

A Review of Selected Government Schemes and Policies for Uplifting Micro Small and Medium Enterprises in India

Komal Kukar^{1*}, Mukund Chandra Mehta²

¹Ph.D. Research Scholar, Department of Commerce and Business Management, Ranchi University, Ranchi, India

²Associate Professor, Department of Commerce and Business Management, Ranchi University, Ranchi, India

Abstract: The paper seeks to explore the current challenges before Micro Small and Medium Enterprises in India and how those challenges could be overcome through better understanding of their needs. MSME's are the foundation of economic and social development of the countries of the world. The Government of India has therefore come forward with various assistance schemes which help in improving quality of production, marketing ability, and availability of easy credit and manpower requirement in the sectors. The paper begins with a brief introduction to the Government Assistance for Micro Small and Medium Enterprises in India and provide a snapshot of issues and challenges faced by the sector. The paper also discusses various steps taken that could be used to address the needs of the MSME's.

Keywords: Assistance scheme, Atmanirbhar Bharat package, GDP, MSME, TReDS.

1. Introduction

The Micro Small and Medium Enterprises constitute the entire Industrial Sector of the country and are considered as the important pillars of the Indian Economy, thereby contributing to the Gross Domestic Product (GDP), Export and Employment generation. MSME's create employment to around 60 million people, manufacturing more than 6000 products thereby contributing around 45% to manufacturing output and about 40% to export. Moreover, MSME's have helped in industrialization of rural and backward areas, reducing regional imbalances assuring equitable distribution of National Income and Wealth throughout the country. The Ministry of Micro Small and Medium Enterprises, under the chairman of Hon'ble Prime Minister Sri Narendra Modi ji has introduced various programmes and schemes for the development and promotion of MSME's across the country. The Government of India has been really working hard to ensure that all the benefits of these Schemes reach to the MSME's in time. To provide immediate relief to the MSME sector, various announcements have been made under the Atmanirbhar Bharat Package. Micro Small and Medium Enterprises are considered as the catalyst of economic and social development of developing countries of the world. Indian Economy is very much dependent on Micro Small and Medium Enterprises since it tends to reduce the regional

disparity through income generation, creates employment opportunities, reduce poverty and above all promote regional development. MSME's have opportunity of generating relatively large amount of income with lower amount of investment thereby supplementing large scale industries and thus are considered ancillary to them. One of the main aims of the government was to develop an equitable economic development through lower investment especially in those areas where large scale input is not possible. The aim of the study is to identify the primary challenges faced by the Micro Small and Medium Enterprises in availing the benefits of the schemes introduced by the government and how those difficulties could be overcome. It is important to note here that the Government of India has come up with several new Schemes and Programmes some of which include Prime Minister Employment Generation Programme, National Manufacturing Competitiveness Programme (NMCP), Credit Linked Capital Subsidy Scheme (CLCSS) and so on that facilitate better mechanism of assistance for MSME's.

2. Review of Literature

Venkatesh and Muthian (2012) found that the role of small and medium enterprises (SMEs) in the industrial sector is growing rapidly and they have become a thrust area for future growth. They emphasized that nurturing SME sector is essential for the economic well-being of the nation.

Singh et al. (2012) analysed the performance of small-scale industry in India and focused on policy changes which has opened new opportunities for this sector. Their study concluded that SSI Sector has made good progress in terms of number of SSI units, production and employment levels. The study recommended the emergence of technology development and strengthening of financial infrastructure to boost SSI and to achieve growth target

Dixit and Pandey (2011) applied co integration analysis to examine the casual relationship between SME's output, exports, employment, number of SME's and their fixed investment and India's GDP, total exports and employment (public and private) for the period 1973-74 to 2006-07. Their

*Corresponding author: komalkukar.019@gmail.com

study revealed the positive casualty between SMEs output and India's GDP.

Bargal et al (2009), examined the casual relationship among the three variables GDP, SSI output and SSI exports and also have compared the performance parameter of SSIs in the pre and post liberalization era. The study found that the annual average growth rate of different parameters of SSIs have declined in the period of nineties vis-à-vis the pre-reform years. There is an absence of any lead-lag casual relationship between exports and production in small-scale sector and GDP of Indian Economy.

MSME (2009-10) the main criteria that predominate to define the MSMEs sector are the number of employees, turnover and balance sheet total.

Mali (1998) observed that Small and Medium Enterprises (SMEs) and micro enterprises have to face increasing competition in the present scenario of globalization, they have to specifically improve themselves in the field of management, marketing, product diversification, infrastructural development, technological upgradation. Moreover, new small and medium enterprises may have to move from slow growth area to high growth area and they have to form strategic alliance with entrepreneurs of neighboring countries. Data bank on industries to guide the prospective entrepreneurs including investors from abroad is also needed.

3. Research Gap

Most papers on Government Schemes and Programmes are old and do not have any contemporary relevance for India. The emerging new Schemes and Campaigns such as Skill India, Start Up India, Digital India and Make in India aims to provide MSME players with a level playing field and a definite push towards enhanced productivity. There are very few papers that have specifically endeavored to connect their impact on Micro Small and Medium Enterprises. The current paper attempts to fill this gap and explore the ways in which new Schemes and Programmes are impacting the development and promotion of MSMEs across the countries.

4. Objectives

The paper endeavors to,

1. Explore new Schemes and Campaigns that have helped drastic achievement of the socio- economic development of a country.
2. Study the issues and challenges that MSME's in a developing country like India may face.

5. Research Methodology

This paper is entirely based on secondary research. Various online research papers, portals and website of MSME's including DC MSME have been considered. Beside several newspapers, articles, blogs and books have also been consulted in drafting the body.

6. Selected schemes and programmes for MSME's in India

A. Prime Minister Employment Generation Programme (PMEGP)

PMEGP aims to generate employment opportunities in both rural and urban areas for the MSME's through setting up of new self-employment projects in the country. This MSME scheme is being managed by Khadi and Village Industries Commission (KVIC) at the national level and being implemented by State KVIC Directorate, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs) and banks at the state and district level. Margin Money subsidy on Bank Loan ranges from 15% to 35% for projects up to Rs. 25 lakhs in manufacturing and Rs. 10 lakhs in the service sector. The maximum cost of projects is Rs. 25 lakhs in the manufacturing sector and Rs. 10 lakhs in the service sector.

B. 2nd Loan for up-gradation of the existing PMEGP/MUDRA units

The Scheme aims at providing existing units with upgradation assistance regarding expansion, whereas financial assistance to the well set-up performing units. Furthermore, the scheme will also facilitate entrepreneurs towards automations and new technology modernization in the present units. The maximum subsidy allowance would be 15% of the top total project cost (and 20% for the Hill States and NER). The scheme is applicable for current and well accomplished PMEGP /MUDRA units. The maximum cost of projects for upgradation under Service/Trading sector is Rs. 25 lakh and Rs. 1 crore for the manufacturing sector. Maximum subsidy would be 15% of the project cost and 20% for Hill States and NER i.e., Rs 15 lakh in Non-NER and Rs. 20 lakhs for Hill States and NER.

C. Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE)

The Credit Guarantee Fund for Micro Small and Medium Enterprises (CGMSE) was launched by the Government of India to encourage first generation entrepreneur to venture into self-employment opportunities by facilitating credit guarantee support for collateral free/third party guarantee-free loans to the Micro and Small enterprises (MSEs), especially in the absence of collateral. The Ministry of Micro Small and Medium Enterprises and Small Industries Development Bank of India (SIDBI) established a Trust named Credit Guarantee Trust Fund for Micro and Small Enterprises (CGTMSE) in order to implement Credit Guarantee Scheme for MSMEs. The corpus of CGTMSE is contributed by the Government of India and SIDBI in the ratio of 4:1 respectively and has contributed Rs.1906.55 crore to the corpus of the Trust upto March 31, 2010.

D. Interest Subsidy Eligibility Certificate (ISEC)

It is an important mechanism of funding khadi programme undertaken by khadi institutions. It was introduced to mobilize funds from banking institutions for filling the gap between the actual fund requirement and availability of funds from budgetary sources. Here credit at a concessional rate of interest of 4% per annum for working capital is made available as per

the requirement of the institutions. The difference between the actual lending rate and 4% is paid by the Central Government through KVIC to the lending banks in the form of “Interest Subsidy”.

E. Market Promotion and Development Assistance Scheme (MPDA)

This Scheme has been launched as a unified scheme by merging different schemes implemented by the Khadi Sector including publicity, market promotion and marketing development assistance. The overall objective of the scheme is to ensure increased earnings for artisans. Further the Marketing Development Assistance (MDA) scheme has undergone few alignments to form the scheme. Consequently, the Ministry of MSME sanctioned Rs.977.05 crores for the MPDA scheme. Out of which, 30% for the production institute, 45% for the selling institute, 25% for the entrepreneurs are distributed.

F. Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

Scheme of Fund for Regeneration of Traditional Industries (SFURTI) is an initiative by Ministry of MSME to promote

Cluster development. Khadi and Village Industries Commission (KVIC) is the nodal Agency for promotion of Cluster development for Khadi. This scheme was started on 1st August 2014 with the main objectives to organize the traditional industries and artisans into clusters to make them competitive and provide support for their long-term sustainability. The Government of India support Rs.2.5 crore for 500 artisans and Rs.5 crore for more than 500 artisans.

G. Coir Industry Technology Upgradation Scheme (CITUS)

The Coir Board is promoting the development of coir industry in the country. The Coir Board has introduced “Coir Industry Technology Upgradation Scheme (CITUS)” which aims at providing assistance to the entrepreneurs (existing and aspiring) for upgradation or procurement of eligible Plant and Machinery for modernization and thereby establishing a new unit that is capable of making an application for the larger investment in the coir sector. The financial assistance provided under this scheme is 25% of the total cost of admissible items of Plant and Machinery that are procured by the Coir units. The maximum financial assistance provided under this is Rs 2.50 crores per coir unit or project.

Table 1
Issues faced by MSMEs and steps taken to improve their conditions

Issues and Challenges	Steps taken
<p>1) <i>Credit Accessibility</i></p> <ul style="list-style-type: none"> • Exclusive dependence on informal source of funding by about 90% of the MSMEs. • High working capital requirement and lack of sufficient collateral. <p>2) <i>Market Accessibility</i></p> <ul style="list-style-type: none"> • Non availability of new markets and low outreach. • Ineffective marketing strategy and lack of skilled manpower. • Difficulty in selling MSME products to government agencies. • Tough competition from Multinational Companies and other big industries. <p>3) <i>Technology Accessibility</i></p> <ul style="list-style-type: none"> • MSMEs suffer due to weak financial standing and limited technically trained human resource. • MSMEs in the unorganized sectors are not adaptable to the new technologies and innovations. <p>4) <i>Export and Quality</i></p> <ul style="list-style-type: none"> • Export competitiveness hampered due to low quality products. • Inadequate reach to quality raw materials. • Low productivity due to excess dependence on traditional machines. <p>5) <i>Ease of Doing Business</i></p> <ul style="list-style-type: none"> • Establishment of new units requires a lot of cumbersome government procedures and rules. • Obtaining clearances involves unwanted bureaucratic delays. • Poor litigation system affects the ease of business in the country. 	<ul style="list-style-type: none"> • In order to enable easy access to credit for MSMEs, a 59-minute loan portal has been launched. • All GST registered MSMEs have been offered 2% interest subvention on fresh or incremental loans. • Trade Receivables e-Discounting System (TReDS) has been imposed in order to enable easy access to bank credit for upcoming trade receivables from corporate and other buyers. • E-commerce platforms on the lines of Alibaba and Amazon have been launched by the Union Government to sell products from MSMEs and the Khadi and Village Industries Commission. • Procurement of 25% of the total MSME purchases by the Public Sector Companies. • Registration of more than 40000 MSMEs on Government e-Market Place (GeM) portal which provides transparency in procurement and facilitates MSMEs to directly reach out to the buyers. • In order to facilitate product design and easy access to latest technologies for MSMEs, 20 hubs and 100 spokes in the form of tool rooms will be established across the country. • In order to enhance the manufacturing competitiveness of MSMEs, financial assistance is provided for implementation of lean manufacturing techniques. • In order to improve the quality of products, financial support has been provided to MSMEs in ZED (Zero Defect Zero Effect) certification. • The expenditure incurred by the enterprises in order to obtain the product certification licenses from national and international bodies are subsidised by the Government. • The return under 8 Labour laws and 10 Union Regulations must now be filed only once a year. • Computerised random allotment for inspector visit to the establishment. • Air pollution and water pollution laws have been merged into one for Environment Clearance.

H. A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE)

This Scheme was launched to set up a network of technology centres and to set up incubation centres to accelerate entrepreneurship and also to promote startups for innovation in agro industry. Some of the main objectives of this scheme includes- Creating new jobs and reducing unemployment, promoting entrepreneurship culture in India, maintaining grassroots economic development at district level and Promoting innovation to further strengthen the competitiveness of MSME sector. The maximum financial assistance provided under this scheme is Rs. 1 crore to Government agencies and Rs. 50 lakhs to private agencies for procuring plants and machinery. The maximum of Rs. 1 crore is given to new Technology Business Incubators (TBIs) and maximum Rs.30 lakh to existing Technology Business Incubators (TBIs) for procurement of plant and machinery.

I. Credit Linked Capital Subsidy Component (CLCS & TU Scheme)

The main objective of this scheme is to facilitate technology upgradation in MSEs by providing an upfront capital subsidy of 15% (on institutional finance of up to Rs 1 crore avails by them) for induction of well-established and improved technology in the specified 51 sub-sectors/products approved. Under the scheme 15% subsidy on institutional credit up to Rs.1 crore with a subsidy cap of Rs 15 lakh is provided for identified sector/subsectors/technologies. The scheme is a demand driven one without any upper limit on overall annual spending on the subsidy disbursal.

J. Procurement and Marketing Support (PMS) Scheme

One of the main objectives of the scheme is to enhance the marketability of products and services in the MSME sector thereby creating more awareness about trade fairs, digital advertising, e-marketing, GST, GeM portal, public procurement policy and other related topics etc. There is an involvement of Individual MSEs in events such as Exhibition/TradeFair/Vendor Development Programmes/National and International Workshops and Seminars /Awareness programmes and so on. For the participation of MSEs in domestic exhibitions and trade fairs across the country the maximum budgetary support (space rent and contingency) provided is up to Rs.1.5 lakh to Metro and A Class city and Rs.1.0 lakh for Class B cities/NER/J&K/Hilly States and for other cities Rs.0.80 lakh maximum.

7. Conclusions and Recommendations

Thus, we see that the Government of India has been really proactive to ensure that all the benefits of the Schemes and Programmes reaches to the MSMEs in time. To provide immediate relief to the MSME Sector, various announcements (in addition to various MSME Schemes) have been made under the Atmanirbhar Bharat Package which includes a) Rs. 3 lakh crore collateral free loans for MSMEs. b) Rs. 50000 crore equity infusion through MSME Fund or Funds c) Rs 20 crore subordinate debt for MSMEs. Thus, the emerging focus of India's MSME Policy aims at covering the entire life cycle of MSMEs to ensure a healthy, vibrant and competitive sector.

References

- [1] Balasubrahmanya, M. H. (2004), 'Small Industry and Globalisation: Implications, Performance and Prospects', *Economic and Political Weekly*, vol. 39, no. 18, pp. 1826-1834.
- [2] Bargal, H., Dashmishra, M. & Sharma, A. (2009), 'Performance Analysis of Small-Scale Industries –A Study of Pre-liberalisation and Post-liberalization Period', *International Journal of Business and Management*, vol 1, no. 2.
- [3] Biswas, P. K. (2007), 'Indigenous Systems of Organizations and the Development of MSMEs in India', *The Innovation Journal*.
- [4] Christopher, J., Green, Kirkpatrick, C. H. & Victor M. (2006), *Finance for Small Enterprises Growth and Poverty Reduction in Developing Countries*, *Journal of International Development*, 181017-1030.
- [5] Garg, I. & Walia, S. (2012), *Micro Small and Medium Enterprises (MSMEs) in Post Reform India: Status and Performance*. *International Journal of Latest Trends in Engineering and Technology*, 1(3):134-141.
- [6] Ghatak, S. (2010), "Micro Small and Medium Enterprises (MSMEs) in India: An Appraisal", *Journal of EOFEMP*, 2(5):1, 19.
- [7] Majumdar, K. V. & Krishnan. M. K (2012), "Innovative Marketing Strategies for Micro, Small and Medium Enterprises" *Inter Disciplinary Journal of Contemporary Research in Business*.
- [8] Khaksar, S. (2011) "The Role of Government Policy and the Growth of Entrepreneurship in the Micro, Small and Medium Sized Enterprises in India: An Overview, *Australian Journal of Basic and Applied Science*, 5(6): 1563-1571.
- [9] Kumar, A., Batra, V. & Sharma, S. K. (2009) *Micro Small and Medium Enterprises (MSMEs) in India: Challenges and Issues in the Current Scenario*, *SME Varanasi*, 5(2):75-87.
- [10] MSME Annual Report 2014-15 (and various issues) Government of India.
- [11] Mali, D. D. (1998), "Development of Micro Small and Medium Enterprises of India: Current Scenario," vol. 12, pp. 62-64.
- [12] MSME Annual Report 2015-16 Government of India.
- [13] Lahiri, R. (October 15 and 16, 2012) "Problems and Prospects of Micro, Small and Medium Enterprises (MSMEs) in India in the Era of Globalisation in the International Conference on Interplay of Economics, Politics and Society for Inclusive Growth Organised by Royal College of Thimpu, Bhutan".
- [14] Ravi, S. (2009) "Entrepreneurship development in the Micro Small and Medium Enterprises sector in India", *Indian School of Business*, 4(1):12-26.
- [15] Mali, D. D. (1998), "Development of Micro, Small and Medium Enterprises of India: Current Scenario," vol. 12, pp. 62-64.
- [16] Das, K. (2007) "SMEs in India: Issues and possibilities in times of Globalization", *Asian SMEs and Globalization*, ERIA Research Project Report 5:69-97.