

# TECH ADOPTION INNOVATION FOR MSMES

## POLICY BIG-PUSH WITH REVOLUTIONARY MSME INNOVATIVE SCHEMES



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SMEs have been of paramount importance in most of the world, including an emerging market opportunity like India Inc. Going by the experience, and also what several studies indicate globally, MSMEs are the real drivers of modern economies due to their growth momentum by virtue of their multifaceted contributions in terms of GVA to GDP, job creation, exports, and substantially to income and spending capacity of the ever-growing workforce, more so in India with over a billion in population. Hence MSMEs, as key drivers of the economy, have a significant role to play in enhancing the country's global competitiveness and sustainability.

Amongst firms of different sizes, research evidence shows that MSMEs, including start-ups across industries and economies, have untapped innovation potential and evidence suggests that they do engage in technological innovations. This is mainly attributable to the very nature and context of their organisational characteristics such as flexibility, better adaptability and openness, effective internal communication, simple and agile organisational use, and quick decision-making ability. However, MSMEs are distinct from large enterprises and they have considerably lower levels of productivity compared to large enterprises and established industrial houses. Technology adoption has been shown to increase productivity amongst MSMEs, however, there are several barriers to adoption.

### Technological Innovation Growth - Rationale for SMEs' Innovation Strategy

In today's marketplace, technological

adoption and innovation have become the crucial drivers of competitiveness and growth at both the firm level and the industry level, in a much more closely knit global market. Given the varied contributions of MSMEs and the context, their ability to innovate assumes prominence because both by experience and current economic thinking, innovation is credited with a central role in the evolution of industries in general. The existing studies further suggest that technological innovation is a key factor in a firm's competitiveness and it's a prerequisite for firms that want to develop and maintain a competitive advantage and gain entry to new markets or to reposition and move up the product value-added chain.

Besides, the global markets are also increasingly becoming complex and uncertain where technological innovation, internationalisation, and proactive competitive policies will have a major bearing on the overall performance of MSMEs.

### Idea Incubation, Design, Patents for MSMEs: Government Policy Push with Revolutionary MSME Innovative Scheme

Even though the MSMEs have registered higher growth compared to the overall industrial sector in recent years, they have started facing numerous issues. These issues include sub-optimal scale, technology obsolescence, supply chain inefficiencies, funding, manufacturing, and turbulent market conditions. It's at this juncture that MSMEs need to adopt innovative practices and a more holistic policy approach to create the right ecosystem.

Recently, the MSME Ministry has launched the MSME Innovative Scheme with the combination of existing sub-schemes around incubation, design, and IPRs for MSMEs to support incubation, enhance the layout, commercialise patents, and create ease of

doing business. The new scheme would act as a hub for innovation activities facilitating and guiding the development of ideas into viable business propositions and facilitating social value creation. Some of the salient features are discussed below:

- The premise of the scheme is that India can become 'atma nirbhar', create jobs, boost entrepreneurship, adopt new technologies, and enhance GDP and exports through MSMEs.
- The incubation part of the scheme promotes the adoption of the latest technologies among MSMEs that seek validation of their business ideas at the 'proof-of-concept' level. The ideas would be incubated at 'eligible institutions' to act as business venture incubators. The scheme would have a provision of financial support of up to Rs. 15 lakh per idea to these host institutes apart from up to Rs. 1 crore support for procuring plant and machinery for MSMEs.
- As part of the design component, the scheme would provide mentoring and financial assistance towards solving design-related issues for the new product development and also improvement in existing products. The collaborative institutions under the scheme are IISc Bangalore, IITs, NITs, NID, and others. Micro enterprises would have access to 75% of the total project cost while small and medium businesses would be provided with 60% financing or up to a maximum of Rs. 40 lakh per project. Students participating in the scheme would get the assistance of 75% of the total project cost or up to a maximum of Rs 2.5 lakh.
- Under the innovative scheme component, IPR would cater to measures related to the protection of MSME ideas and their commercialization through advisory and consultation support. Under this component, MSMEs would be eligible to get their cost incurred on registration of patents, trademark, geographical indications (GI), and designing costs. The maximum assistance would be Rs. 5 lakh in case of a foreign patent, Rs. 1 lakh for a domestic patent, Rs. 2 lakh for GI registration, Rs. 15,000 for design

registration, and Rs. 10,000 for trademark.

The scheme also entails equity support of up to Rs. 1 crore for the commercialization of ideas, designs, and patents across all three sub-schemes and also to help MSMEs further scale up to raise subsequent funding. For this, the government has created a separate corpus managed by SIDBI as the fund manager.

### The way forward

Adoption of technology, innovation, and a supportive ecosystem will continue to be the key differentiating factors in determining the success of MSMEs. The start-up India, Make in India initiatives are designed to facilitate investment, foster innovation and entrepreneurship, protect intellectual property, and build the best manufacturing infrastructure in the country. In increasingly volatile and competitive global markets, the need to align people, processes, and technology is something prerequisite to sustain in the market. This helps MSMEs and start-ups to differentiate, achieve cost efficiencies, and most importantly, to compete with bigger global corporations effectively.

The above measures would largely create an ecosystem that nurtures and enables technological innovation for the benefit of small enterprises and start-ups in India. The achievement of this has to be the top priority so as to take advantage of its vast 48 million-odd and still growing MSME sector, not only to create additional jobs to the ever-growing workforce and to boost exports, but more importantly to strengthen the very structure and growth of Indian industrial scenario, significantly on a global scale, through technology adoption and path-breaking innovative schemes in a supportive environment.



"Success is not the key to happiness. Happiness is the key to success. If you love what you are doing, you will be successful."

**Albert Schweitzer**

