

MSME and Role of Government in MSME Development

Abstract

MSME's have contributed much for the development of Indian both in social and economic terms. Micro, Small and Medium Enterprise (MSMEs) comprise of over 90 percent of total enterprises in most of the countries in the world. It has generated employment with low capital cost as compared to large industries, by engaging more than 110 million people thereby reducing regional imbalances enabling equitable distribution of national income and wealth. They are main source of income for rural households. Much fraction of women and youth is employed in this sector as compared to any other sector. MSME sector has provided support to small scale firms and are even encouraging new ones to enter the market. Being one of the important pillars of Indian economy, it has a wide network of more than 6 crore units spread over different parts of the country. MSME need much support time and again so as to advance and grow as they are facing many challenges like lack of advanced technologies, high cost of raw material, unskilled labour, not easy access to market etc. It has contributed significantly to the exports of the country. Further, this sector has time and again registered a higher growth than the rest of the industrial sector. Thus, MSME continues to be a boon for Indian economy for present and near future. Presently it is required to protect units and take steps to support them so that they can grow for a long run.

This study is about MSME's growth over years, different schemes introduced under and its impact on GDP and GVA of India. Government has introduced different policies and schemes for the growth of MSME sector. This paper lays stress on Growth, Challenges and Issues related to Micro, Small and Medium Enterprises.

Keywords: MSME, MSME Schemes, Infrastructure.

Introduction

MSME have played a great role in providing employment opportunities, equality of income, thus reducing regional imbalances and promoting economic growth in the country. Government has set up an India Opportunities Venture Fund to provide equity to the MSME sector. Many enterprises are opened up in different states which ensures regional development. The contribution of MSME to GDP is increasing year by year. At present, MSMEs are running in wide variety of sectors such as manufacture, trade and services. The fixed investment in MSME is also increasing. India in the recent past has been the breeding ground for ideas and entrepreneurs. Every year across the world on June 27 The International micro, Small and Medium-sized Enterprises (MSME) Day is observed. The campaign slogan of MSME Day 2018 is 'The Youth Dimension' to promote importance of MSMEs in youth employment, raise awareness about the skills needed by youth to acquire decent jobs and youth entrepreneurship. The Ministry of Micro Small & Medium Enterprises (MSME) has organized National Conclave (UdyamSangam) this year (2018) is to encourage dialogue and partnership among various stakeholders of the MSME and promoting innovation and knowledge sharing related to MSME issues. Finance Minister Arun Jaitley on 27th June 2018 while presenting Budget 2018, on the occasion of UN MSME Day said about the MSMEs as the major engine of growth and employment generation.

Over the years statutory bodies and institutions have been established:

1. Khadi & Village Industries Commission (KVIC)
2. Coir Board
3. Mahatma Gandhi Institute For Rural Industrialisation (Mgiri)
4. National Board For Micro, Small And Medium Enterprises (Nbmsme)

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5. National Small Industries Corporation Ltd.
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Objectives of the Study

1. To understand the important performance of MSME in economy.
2. To identify different schemes offered by MSME.
3. To study the employment opportunities and challenges of MSME.
4. To study the financial support provided by Govt to MSME.

Research Methodology

Study is based on secondary data collected from journal, books, and published reports of the Government. The scope of this study is confined only to MSMEs. The major limitation of this study is that the results are not substantiated with primary data.

Definition of Micro, Small and Medium Enterprises in India

The MSMEs are defined on the basis of investment in Plant & Machinery and equipment's under the MSMED Act, 2006. The present investment limit for MSMEs is as under:

Enterprises	Manufacturing	Service
Micro	upto ₹. 25 lakhs	upto ₹ . 10 lakhs
Small	₹. 25 lakhs to ₹. 5 crores.	₹. 10 lakhs to ₹. 2 crores.
Medium	₹. 5 crores to ₹. 10 crores	₹. 2 crores to ₹. 5 crores.

In calculating the investment in plant and machinery, industrial safety devices, the cost of pollution control, research and development, and such other items as may be specified are excluded.

Before 2 October 2006

Enterprises	Manufacturing	Service
Micro	Upto ₹.25 lakh	Upto ₹.10 lakh
Small	Above ₹.25 lakh & upto ₹.1 crore	-
Medium	Not defined	Not defined

Role of MSMEs in Indian Economy

The contribution of MSME Sector in country's Gross Value Added (GVA) and Gross Domestic Product (GDP) as per the data available with Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation, at current prices for the 2011-2016 is as below:

Contribution of MSMEs in Country's Economy at Current Price³
(Figures in ₹. Crores adjusted for FISIM3 at current prices)

Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2583263	-	8106946	31.86	8736329	29.57
2012-13	2977623	15.27	9202692	32.36	9944013	29.94
2013-14	3343009	12.27	10363153	32.26	11233522	29.76
2014-15	3658196	9.43	11481794	31.86	12445128	29.39
2015-16	3936788	7.62	12458642	31.60	13682035	28.77

Source: Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation

Estimated Number of MSMEs in the Country

Table shows the distribution of MSMEs activity category wise as per the National Sample

Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation.

Estimated Number of MSMEs (Activity Wise) 2015-16

Activity Category	Estimated Number of Enterprises (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	114.14	82.50	196.65	31
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
Electricity*	0.03	0.01	0.03	0
All	324.88	309.00	633.88	100

*Non-captive electricity generation and transmission and distribution by units not registered with the Central Electricity Authority (CEA)

Comparative Analysis between Fourth All India MSME Census (2006-07) and NSS 73rd Round (2015-16)

Comprehensive information on the MSME Sector from both Fourth all India MSME Census was

held in 2006-07 and the NSS 73rd Round (2015-16). the growth of the basic parameters of the MSME Sector can capture over a decade

Table: Growth of MSMEs

(Figures in lakh)

Parameter	NSS 73rd Round, 2015-16	Fourth All India Census of MSMEs, 2006-07	Annual Compound Growth Rate (%)
Manufacturing	196.65	115.00	6.14
Services	437.23	246.76	6.56
No. of MSMEs (Total)	633.88	361.76	6.43
Manufacturing	360.42	320.03	1.33
Services	749.47	485.21	4.95
Employment (Total)	1109.89	805.24	3.63

*Service includes Trade, Electricity & Other Services.

MSME Schemes

The Ministry of MSME runs various schemes aimed at infrastructure development, financial assistance, technology assistance and upgradation, skill development and training, market assistance and enhancing competitiveness of MSMEs.

Udyog Aadhaar**Udyog Aadhaar Memorandum (UAM)**

UAM introduced with an aim to promote ease-of-doing-business for MSMEs in India in 2015. The UAM has emerged from the vision of two:

1. Honourable Prime Minister of India shared with the Nation via "Mann Ki Baat"
2. The Report on Financial Architecture of the Kamath Committee on Financial Architecture of MSME sector.

Lean Manufacturing Competitiveness Scheme for MSMEs**Objective**

To bring the manufacturing competitiveness in the MSME Sector by reducing the wastes with the help of lean manufacturing concepts.

(till Dec, 2017)

(₹. Lakhs)

Name of the Scheme	Lean Manufacturing Competitiveness Scheme for MSMEs
Benefit Type	In Kind
Total no. of beneficiaries	1091

AamAdmiBima Yojana

Aam Admi Bima Yojana erstwhile Khadi Karigar Jana Shree Bima Yozana is a scheme introduced by the Government of India to provide insurance cover to khadi artisans. "Aam Admi Bima Yojana is formed by combining the two schemes of Aam Admi Bima Yojana and Janashree Bima Yojana. The scheme has been Renamed from the year 2013. Insurance Schemes for the benefit of rural and landless households who are Khadi artisans covering natural death, death and permanent/partial disability due to accident. The Scheme also offers educational scholarship for upto two children of Khadi artisan who are studying in IXth Std. to XIIth Std. The Scheme was formulated by KVIC in association with the LIC with annual premium of ₹ 200 per beneficiary. The Commission has prevailed upon LIC to reduce the premium to ₹ 100 from 2005-06 which is shared as ₹ 50 by the Central Government from Social Security Fund, ₹ 25 by Khadi Institution and ₹ 12.50 each by Khadi Artisan and KVIC."

The compensation under the Scheme has also been increased by 50 per cent which stands as follows:

1. In case of natural death ₹ 30,000.
2. In case of accidental death ₹ 75,000.
3. In case of full permanent disability due to accident ₹ 75,000.
4. In case of part permanent disability due to accident ₹ 37,500.

As an 'add-on' benefit without any additional premium, up to two school-going children of insured artisans studying in Class Nine to Twelve are eligible for a scholarship of ₹ 100 each per month.

Performance

A total more than 2.93 lakh khadi of artisans have been covered under so far to provide insurance to the khadi artisans/weavers.

Credit Guarantee Scheme

Credit Guarantee Fund Scheme for Micro and Small enterprises (CGTMSE) was launched by the Government in August, 2000. The objective of this scheme is to make available credit to Micro and Small Enterprises for loans up to ₹ 100 lakh. The scheme is being operated by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). The corpus of CGTMSE is contributed by the Government of India and SIDBI in the ratio of 4:1. The Scheme covers collateral free credit facility (term loan and/ or working capital) extended by eligible lending institutions to new and existing micro and small enterprises up to ₹ 100 lakh per borrowing unit. The guarantee cover provided is up to 75% of the credit facility up to ₹ 50 lakh (85% for loans up to ₹ 5 lakh provided to micro enterprises, 80% for MSE owned/ operated by women and all loans to NER) with a uniform guarantee at 50% of the credit exposure above ₹ 50 lakh and up to ₹ 100 lakh. A composite all-in Annual Guarantee Fee of 1.0 % of the credit facility sanctioned is now being charged.

At present the distribution given below have become the Member Lending Institutions (MLIs) of CGTMSE for participating under the Credit Guarantee Scheme.

Public Sector Banks	21
SBI & its associate Banks	6
Private Sector Banks	20
Regional Rural Banks	69
Foreign Banks	4
Other Institutions	9
Total	129

(till Dec, 2017)

(in ₹. Lakhs)

Benefit Type	In Kind
Total no. of Beneficiaries	29,16,910
Total Expenditure	8200

MyMSME

MSME units always complained that information regarding all schemes was not available at a one place, so in April 2017 The Ministry of MSME has developed the mobile app –My MSME. The MyMSME app on <http://my.msme.gov.in> has different sections like ZED, Design Clinic, Credit Subsidy, Lean Manufacturing, Udyog Aadhaar etc. MSMEs can easily use digital platform to avail benefit under the schemes and get to know about the various schemes of the Ministry.

Ministry of MSME took many initiatives, including the launch of My MSME mobile app for access to different schemes, Entrepreneurs can apply online and track the application on their mobile, effective implementation of the online lodge grievance, online portal for monitoring of cases of delayed payment and launch of finance facilitation centres. Thus, administration not only to be in digital mode but also mobile friendly

Performance & Credit Rating Scheme

National Small Industries Corporation (NSIC) Limited has implemented the scheme on behalf of Ministry of MSME. The scheme aims to create awareness amongst micro and small enterprises about the strengths and weaknesses of their existing operations. The scheme enhances the organizational strengths and credit worthiness. It also facilitates them in increasing their acceptability from Customers or Buyers and Vendors. Rating under the scheme is a combination of credit and performance factors. Rating symbols are standardized and followed uniformly by all Rating Agencies.

During the year 2015-16, 12842 units have been rated under this scheme.

The financial performance of the scheme is given below: 2

(In ₹. Crore)

Budget 2014-15	90.00*
Expenditure 2014-15	88.00/23048 Units
Budget 2015-16	28.00/12842 Units

*Revised Estimate

Credit Guarantee Trust Fund for Micro and Small Enterprises (CGT-MSE)

Credit Guarantee Scheme has been set up to strengthen credit delivery system and to enable flow of credit to the sector by facilitating loan to the tune of ₹ 2 crore without collateral or third-party guarantee. Government of India is now fully contributing to the corpus of CGTMSE. Consequent to approval of the proposal of Ministry of MSME on 'Package for supporting Micro and Small Enterprises (MSEs)', Government had approved the augmentation of the corpus of the Trust from ₹ 2,500 crore to ₹ 7,500 crore in December 2016. The increase of the

corpus by ₹ 5,000 crore was entirely contributed by Government of India. Non-Banking Finance companies (NBFCs) have also been included under the Credit Guarantee Scheme for disbursing loans being extended to micro and small enterprises. During 2014-18, contribution ₹ 5165.76 crore was made towards augmentation of the corpus of CGTMSE. During 2017-18, an amount of ₹ 3002.00 crores of contribution has been made to CGTMSE. During 2014-18, 1632722 number of guarantee applications involving guarantee coverage of ₹ 80221.59 crore was approved, against 1134993 guarantee applications involving guarantee coverage of ₹ 60623.80 crore during 2010-14.

Mahila Coir Yojana

Under the Prime Minister Employment Generation Programme (PMEGP) w.e.f 1st March 2018, trained women are eligible for seeking financial assistance for setting up of coir units. The scheme is being implemented by the Government through the Coir Board under its Coir Vikas Yojana. The Mahila Coir Yojana is a woman-oriented self-employment Scheme in the coir industry which provides self-employment opportunities to the rural women. Assistance under the Scheme is given to one artisan per household. The training is given in spinning of coir yarn/ various coir processing activities to rural women in regions producing coir fibre in the country. The scheme envisages distribution of motorized ratts/ motorized traditional ratts and other coir processing equipment's which can be operated by women. Stipend of ₹ 3000 per month are given for training to Women artisans.

MSME Data Bank

Online census which previous was manual system which involves large amount of time, money and resources were spent. Through data bank the data is gathered at digital platform. At different levels the Data is collected in MSME data bank the basic details of MSMEs, the data of association and related agencies information is being gathered. This would help ease govt to purchase good through them even in framing out the schemes.

MSME Databank enables the government to streamline and monitor the schemes and programmes and pass on the benefits directly to MSMEs for their growth and development. It also provides real-time information about the status of MSMEs under various parameters like investment, turnover, no of employees, product and services and even the credit rating, joint ventures, technology transfers, import and export of machinery and members of an association. MSME units can update their enterprises information as and when requires. Consequently, MSMEs enlisted under the MSME databank will be qualified for profiting benefits in different plans of the MSME Ministry. Under this scheme Businessmen get benefit, payments are made easy, Discounts to those using solar energy.

**Plan Allocation and Expenditure During
2014-15, 2015-16, 2016-17 AND 2017-18**

(₹. in crore)

Items	2014-15	2015-16	2016-17	2017-18
A. SME DIVISION				
BE	227.00	129.28	310.99	121.00
RE	200.00	143.82	160.73	-----
EXPENDITURE	192.42	131.11	121.50	71.01*
B. ARI DIVISION				
BE	2042.00	1651.22	1825.00	2065.48
RE	1500.00	1744.18	1717.54	----
EXPENDITURE	1427.08	1655.03)	1686.39	1781.94*
C. O/o. DC (MSME)				
BE	1058.00	832.01	864.00	4295.48
RE	800.00	732.00	3107.93	----
EXPENDITURE	771.69	661.42	1365.12	3531.91*
TOTAL BE	3327.00	2612.51	2999.99	6481.96
TOTAL RE	2500.00	2620.00	4986.20	-
TOTAL EXPENDITURE	2391.19	2447.56	3173.01	5384.86*

*(upto 31.12.2017)

Finance Facilitation Centres for MSMEs

In December 2016 The Ministry of MSME and SIDBI had set up the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) also an online web-portal www.nsicffconline.in to expedite disbursement of loans to micro, small and medium enterprises (MSMEs)

The role of On-line Finance Facilitation Centre FFCs is to create their awareness among MSMEs, disseminate the information about MSME schemes of banks and financial institutions, meet the credit requirements and coordinate with the banks for speedy disposal of credit proposals.

As part of launching the service to a wider audience, NSIC has signed pact with 32 public and private sector banks to provide credit facilities to MSMEs.

The NSIC has established 'Finance Facilitation Centres (FFCs)' and, with facility to operate as a nodal point for aggregating various financing options of MSMEs, speedy disposal of credit proposals thus saving time & cost of MSMEs, to facilitate larger number of MSMEs who are desirous of availing credit and to provide handholding support to MSMEs. The MSMEs are facilitated by NSIC offices in submitting their proposals for credit support to the banks either through online FFC Portal or through offline. NSIC has presently set up eight finance facilitation centres. The consolidated performance of FFCs up to 31.03.2018 is summarized below:

- 133 proposals valued at ₹ 421.59 crore have been mobilized under FFCs.
- 46 proposals valued at ₹ 210.57 crore is under process with various banks on FFC portal.
- 52 proposals valued ₹ 42.20 crore have been sanctioned by various banks on FFC portal

In addition to the existing locations, NSIC proposes to setup Finance Facilitation Centres

Marketing Assistance Scheme

National Small Industries Corporation (NSIC) Limited has implemented scheme. The main objectives are to enhance the marketing

competitiveness of MSMEs; to update them with prevalent market scenario, to provide them a platform for interaction with the individual/institutional buyers and to provide them a form for redressing their problems. MSMEs are supported under the Scheme for capturing the new market opportunities through organising/ participating in various domestic & international exhibitions/ trade fairs, Buyer-Seller meets intensive campaigns and other marketing events.

The financial performance of the scheme is given below:

(In ₹. Crore)

Budget 2014-15	14.00
Expenditure 2014-15	11.68
Budget 2015-16	14.00

Conclusion

Micro, small and medium are playing predominant role in Indian economy in terms of employment, production, exports and fostering entrepreneurship in a nation. Enterprises have emerged as the engine of economic growth and equitable distribution of national income. The MSMEs if continued to be established in the underdeveloped areas then will be very much helpful to remove the regional imbalances. A number of schemes and programmes introduced by the Government has assisted small businessmen. MSME are reaching at a level of optimum utilization of existing resources and manufactures quality products and services. Innovative steps have been taken which have resulted in enterprise growth. Movements like made in India and Make in India have contributed to the entrepreneurship development in India. A wide range of products to meet the domestic and global market can be seen from the data in this paper. On many areas government has or has been working but still there are some areas where state and central governments are required to stay emphasizes on to strengthen MSMEs sector, so that it can continue to contribute in the growth and development of nation. Over all it has benefitted all entrepreneurs like schedule tribes, Schedule castes, women, handicap,

first generation etc for helping them out in creating enterprises.

Reference

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