

# **Evaluation Study of the International Cooperation (IC) Scheme of Ministry of MSME**

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## ***Executive Summary***

### **TERMS OF REFERENCE (ToR)**

The Ministry for Micro, Small & Medium Enterprises (MSME) assigned Indian Institute of Public Administration (IIPA) the task of third-party evaluation of International Cooperation (IC) Scheme to assess its impact at the ground level. The ToR as given by the Ministry is to assess actual performance of the IC Scheme based on various parameters, which are given below:

- i) Relevance of benefits available under the Scheme for MSMEs
- ii) Impact of the Scheme with respect to enhancing the competitiveness of MSMEs to:
  - a) Export products/services
  - b) form joint ventures
  - c) adopt latest technologies
- iii) Demand assessment of the various activities allowed under the Scheme
- iv) Cost benefit analysis of the Scheme
- v) Study the implementation mechanism of the Scheme laying special emphasis on selection of events/exhibition/fairs in relation to potential markets worldwide for the products/services offered by Indian MSMEs under the Scheme, with specific recommendations about the methodology to be adopted for selection of events under the Scheme, which should include factors like, but not limited to, identification of potential markets worldwide on which the Scheme should concentrate in the next five years, determination of hierarchy of product/services sectors based on concentration of MSMEs in the sector, major exhibitions/fairs organized in each product/service sector, etc.

- a) To give suggestions and recommendations for further improvement in the scheme.
- b) To recommend justification for continuation of the scheme or otherwise.

## **METHODOLOGY**

The study is both impact assessment as well as process evaluation.

The performance assessment of the scheme is in terms of physical and financial targets and achievements and reasons for shortfalls.

The process evaluation has looked into the institutional arrangement and the administrative mechanism to implement the scheme. The present and future role of stakeholders like industries associations has also been analysed. An assessment has been made of communication mechanism relating to the scheme as it is critical for informing the stakeholders.

The data has been collected from 15 States / UTs covering five geographical zones- North, South, East, West and Central, as suggested by the Ministry. The sample states were:

<b>ZONES</b>	<b>STATE</b>
North	Punjab, Jammu & Kashmir, Uttarakhand
South	Telangana, Tamil Nadu, Karnataka
East	Bihar, West Bengal, Odisha
West	Gujarat, Maharashtra, Rajasthan
Central	Madhya Pradesh, Delhi, Uttar Pradesh
North East	Mizoram and Assam (non-beneficiary)

One association from Mizoram and one from Assam were contacted to know the reasons for their non-participation so that assessment could be made about the nil participation from the region in the last five years.

In each state, at least 25 questionnaires were canvassed as per the ToR. As had been mentioned in the proposal of the study by the IIPA that due to prevailing condition of COVID-19 and time constraints e-mail, google form and contacting over phone were resorted to for getting

the responses of the office bearers of the associations and the representatives of the beneficiary MSMEs.

Responses were taken from 379 enterprises including 31 responses through Google Form. Similarly, 29 applicant organizations/ associations were contacted over phone as well as requested to respond through google form. All 29 organizations/ associations have responded through google form. We received details through data sheet also from them.

The sample had been taken from MSMEs whose representatives had attended the events sponsored by the Ministry in the last five years.

#### Sample Respondents

	GENERAL	SC	ST	OBC	TOTAL
MALE	352	0	0	0	352
FEMALE	24	1	0	2	27
TOTAL	376	1	0	2	379

Other relevant data was collected from the Ministry's Annual Reports, Budgets, proposals approved by the Ministry, minutes of the meetings of the Sanctioning Committee and other relevant documents. Standard research tools have been used for analysis.

## FINDINGS

### *Objectives of the Scheme*

The scheme aims at modernizing the Indian MSMEs and provide marketing support, to encourage them to export. While the present set of activities, listed in the guidelines, are necessary, the increasing competition and sophistication in marketing strategies, necessitates equipping these MSMEs in terms of marketing strategies, negotiation skills, etc.

### *Performance*

- While there are five activities listed under the Scheme, the emphasis or focus of the ministry is presently on two major activities – (i) participation of MSMEs in trade fairs/exhibitions etc. in other countries and (ii) supporting organizing conferences in India by key stakeholders. Before 2018, visits for exposure and exploring market and technology were also given

financial assistance, but now ministry is giving priority to participation, i.e., putting up stall for retail sale of products along with exploring market and opportunities for tie-ups and technical collaboration.

- There is marginal shortfall in achievement of the physical targets in the five year period as far as attending/ participating in number of events is concerned, but target in terms of number of participant MSMEs has been achieved. There was huge demand for financial assistance, but the approval was far less. It may be remembered that Indian economy was also facing challenges during this period and had its impact on the MSME sector as well.
- One of the reasons for less expenditure is that often the delegates are unable to furnish all the documents that are needed for reimbursement. In some cases, the entire money is stopped and in some partial reimbursement is made.
- It may be noted that the participation of MSME in the scheme is highly skewed. During, 2015-20, around 63% of the actual expenditure was spent on delegations from Delhi, Maharashtra, Gujarat and Punjab. In 2019-20, Delhi, Maharashtra, Tamil Nadu and Uttar Pradesh consumed 80% of the actual expenditure allocated to the scheme.
- Cost of participation has been gradually increasing. Steep rise in this, in later years can be attributed to approval to 'participation' only, where items of reimbursement are more.
- The continent-wise analysis of participation indicates that Asian countries are the most attractive destination for the enterprises with more than 50% of enterprises visiting here, followed by Europe with 30.7% of enterprises taking advantage of the scheme. Within continent, countries that are favored by enterprises are China in Asia, Germany in Europe and the United States in North America. In contrast, Africa, Australia and South America have been the least visited places by the enterprises under this scheme.
- The Ministry is providing financial assistance to two mega-conferences each year as well as to other associations/ organizations. However, from the perspective of the scheme it is silent on how to ensure attendance of MSMEs. The ministry seems to be simply financing it. While the information about the conferences is well publicized and various associations, both big and small, are being intimated about it there seems to be no mechanism to ensure their attendance of MSMEs in them.
- Overall, it can be said that the scheme has performed satisfactorily, as there have been marginal shortfalls. The shortfalls can be attributed to the externalities.

### ***Implementation of the Scheme***

- Activity numbers 1 and 2 are almost similarly worded except that a distinction is made between 'visit' and 'participation'.
- Similarly, activity numbers 3 and 4 too barring few activities like government to government bilateral meetings or joint committee meetings, are almost similar.
- It was found by the study team during interaction with all the stakeholders i.e. officials of the Ministry, the applicant associations, enterprises, etc. that not much support activities are carried out or have been planned. Need for support-activities is felt, which may include online material and literature on different markets associated with the events included in the list of events by the Ministry.
- The present system of identification of events is very subjective. Selection of right kind of events is critical so that maximum advantage of the scheme can be derived by the participating MSMEs. This requires serious market research that includes market analysis, demands and export potential for the Indian MSMEs.
- There are embassies of India in most of the countries but their presence had not been exploited in identifying the events. However, the Ministry has now since 2019 started taking the help of the embassies of India.
- In the changing global geo-political scenario, there could be other strategic considerations also for the government, which may need to be factored in during identifying events to be included in the list.
- Presently, selection of event by the applicant organization to participate depends on various factors like preference of the members, willingness, etc. The scheme does not have a data base available which can help in prioritizing, filtering applicant organizations as well as the MSMEs or tracking their performance in the context of the participation in trade fair/exhibitions etc.
- Selection of participating units is also not based on objective assessment of their export potential, etc. by the associations. The measures like using scorecard are not used very effectively. The scorecard itself needs modification.
- Perusal of the minutes of its meetings indicated that criteria for selection were laid down for the first time in 2019.

- All the members of the Screening Committee are from within only.
- Sometimes, the processing of the applications is very close to the event, which does not give sufficient time to enterprises to prepare for the event. The cost of the participation also increases as airfare and other logistics become costlier closer to the date of the event. In such situations, sometimes participants withdrew also from participation.

### ***Financial Assistance***

- Participating in trade fairs/ exhibitions is a costly affair. It entails cost of travel, freight charges for goods to be displayed/ sold, rent for space and other associated costs like brochure, entrance fee/registration, leaflets, etc. The scheme responds to the need of the MSMEs to cover the costs of participation in trade fairs/exhibitions, so that the risks of participation are taken care of.
- IC scheme is based on reimbursement. However, the office bearers of the associations and the beneficiary enterprises revealed certain issues which need consideration like- air fare for distant countries, removal of ceiling for rentals as information about them is now in public domain, denial of permission for office bearer of the association, etc.
- There are many applications, whose budgets were slashed by the sanctioning committee. However, the ministry does not indicate as to how much has been deducted for which item. In such cases, the associations seem to be passing the part reimbursement to the beneficiary MSMEs after adjusting their event related expenses including that of the office bearer.
- Daily allowance to the office bearers during the visit is admissible for 3 days, but data indicates that majority of events are more than 3 days' period.
- Sometimes the delegates have to bear all their expenses.
- Many respondents of organizations and MSMEs rued the excessive documentation in the process.
- Capacity Building of the MSMEs and providing them Support for Statutory Compliances like under the Market Access Initiative of the Ministry of Commerce could be very useful for the enterprises, especially those which have never exported items before and are not aware about the requirements and processes.
- Presently there is no formal mechanism available to applicants for registering their grievances. Such a mechanism is sine qua non for any activity.

## **ISSUES & CHALLENGES**

- There is very little awareness about the scheme among MSMEs in general.
- The total Number of MSMEs in North East is estimated to be 18, 92,000, but none of them have taken the advantage of the scheme in last five years.
- Over the past five years, out of 282 events 85 events had a delegation where reimbursement had been made to less than 10 enterprises.
- There is huge scope for improving monitoring and verification mechanism. It was also found that the reimbursement was not outcome related.
- The associations are mostly the sole source of information for the MSMEs. Direct interface between the MSMEs and the Ministry needs to be created.

## **VISION FOR THE FUTURE**

The government has already recognized the potential of the MSMEs. They can play a significant role in the government's vision of "Make in India, for the World". There are 3 UN sustainable developments goals that are served by the IC Scheme- Goal 5: Gender Equality, Goal 8: Decent Work and Economic Growth, and Goal 17: Partnerships for the Goal.

## **RECOMMENDATIONS**

1. The scope of the scheme may be expanded to make the intervention effective. This would need inclusion of some more activities. Besides, the marketing support, the capacity building support may also be provided to these MSMEs to enable them to export their products/services.
2. The ministry may consider modifying the activities under the scheme:
  - a. The activity numbers 1 and 2 may be merged with distinction between 'visit' and 'participation' through differential reimbursement of airfare. The study team is of the view that 'participation' should be preferred as the outcomes are much more measurable in 'participation'. Moreover, 'participation' covers the purposes of the 'visits' also, making participation more meaningful.

- b. Similarly, the activity numbers 3 and 4 may also be merged. Both have almost similar wordings.
  - c. Including sponsoring of participation of MSMEs in Virtual exhibitions / trade shows, etc.
3. A new activity '**providing support material and capacity building**' may be added to the list of activities under the scheme. Now the COVID has exposed us to new opportunities. The virtual interaction is one of them. The study team is of the view that some modules of support material and capacity building in this regard may be developed and be made available to the participant enterprises in online mode. These may include: -
  - (i) Pre-departure briefing,
  - (ii) Activities that may be taken up during the visit by the associations and the enterprises like buyer-seller meets, visits to some production sites or premises of relevant enterprises in the host city.
  - (iii) Details about the business opportunities in the host country.
  - (iv) Details about the participating enterprises.
  - (v) Terms and conditions of reimbursement under the scheme.
  - (vi) Information and procedures about various compliances and certifications for different markets.

The above is just an indicative list. The Ministry may prepare a comprehensive list in consultation with various associations, enterprises, experts, etc. Such modules can be prepared by expert agencies.

Similarly, some modules for capacity building material may also be prepared. For example, European Union has identified certain themes for internationalization of SMEs like<sup>1</sup>:

- Training on internationalisation and new market entry strategy
- Training on smart mobility market trends and opportunities
- Language and cultural training
- Country-focused training (fiscal, legal, ...)
- Export forums

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<sup>1</sup> Good Practice Guide on SME Internationalisation, INTRA Interreg Europe project, EU European Regional Development Fund.



- International technology transfer

A provision may be made for funding such activities as part of the scheme.

4. The ministry may consider providing Support to MSMEs for Statutory Compliances like under the Market Access Initiative of the Ministry of Commerce, especially those which have never exported items before and are not aware about the requirements and processes. A certain percentage of the cost of such items may be reimbursed by the Ministry, so that there is stake of the enterprises also.
5. For identification of events, besides taking the opinion of the industries associations, the ministry may tap into resources of other government agencies like Ministry of Commerce. The Ministry may also coordinate with the Ministry of External Affairs for engaging with embassies for-
  - (i) Identification of the appropriate exhibitions / trade fairs / conferences etc. keeping in view the reputation / credentials of the organizers and/or footfalls/relevance for the visiting MSMEs
  - (ii) Advice on the suitability of the events identified by the Ministry
  - (iii) Facilitating visits of the delegations during the period of the event and ensuring appropriate arrangements for proper visibility of the MSMEs participating in the event
  - (iv) Facilitating interaction with right kind of stakeholders for business promotion, technology tie-ups, etc. during the visit depending on the requirement of the enterprises participating in the event.

The embassies may be informed in advance about the visits to ensure effective support of the respective embassies. A SOP may be designed for this arrangement.

6. During the fair/exhibition, the embassy officials may be requested to provide assistance to the delegation, which may turn out to be indirectly a monitoring and verification mechanism as well.
7. For processing of applications, a comprehensive database needs to be prepared. A software like Global Market Intelligence System may be developed with indicators and weightage for each identified event/activity. Technology can enable accessing other relevant data-bases of the other government agencies as well.

8. Similarly, a database of the associations and the MSMEs would also be needed. If the ministry finds it appropriate, it may prepare an index assigning weightage to indicators for prioritizing the applications. Research wing of the Ministry may be tapped for market research and assigning appropriate weightage to indicators. This would help the approval process as the focus sectors and focus regions would be known.
9. The Ministry may identify some quantifiable criteria for assessing the factors like track record, export potential, growth potential of the MSMEs, so that appropriate selection of MSMEs can be made.
10. It is recommended that the ministry may make Data Privacy Policy for the Scheme and put it on the website or the software, where data is to be uploaded by the enterprise for participation in the scheme.
11. The score card mentioned in the guidelines may be modified-
  - a. The points for 'objective of unit for the participation in a trade fair' – 'retail sale of products' and 'B2B engagements may be removed as every participant would be undertaking the similar activities.
  - b. Points for factors like track record, export potential, growth potential of the MSMEs may be added.
  - c. The ministry may keep some points for the women participants of the general category also.
12. The screening of the applications for the participation in exhibitions/ trade fairs may be made two staged. Before the meeting of the sanctioning committee, there may be a preliminary screening based on several parameters discussed in the report. Matching of two databases would be required- one that of the applicant organisations and eligible MSMEs and second of the market research based events with sectoral priorities. Use of artificial intelligence may be made in ascertaining the suitability of a particular event for the applicant organization. The factors that need to be focused on at this stage may include national development priorities as well.
13. The Ministry may consider ranking of the applicant associations based on their performance in the past. This may include giving points for number of buyer-seller meets, interaction of members with stakeholders, business generated, deals struck, etc. during the events previously attended. Some more criteria may also be included like number of members, geographical coverage in terms of membership, networking, etc. This weightage may be used while considering the applications. This would introduce the objectivity in the process.

14. Screening Committee should meet at least thrice in a year, to consider the applications for 'participation'. This would take care of exigencies like excess or shortfalls in participation in the previous period. An applicant organization may be asked to apply at least 12-15 weeks before the event so that it gets sufficient time to prepare.
15. For the reasons of transparency and objectivity, the Ministry may consider including one member of repute from the industry and one member from the experts from outside the government as part of the Sanctioning Committee.
16. It is recommended that an appropriate format may be designed by the Ministry containing the indicators pertaining to the responsibility of the office bearer accompanying the delegation to capture some tangible results. This format can be designed in consultation with the stakeholders and some experts. Feedback of the participants including their level of satisfaction with the activities carried out by the association / office bearer should also be taken in a structured format and be made part of the format for the office bearer.

It is suggested that the ministry may identify activities, which the applicant organization should carry out. An indicative list is given below: -

- (i) Information about the event and other participants
- (ii) Establishing contacts with the organizers
- (iii) Ensuring good visibility of the participating enterprises including publicity
- (iv) Ensuring activities like buyer seller meets visits to some production facilities or premises of enterprises in the host cities, etc.
- (v) Arranging other networking opportunities
- (vi) Follow up activities

This is just an indicative list. The activities may be identified in consultation with the stakeholders and experts. Provision of reimbursement of expenses may be made for such activities.

17. The visit of the office bearer along with the delegation is necessary to carry out pre, during and post event activities as assigned to them. However, the reimbursement may be made subject to certain conditions like staying for the entire event, reporting of the activities, ensuring a minimum number of enterprises in the delegation as already existing, etc.
18. The daily allowance for the office bearer, which is restricted to three days at present, should be admissible for the duration of the event, as he/ she is expected to carry out several activities.

19. A suitable format may also be designed for the official representative of the ministry about the activities carried out by the association/ MSMEs, when he/she accompanies the delegation. This format should also include a structured report of the event as such, which will strengthen the database of the ministry and help in ranking the event for future purposes.
20. To increase the coverage, it is desirable that newer units, those which have never benefited under any such scheme of the ministry, are given preference. This reflects in the scorecard as well, where first-time visitors have been given maximum points. However, SC/ ST/ minority/ women entrepreneurs may be considered for repeat visits as their representation is very low. The guidelines suggest encouraging that. Third time visit should be allowed only in exceptional cases where there is demonstrable evidence of benefits like export orders or business tie-ups leading to expansion of business etc.
21. COVID-19 has introduced to us new modes of communication. The ministry may seek virtual broadcast of the proceedings of the conferences, for which it provides financial assistance. This would enable the reach of benefits to even remote areas. If the organisers intend to price the virtual broadcast it may be included in the costing of the conference to be reimbursed by the Ministry. The ministry on its part may tap its database to identify the potential attendees and inform them through email.
22. Adopting the same logic, the ministry may also think of sponsoring webinars on important issues concerning exports from the MSMEs from time to time. Appropriate organisations may be identified for providing financial assistance to organize such webinars. Virtual mode of interaction has cost advantages and its outreach is better. The modalities would have to be worked out to ensure better attendance.
23. The reimbursement of the airfare may be fixed on a differential basis. The visiting delegates who do not put up a stall may be reimbursed certain percentage of the airfare and not the full cost. This will introduce a stake of the enterprise. However, representatives of the enterprises from the North Eastern states may be given relaxation. Similarly, relaxation may also be given to women/ SC/ ST/ minority representatives, as their representation has been very low/ insignificant in the last five years. The enterprises putting up the stall may be reimbursed the full amount subject to a ceiling.
24. The ceiling on airfare may need to be increased in view of the fact that certain far away markets have much higher fare. The MDA scheme of the Ministry of Commerce has different ceilings for different regions.
25. The ceiling on rent for space may also be done away with, as the information about these is available on their website, so it should not be a constraint for the MSMEs.

26. There are two important issues which were found on perusal of the claim notes, which may be made part of the guidelines:

- (i) Sometimes, the applicant organizations, seek approval for 10 enterprises and the Ministry gives approval of ten persons. But if one unit withdraws at a later stage, reimbursement may be denied by the Ministry. There may be a provision of replacement of one unit by another.
- (ii) For the above purpose, the Ministry may consider asking the associations/organizations to apply for a bigger size of delegation and keep the minimum number at 10 for the purpose of reimbursements. The Ministry may also consider negative points if it so happens, while ranking associations as proposed.
- (iii) The ministry may think of incorporating a provision for enhanced reimbursement of airfare on account of excess expenditure due to any exigency like pandemic or disaster, subject to verification, which are beyond the control of the delegation.

27. Under the IC scheme also, like the MDA Assistance Scheme of the Ministry of Commerce & Industry, the verification of about 10% of the associations/organizations may be taken up. The assessment may focus on the actions taken up by the association/organization and they may be asked to report on the benefits to MSMEs as a result of participation.

28. The grievance redressal mechanism needs to be designed. The Ministry may consider putting a link to CHAMPIONS portal of the Ministry on the webpage of the scheme for the grievance redressal purposes. This may also be made part of the online modules proposed in this Report.