentives for MSMEs to train workers or invest in skill development</div> <div><input type="checkbox"/> 7 = Limited linkages between District Industry Centres, Industrial Training Institutes (ITIs), Sector Skill Council and Industrial Clusters</div> <div><input type="checkbox"/> 8 = Limited availability of skilling infrastructure i.e., Technology Centres, ITIs</div> <div><input type="checkbox"/> 9 = Lack of awareness on online skilling platforms</div> <div><input type="checkbox"/> 10 = Others, please specify _____</div>						

1.1.3.7. Access to Service Providers

SL No	Question	Response				
88.	Have you undertaken any business development services	<input type="checkbox"/> 1 = Financial services <input type="checkbox"/> 2 = Legal services <input type="checkbox"/> 3 = Market services <input type="checkbox"/> 4 = Technology Services <input type="checkbox"/> 5 = Others, please specify_____				
89.	From where you have availed business development services	<input type="checkbox"/> 1 = District Industry Centres <input type="checkbox"/> 2 = Common Facility Centres <input type="checkbox"/> 3 = Private <input type="checkbox"/> 4 = Others, please specify_____				
90.	Please rate your experience of availing business development services <i>on a 5-point scale; where 5 = Excellent, 4=Very Good, 3=Average,2= Poor & 1 = Very poor</i>	<table><tr><td></td><td>Rating Scale</td></tr><tr><td>District Industry Centres</td><td></td></tr></table>		Rating Scale	District Industry Centres	
	Rating Scale					
District Industry Centres						

SL No	Question	Response	
		Common Facility Centres	
		Private	
		Others, please specify_____	
91.	What are the challenges that you face regarding access to service providers (please select top 3 on priority basis)	<div><input type="checkbox"/> 1 = Limited availability of business service providers at district level- (CA, technical consultants)</div> <div><input type="checkbox"/> 2 = Lack of information and awareness on the availability of technical and business service provisions.</div> <div><input type="checkbox"/> 3 = Limited linkages with private technical and business service providers</div> <div><input type="checkbox"/> 4 = Limited value chain linkages with clusters</div> <div><input type="checkbox"/> 5 = Non availability of a state level one stop business portal providing B2B and B2G platform for all the services required by MSMEs (online selling, catalogue of products, consultant to be hire, central schemes)</div> <div><input type="checkbox"/> 6 = Others, please specify _____</div>	

1.1.3.8. Greening MSMEs

SL No	Question	Response
92.	Have you availed credit/ financial assistance under Centre scheme for adopting sustainable practices	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <i>If yes, please specify under which scheme_____</i> <i>If no, please specify why couldn't you avail financial assistance under Centre scheme_____</i>
93.	Have you availed credit/ financial assistance under State scheme/sector specific policy for adopting sustainable practices	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <i>If yes, please specify under which scheme/policy and please provide name of the incentive/concession_____</i> <i>If no, please specify why couldn't you avail financial assistance under State scheme/policy_____</i>
94.	Are you using green energy sources such as (solar, hydro, wind, geothermal, etc.)	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No

SL No	Question	Response
		<input type="checkbox"/> 3 = Not aware
95.	Do you conduct energy audits to improve energy efficiency	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <input type="checkbox"/> 3 = Not aware
96.	What is your perception towards adopting sustainability practices such as resource efficient and cleaner production techniques	<input type="checkbox"/> 1 = Implementing sustainability practices <input type="checkbox"/> 2 = Aware <input type="checkbox"/> 3 = Willing to adopt sustainability practices <input type="checkbox"/> 4 = Not planning to adopt sustainability practices <input type="checkbox"/> 5 = Not aware
97.	Are you aware of benefits/ opportunities from implementing? sustainability measures	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <input type="checkbox"/> 3 = Not aware
98.	What are your priorities for adopting sustainability practices (please select top 3 on priority basis)	<input type="checkbox"/> 1 = Social responsibility <input type="checkbox"/> 2 = Compliance to Environmental Social and Governance (ESG) requirement <input type="checkbox"/> 3 = Business profitability <input type="checkbox"/> 4 = Conscious of environment <input type="checkbox"/> 5 = Others, please specify _____
99.	Are you implementing sustainability measures as part of your business strategy	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No
100.	How are you implementing sustainability measures as part of your business strategy (Please select all that apply)	<input type="checkbox"/> 1 = Always pays taxes on a regular and continuing basis <input type="checkbox"/> 2 = Complies with legal regulations completely and promptly <input type="checkbox"/> 3 = Targets sustainable growth which considers the future generations <input type="checkbox"/> 4 = Makes investments to create a better life for future generations <input type="checkbox"/> 5 = Participates in activities to protect and improve the environment

SL No	Question	Response
		<input type="checkbox"/> 6 = Implements special programs to minimize its negative impact on the environment
101.	Do you have the relevant expertise to implement sustainability measures	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No
102.	Do you require Government support to implement sustainability measures	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No
103.	Do you measure the quantity (consumed or released) of the following by your business (electricity, water, dry and wet waste, emissions, etc.)	<input type="checkbox"/> 1 = Always <input type="checkbox"/> 2 = Often <input type="checkbox"/> 3 = Rarely <input type="checkbox"/> 4 = Sometimes
104.	What percentage of your total consumption of water is recycled/ recovered	<input type="checkbox"/> 1 = <10% <input type="checkbox"/> 2 = 11-25% <input type="checkbox"/> 3 = 26%-50% <input type="checkbox"/> 4 = 51-75% <input type="checkbox"/> 5 = >75%
105.	What percentage of your total consumption of heat is recycled/ recovered	<input type="checkbox"/> 1 = <10% <input type="checkbox"/> 2 = 11-25% <input type="checkbox"/> 3 = 26%-50% <input type="checkbox"/> 4 = 51-75% <input type="checkbox"/> 5 = >75%
106.	What percentage of your total consumption of raw materials is recycled/ recovered	<input type="checkbox"/> 1 = <10% <input type="checkbox"/> 2 = 11-25% <input type="checkbox"/> 3 = 26%-50% <input type="checkbox"/> 4 = 51-75% <input type="checkbox"/> 5 = >75%
107.	Are you aware regarding green finance instruments with financial institutions, NBFCs, Fin tech companies, etc.	<input type="checkbox"/> 1 = Fully aware <input type="checkbox"/> 2 = Have already availed green finance <input type="checkbox"/> 3 = Partially aware <input type="checkbox"/> 4 = Unaware

SL No	Question	Response
108.	What are the challenges that you face in implementing sustainable practice (please select top 3 on priority basis)	<input type="checkbox"/> 1 = Lack of awareness and knowledge on use and benefits on sustainable practices <input type="checkbox"/> 2 = Availability of technical know how <input type="checkbox"/> 3 = Lack of capital and awareness on green financing instruments <input type="checkbox"/> 4 = Others, please specify_____

1.1.3.9. Delayed Payments

SL No	Question	Response
109.	Do you have any pending payments, if yes, who are the buyers	<input type="checkbox"/> 1 = Central Public Sector Enterprises (CPSEs) <input type="checkbox"/> 2 = State Public Sector Enterprises (SPSEs) <input type="checkbox"/> 3= Private <input type="checkbox"/> 4= Others, please specify_____
110.	Are you aware about the Government MSME Samadhaan Portal <i>(where a MSME can file a case in instances of delayed or non-payment of dues from buyer/customer)</i>	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No
111.	Have you filed an application/case regarding delayed payments online on the MSME Samadhaan Portal.	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <input type="checkbox"/> if yes go to Question 112
112.	Has your application/case been resolved through the Micro Small Enterprise Facilitation Council (MSEFC)	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <input type="checkbox"/> if yes go to Question 113 and 114
113.	How many days did it take for the case of delayed payment to be resolved through the Micro Small Enterprise Facilitation Council (MSEFC)	<input type="checkbox"/> 1 = less than 60 days <input type="checkbox"/> 2 = between 60 and 90 days <input type="checkbox"/> 3 = between 90 and 120 days <input type="checkbox"/> 4 = more than 120 days
114.	How many hearings did it take for the case of delayed payment to be resolved through the Micro Small Enterprise Facilitation Council (MSEFC)	<input type="checkbox"/> 1 = 1-3 <input type="checkbox"/> 2 = 4-7 <input type="checkbox"/> 3 = >7
115.	Do you think more powers should be vested to MSEFC to be an effective mechanism for resolution of delayed payments	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No

SL No	Question	Response
116.	Have you filed an application/case regarding delayed payments through Online Dispute Resolution platform.	<input type="checkbox"/> 1 = Yes <input type="checkbox"/> 2 = No <input type="checkbox"/> if yes go to Question 112
117.	What are the challenges you face in case of delayed payments (please select top 3 on priority basis)	<input type="checkbox"/> 1 = Lack of awareness and information about an institutional mechanism for online resolution in instances of delayed or non-payment of dues, such as MSME Samadhaan Portal <input type="checkbox"/> 2 = Existing mechanisms are cumbersome, expensive, ineffective, and slow <input type="checkbox"/> 3 = Lack of appropriate documentation to file a case <input type="checkbox"/> 4 = Fear of losing the potential buyer after filing case for delayed payment <input type="checkbox"/> 5 = Others, please specify_____

***** TERMINATE THE SURVEY*****

10.2. Annexure 2: Sector-specific cluster interventions cost breakup**a) Upskilling/Re-skilling for cluster units under MSE-CDP**

Sector	Proposed Intervention	Event partner	No. of hours per course					Estimated Budget			
			Details	Theory (hours)	Practicals (hours)	On the job training (hours)	Overall duration (hours)	Cost per hour per course (INR)	No. of Clusters	No. of Units in the clusters combined	Cost for all clusters combined per course (INR)
i	ii	iii	iv	v	vi	vii	viii= (v+vi+vii)	ix	x	xi	xii= (viii* ix* xi)
Textiles Apparel and Leather	Upskilling/ Re-skilling Courses	Directorate of MSME in association with KSDC at ITIs	Course on: • Product Design and Development; OR • Advanced Manufacturing Systems OR • Basic Design and Additive Manufacturing	90	120	60	270	55	3	150+ 150 +138= 438	65,04,300

Sector	Proposed Intervention	Event partner	No. of hours per course					Estimated Budget			
			Details	Theory (hours)	Practical's (hours)	On the job training (hours)	Overall duration (hours)	Cost per hour per course (INR)	No. of Clusters	No. of Units in the clusters combined	Cost for all clusters combined per course (INR)
i	ii	iii	iv	v	vi	vii	viii= (v+vi+vii)	ix	x	xi	xii= (viii* ix* xi)
Food Processing	Upskilling/Re-skilling Courses	Directorate of MSME in association with KSDC at ITIs	Course on: •Manufacturing Process Control and Automation ; OR • Industrial Robotics & Digital Manufacturing OR Advanced Manufacturing	90	120	60	270	55	3	25+37+67=129	19,15,650

Sector	Proposed Intervention	Event partner	No. of hours per course					Estimated Budget			
			Details	Theory (hours)	Practical's (hours)	On the job training (hours)	Overall duration (hours)	Cost per hour per course (INR)	No. of Clusters	No. of Units in the clusters combined	Cost for all clusters combined per course (INR)
i	ii	iii	iv	v	vi	vii	viii= (v+vi+vii)	ix	x	xi	xii= (viii* ix* xi)
Automotive Auto-component and Electric Vehicles (EV)s	Upskilling/ Re-skilling Courses	Directorate of MSME in association with KSDC at ITIs	Course on: • Advanced Automobile Engineering OR • Battery Electric Vehicle OR • Automobile Maintenance, Repair and Overhaul	90	120	60	270	55	3	35+250+193=478	70,98,300

Sector	Proposed Intervention	Event partner	No. of hours per course					Estimated Budget			
			Details	Theory (hours)	Practical's (hours)	On the job training (hours)	Overall duration (hours)	Cost per hour per course (INR)	No. of Clusters	No. of Units in the clusters combined	Cost for all clusters combined per course (INR)
i	ii	iii	iv	v	vi	vii	viii= (v+vi+vii)	ix	x	xi	xii= (viii* ix* xi)
Machine ry	Upskilling/Re-skilling Courses	Directorate of MSME in association with KSDC at ITIs	Course on: •Advanced Manufacturing OR • Process Control and Automation OR • Advanced Computer Aided Machining	90	120	60	270	55	1	100	14,85,000

Sector	Proposed Intervention	Event partner	No. of hours per course					Estimated Budget			
			Details	Theory (hours)	Practical's (hours)	On the job training (hours)	Overall duration (hours)	Cost per hour per course (INR)	No. of Clusters	No. of Units in the clusters combined	Cost for all clusters combined per course (INR)
i	ii	iii	iv	v	vi	vii	viii= (v+vi+vii)	ix	x	xi	xii= (viii* ix* xi)
Electronics	Upskilling/Re-skilling Courses	Directorate of MSME in	Course on: •Computer Aided	90	120	60	270	55	1	28	4,15,800

Sector	Proposed Intervention	Event partner	No. of hours per course					Estimated Budget			
			Details	Theory (hours)	Practical's (hours)	On the job training (hours)	Overall duration (hours)	Cost per hour per course (INR)	No. of Clusters	No. of Units in the clusters combined	Cost for all clusters combined per course (INR)
i	ii	iii	iv	v	vi	vii	viii= (v+vi+vii)	ix	x	xi	xii= (viii* ix* xi)
		association with KSDC at ITIs	Manufacturing (CAM) OR • Basic Design and Additive Manufacturing OR • Industrial Robotics & Digital Manufacturing								

b) Exposure Learning for MSME cluster units under MSE-CDP programmes

Sector	Proposed Intervention	Event Partner	Details	Duration of visit	No. of visits	No. of Clusters	No. of Units in the clusters combined	Estimated Budget	
								Cost per visit (in INR)	Overall Cost per Cluster (in INR)
i	ii	iii	iv	v	vi	vii	viii	ix	$x = (vi \times viii \times ix)$
Textiles, Apparel and Leather	Exposure Learning Visit	Directorate of MSME, District Industries Centers (DIC)s and Textile Industrial Associations	Within State visit	1 day	2	3	150+ 150 +138= 438	50,000	4,38,00,000
			Outside State visit	2 days	2			1,50,000	13,14,00,000

Sector	Proposed Intervention	Event Partner	Details	Duration of visit	No. of visits	No. of Clusters	No. of Units in the clusters combined	Estimated Budget	
								Cost per visit (in INR)	Overall Cost per Cluster (in INR)
i	ii	iii	iv	v	vi	vii	viii	ix	$x = (vi \times viii \times ix)$
Automotive, Auto component and Electric Vehicles (EV)s	Exposure Learning Visit	Directorate of MSME, District Industries Centers (DIC)s and Textile	Within State visit	1 day	2	3	35+250+193= 478	50,000	4,78,00,000
			Outside State visit	2 days	2			1,50,000	14,34,00,000

Sector	Proposed Intervention	Event Partner	Details	Duration of visit	No. of visits	No. of Clusters	No. of Units in the clusters combined	Estimated Budget	
								Cost per visit (in INR)	Overall Cost per Cluster (in INR)
		Industrial Associations							

Sector	Proposed Intervention	Event Partner	Details	Duration of visit	No. of visits	No. of Clusters	No. of Units in the clusters combined	Estimated Budget	
								Cost per visit (in INR)	Overall Cost per Cluster (in INR)
i	ii	iii	iv	v	vi	vii	viii	ix	x= (vi*viii*ix)
Machinery	Exposure Learning Visit	Directorate of MSME, District Industries Centers (DIC)s and Textile Industrial Associations	Within State visit	1 day	2	1	100	50,000	1,00,00,000
			Outside State visit	2 days	2			1,50,000	3,00,00,000

Sector	Proposed Intervention	Event Partner	Details	Duration of visit	No. of visits	No. of Clusters	No. of Units in the clusters combined	Estimated Budget	
								Cost per visit (in INR)	Overall Cost per Cluster (in INR)
i	ii	iii	iv	v	vi	vii	viii	ix	x= (vi*viii*ix)
Electronics	Exposure Learning Visit	Directorate of MSME, District Industries Centers (DIC)s and Textile Industrial Associations	Within State visit	1 day	2	1	28	50,000	28,00,000
			Outside State visit	2 days	2			1,50,000	84,00,000

10.3. Annexure 3: Monitoring & Evaluation Templates/Formats

i. Awareness Programmes/Workshops conducted for MSMEs related to ZED Certification: State: ____: Year: ____

RAMP: Awareness Programmes/Workshops conducted for MSMEs related to ZED Certification: State: ____: Year: ____															
S.NO	District	Type of MSME : Micro/ Small/ Medium	Number of MSME registered on UDYAM Micro/Small/Medium	Awareness			Awareness			Awareness			Awareness		
				Programmes / Workshops to be conducted : Target as per SIP (Total Plan for 4 years)			Programmes / Workshops to be conducted: Target as per SIP (2023-24)			Programmes / Workshops conducted (Achievement: During current Year)			Programmes / Workshops conducted (Achievement: Cumulative)		
				Webinar/Face to Face			Webinar/Face to Face			Webinar/Face to Face			Webinar/Face to Face		
				Number of Programmes/Workshops to be conducted : Webinar/Face to Face	Number of MSMEs to be participated	Allocation Required (Rs in lakhs)	Number of Programmes/Workshops to be conducted : Webinar/Face to Face	Number of MSMEs to be participated	Allocation Required (Rs. In lakhs)	Number of Programmes/Workshops Conducted : Webinar/Face to Face	Number of MSMEs participated	Actual Expenditure (Rs. In lakhs)	Number of Programmes/Workshops Conducted : Webinar/Face to Face	Number of MSMEs participated	Actual Expenditure (Rs. In lakhs)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Total															

ii. **Firms benefiting from Graduation (MSME Champions Scheme: Bronze/Silver/Gold): Rs in lakhs: State: ____: Year: ____ Month: ____**

RAMP: Firms benefiting from Graduation (MSME Champions Scheme: Bronze/Silver/Gold): Rs in lakhs: State: ----Year:----Month:--																			
Sr.No .	Manufa cturing/ Service	Sector	Type of MSME Micro/S mall/Me dium	Number of MSME register ed on UDYAM :	Men/Wom en Headed/S C/ST/Aspir ational Districts	Type of certifica tion Bronze/ Silver/G olds	Target as per SIP (Total) (Total Plan for 4 years)			Target (for 2023-24)**			Achivement (During 2023-24) **			Achivement (Cumulative)			Remark s
							Phy (No.of MSMEs)	Financial (Rs.in lakhs)		Phy (No.of MSMEs)	Financial (Rs.in lakhs)		Phy (No.of MSMEs)	Financial (Rs.in lakhs)		Phy (No.of MSMEs)	Financial (Rs.in lakhs)		
								Total cost of Certifica tion	Subsidy portion		Total cost	Subsidy portion		Total cost	Subsidy portion		Total cost	Subsidy portion	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Total																			

iii. **Training of State Government Industrial Department officials conducted for ZED Certification: State: ____: Year: ____**

RAMP:Training of State Government Industrial Department officials conducted for ZED Certification: State: ____: Year :____													
S.NO.	District	Training of State Govt.Industrial Department officials to be conducted: Target as per SIP (Total)			Training of State Govt.Industrial Department officials to be conducted: Target as per SIP (FOR 2023-24)			Training of State Govt.Industrial Department officials to be conducted (Achivement :During current Year)			Training of State Govt.Industrial Department officials conducted (Achivement:Cumulative)		
		Virtual/Face to face			Virtual/Face to face			Virtual/Face to face			Virtual/Face to face		
		Number of training programs to be conducted	Number of officials to be Participated	Allocation Required (Rs in lakhs)	Number of training programs to be conducted	Number of officials to be Participated	Allocation Required (Rs in lakhs)	Number of training programs conducted	Number of officials Participated	Actual Expenditure(Rs in lakhs)	Number of training programs conducted	Number of officials Participated.	Actual Expenditure (Rs in lakhs)
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Total													

iv. **Impact of Awareness programme: MSME wise details: State: ____ : Year: ____**

RAMP: Impact of Awareness programme :MSME wise details: State: ----Year:----										
Sr. No.	District	Name of MSME	UDYAM Registration number	Address	Manufacturing/Service	Sector	Type of MSME Micro/Small/Medium	Men/Women Headed/SC/ST/Aspirational Districts	Date of attending Awareness program	Date of registration for Bronze/Silver/Gold
1	2	3	4	5	6	7	8	9	10	11

v. **Impact of ZED Certification: State: ____ : Year: ____**

RAMP: Impact of ZED Certification :: State: ----Year:----															
Sr.No.	District	Manufacturing /Service	Sector	Type of MSME Micro/Small/Medium	Men/Women Headed/SC/ST/Aspirational Districts	No. of ZED Certified MSMEs: Silver/Gold	ZED Completion Month/Year	Productivity before ZED (Unit:Kg/month/Number per Month)	Productivity After ZED (Unit:Kg/month/Number per Month)	Wastage before ZED (Unit:Kg/month)	Wastage After ZED (Unit:Kg/month)	Profit before ZED (Unit:Rupees per Month)	Profit After ZED (Unit:Rupees per Month)	Production cost before ZED (Unit:Rs. Per unit OR per Kg)	Production cost After ZED (Unit:Rs. Per unit OR per Kg)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Total															

10.4. Annexure 4: Citizen Charter



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[Citizencharter.pdf \(karnataka.gov.in\)](#)



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