



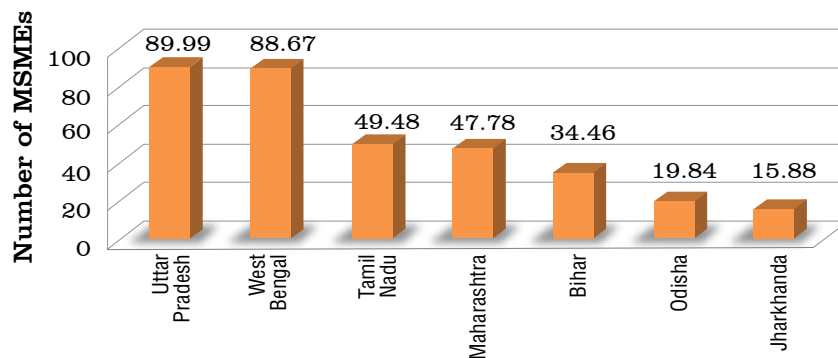
Comparative Analysis of Procurement Policies of Select States

In a developing country like India, MSMEs are the backbone of the economy which contribute substantially to the socio-economic growth of the nation. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural and backward areas, thereby, reducing regional imbalances, ensuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. The significance of the MSME sector can be noted from the fact that it is the second-largest employment provider, after agriculture in India. MSMEs have been contributing significantly to the expansion of entrepreneurial endeavours through business innovations. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets.

As per the current statistics, there have been 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities 196.65 lakh in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission, 230.35 lakh in Trade and 206.85 lakh in Other Services.

We have presented State-wise (6 select states) distribution of estimated number of MSMEs.

State-wise Distribution of Estimated number of MSMEs (in Lakh)



Public Procurement Policy for Micro and Small Enterprise

The Government of India has come forward with a plan to promote and develop the Micro and Small Enterprises by supporting them in marketing of products produced and services rendered by them. The policy rests on core principle of competitiveness, adhering to sound procurement practices and execution of supplies in accordance with a system which is fair, equitable, transparent, competitive, and cost effective.

Features for National Public Procurement Policy for Micro and Small Enterprise (MSE)

- Every Central Ministry /Department / PSUs shall set an annual target for 25% procurement from MSE Sector.
- A sub-target of 4% out of 25% target of annual procurement earmarked for procurement from MSEs owned by SC/ST entrepreneurs.
- Overall procurement goal of minimum 25% has become mandatory from 1st April 2015.
- Special provision for Micro and Small Enterprise owned by women. Out of the total annual procurement from Micro and Small Enterprises, 3 per cent from within the 25 per cent target shall be earmarked for procurement from Micro and Small Enterprises owned by women.
- MSEs quoting price within price band L-1 + 15%, when L1 is from someone other than MSE, shall be allowed to supply at least 25% of tendered value at L-1 subject to lowering of price by MSEs to L-1.
- Ministry /Department/CPSUs shall prepare their annual procurement plan to be uploaded on their official website.
- For enhancing participation of MSEs in government procurement, Ministry /Department/CPSUs shall conduct Vendor Development Programmes or Buyer Seller Meets for MSEs especially for SC/ST entrepreneurs.

The Government of India has initiated National Public Procurement Policy to encourage Make India Initiative and promote manufacturing and production of goods and services in India with a view to enhancing income and employment.

To mitigate the effects of Covid-19, businesses are generally prioritising local procurement. This is a strategy that has helped many to stay in business during the pandemic as supply chains have been disrupted. In fact, the way a company selects its suppliers and sources its raw materials has a strong impact on the environment and the surrounding community. Local procurement supports local suppliers by giving them means to rehire employees and create new jobs. On top of this, skills and expertise acquired from working with different buyers and projects, helps suppliers become more competitive in bidding for future contracts.

To encourage local MSMEs, some states have come forward with local procurement policies. We have captured the procurement policies of four states (Odisha, Jharkhand, Maharashtra, and Tamil Nadu) which have favorable procurement policies for local MSMEs.

Odisha

Odisha is one the emerging state of Eastern India. The state offers a wide range of fiscal and policy incentives for businesses under the Industrial Policy Resolution, 2007. The state Government of Odisha has constituted 'Team Odisha' to help with investment promotion.

The list of goods and services reserved for exclusive purchase from MSEs and Start-ups located within the State of Odisha has been notified by MSME Department from time to time in terms of relevant provisions of Odisha MSME Development Policy 2016 and Odisha Procurement Preference Policy for Micro and Small Enterprises-2015 and other relevant Acts and Rules. The State Government of Odisha has announced that the Government departments and its attached offices, state PSUs, autonomous and local bodies are required to procure items indicated in exclusive list from the local MSEs/ Start-ups as per the procedure prescribed by the State Government of Odisha.

Jharkhand

Jharkhand is mineral capital of Eastern India. The state is one of the largest producers of coal, mica and copper in India. Due to its large mineral reserves, mining and mineral extraction are the major industries in the state. Jharkhand offers a

wide range of fiscal and policy incentives to industries under the Industrial Policy 2012. The state Government of Jharkhand is organizing boot camps called Jharkhand Start-up Challenge across 10 districts, where innovative business ideas are shared.

The State's Industrial Procurement Policy aims at encouraging local MSEs by giving them preferential treatment in purchases by government departments, government aided institutions and state enterprises. The Procurement Policy of the State is enabling Government enterprises to procure 20% of their annual purchases from the State MSEs.

A list of 31 products that has been prepared and procured by the State Government. Furthermore, the policy gives a purchase privilege where local MSEs can sell their goods at rates up to 15% higher than the market price.

Maharashtra

The Maharashtra Industrial Policy 2013 has given special attention to encourage small scale industries. For financial stability of MSMEs (Micro Small and Medium Enterprises), the state government provides fiscal incentives and support to less developed areas.

The Government of Maharashtra is setting up an annual goal for procurement from the MSE sector with the objective of achieving an overall procurement goal of minimum 20 % of the total annual purchases of the products or services produced or rendered by MSEs from the latter in a period of three years. Out of 20% target of annual procurement from MSEs, a sub-target of 4% (i.e., 20% out of 20%) are earmarked for procurement from MSEs owned by SC/ST entrepreneurs. At the end of 3 years, the overall procurement goal of minimum 20% to be made mandatory.

Tamil Nadu

Tamil Nadu enjoys a dominant position in the industrial sector as indicated by the Annual Survey of Industries (2017-18). Tamil Nadu has over 25 lakh persons engaged in the factory sector which is highest in the country. With 37,987 factories, the state accounts for the 4th highest nos of factories in the country. Tamil Nadu has ranked 3rd in the amount of invested capital and in terms of total industrial output in the industrial sector. Tamil

Nadu has the third-largest number of MSMEs in the Country with a share of 8% and around five million enterprises. It also accounts for nearly 15.24% of India's micro-enterprises and has the highest number of non-farm units.

The new procurement policy by the Government of Tamil Nadu seems to have impressed the interest levels of MSMEs towards government-oriented business. The Micro Small and Medium Enterprises (MSMEs) owners in Tamil Nadu have asked the state government to ensure that public sector undertakings and corporates in the state should procure 50 per cent of orders within the state. Though, as per the procurement policy recommendations and guidelines, only upto 30% total PSU's or Govt Dept's procurement should come from MSMEs.

To boost Local MSMEs in West Bengal:

West Bengal is a state with a vibrant industrial base. West Bengal has in its own merit achieved industrial developments during the last decade, especially with MSMEs. The State has the second largest MSME base (14% of all MSMEs) in India. There are 52,69,814 MSME units in West Bengal. The Government of West Bengal has consistently backed and encouraged the growth of this sector with various incentives to attract entrepreneurs. Bengal is one of the leading job providers in the MSME sector. Even during Lockdown months, the sector was encouraged and given constant flow of work for making masks and PPE kits for COVID frontline workers.

Government of West Bengal has followed Central Public Procurement Policy 2018. The Policy has considered that Every Central Ministry /Department / PSUs shall set an annual target for 25% procurement from MSE Sector. A sub-target of 4% out of 25% target of annual procurement earmarked for procurement from MSEs owned by SC/ST entrepreneurs.

To further boost local MSMEs and to reduce supply chain costs, Government of West Bengal could come up with a special procurement policy for local MSMEs. The State Government could provide for some percentage of procurement (at least 25 percent) from local MSMEs. This would encourage the local MSMEs to further value add to the economy of the State in terms growth and employment generation.

ABOUT MCCI

MCCI is a 120 years old non-government, not-for-profit, industry-led and industry-managed organization, with 700 direct members and 15,000 indirect members covering a wide cross-section of small, medium & large industries, trades and services besides, 10 Associations of Industry & Trade are also affiliated to MCCI.

MCCI addresses various aspects of the industry, trade and services sectors, their issues & Challenges and through several learning and best practices forums, guide them to the future. MCCI also helps members to explore international business opportunities through its international connect initiatives.

MCCI has been working on the development of an indigenous vibrant industrial base in the country, especially in the Eastern India. The indomitable spirit and quest to build an institution to safeguard the interests of the indigenous business community led to the birth of Vaishya Sabha and with the changing times, now it stands as MCCI. MCCI has evolved to reinvent itself to address the challenges in this era of new normal.

MCCI works as a bridge between businesses and the policy makers to create a conducive economic environment for the industry to prosper and flourish while benefitting all the stakeholders in the economy. The Executive Committee, which has 30 Standing Committees reporting to it, is the principal facilitating structure of the Chamber.

We are one of the leading Chambers of Eastern India relentlessly working for the betterment of MSMEs through several initiatives. MSME Helpdesk, IP facilitation, connecting with Banking and Financial institutions, technology for MSMEs, besides taking up members issues at the appropriate level. Several Business meets are organized for the benefit of the members.

For the year 2022, MCCI is prepared to provide opportunities for growth and development to its members through 4E's ~ Explore, Educate, Empower and Enable to help the members achieve the 5th E ~ Excellence in all spheres.

MCCI is presently working on the specific theme of **"Bouncing Back"**, working closely with the State and Central Government on policy matters and building bridges through international connect initiatives.



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