



A Study of Government Schemes for the MSME Sector and their Contribution to the Development of India

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ABSTRACT

This paper aims to review the government schemes available for the MSME sector and to figure out how to contribute to the development of the nation. The target of this testing is to find out the different issues faced by MSMEs in our country and to know the schemes designed by the Government under MSME sector and to do examination about the contribution towards development of the country. This study illustrates job of government plans and MSME sector adding to the advancement of the nation. In India, MSME is contributing 8 % of country's GDP at a lower capital expense. The main benefit is that they are giving important potential. Thus the government plans go as a backbone for the MSME sector, which goes a long way in developing our country and also assists in generating more employment opportunities.

Key words: MSME, Government schemes, GDP and Employment opportunities

INTRODUCTION

In India, MSMEs contribute almost 8% of GDP, around 40 % of national exports and 45 % of the manufacturing yield and provides 11 crore employment. That's why MSME is called as backbone of the nation. Government of India has presented MSMEs or Micro, Small, and Medium Enterprises in agreement with the Micro, Small, and Medium Enterprises Development (MSMEDS) Act of 2006. These endeavours principally occupied the creation, assembling, handling, or protection of products and commodities. MSMEs are a significant area of the Indian economy and have contributed massively to the country's financial turn of events. It produces business open doors as well as works connected at the hip towards the improvement of the country's backward and rural areas. As indicated by the

yearly report by the Government (2018-19), there are around 6,08,41,245 MSMEs in India.

Any person who needs to launch his business or as of now possesses one yet that goes under Micro, Small, and Medium Enterprises (MSMEs) can profit from the advantages of the credit offices. According to the most recent declaration in July 2020 concerning rethinking the MSMEs, a Table is displayed that reclassifies the freshest meaning of Micro, Small, and Medium Enterprises.

Enterprise type	P&M investment	Annual Turnover
Medium	< 50 crores	< 250 crores
Small	< 10 crores	< 50 crores
Micro	< 1 crore	< 5 crores

LITERATURE REVIEW:

1. The paper outlines the execution of MSMEs and the development and open doors. The fact that this makes it a contemplated area essentially contributes to business, trades, and fabricating yield. The MSMEs area can help for accomplishing the objective of country manufacturing that assembling to contribute 25% of India's GDP by 2020. For that reason, the public authority of India has taken a decent drive of "Make in India".

Author: Zanzurne; year= 2018

2. The paper outlines the public authority plans for the advancement of new-age business visionaries in India. In the present India setting, work open doors in the open area and huge scope area are contracting and vast valuable open doors emerging from globalization are standing by the exploited entrepreneurs can truly take more time to the statutes of turning into very financial power.

Author: Amulya ; year= 2020

3. The paper outlines the strategies that are offered by the MSME's to enhance entrepreneurship in our country. Making a liaison with MSME's to deliver various number of assistance to advance entrepreneurship in MSMEs sectors which contain Khadi village and coir board industries. This assistance will also facilitate skill development programs and also provide subsidy schemes.

Author: Sathish ; year = 2019

4. The paper outlines the endeavors to comprehend the job of MSMEs in giving work open doors and pushing towards the comprehensive advancement of the country. The different issues looked at by these MSMEs in executing their activities have additionally been talked about in this paper

Author: Kumar; year = -2017

OBJECTIVES OF THE STUDY:

1. To have a review on various issues looked by MSME's
2. To know the framed schemes by MSME's
3. To know the contribution from MSME's and start up's towards the development of the nation.

Analysis:

1. To have a review on various issues looked by MSME's:
 - a. Regulatory issues
 - b. Financial issues

- c. Low efficiency
- d. Infrastructure
- e. Lack of advancement
- f. Technical changes

2. To know the framed schemes by MSME's:

The GOI introduced many schemes to encourage start ups and MSME's in our country.

- a. Credit Guarantee Scheme for Micro & Small enterprises

This plan targets inspiring original business people towards independent work by giving credit to ensure subsidizing to outsider assurance free advances. This is applicable to existing as well as aspiring entrepreneurs. Benefits:

- Guarantee on the coverage less than 5 crores
- Extent of guarantee cover is 80% for both MSMEs owned/operated by women and loans/credits in the North East Region for credits up to INR 50 lakhs. In cases of default, the trust settles 75% of the amount extended by the lending institutions for credits up to INR 200 lakhs.
- Third party guarantee free credit facilitation by eligible institutions with maximum credit capped at 2 crores qualifies for this guarantee under this scheme.
- The extent of guarantee cover is 85% for micro-enterprises for credit up to Rs. 5 lakhs. The extent of the guarantee covers 50% for credit ranging from INR 10 lakh to INR 100 Lakh per micro and small enterprise borrower retail trade activity.

- b. Credit linked capital subsidy component

Objective: - The plan targets working with innovation up a degree in MSEs with cutting edge innovation, regardless of extension, on and for new MSEs which have set up their offices by giving a forthright capital appropriation of 15% (on institutional money of up to INR 1 crore availed by them). is applicable to all the existing entrepreneurs.

Advantages:

- This ensures fair adding up of SC/ST, women category and UT's, the subsidy been proposed to be admissible for investment as well as replacement of P&M , equipments and up gradation of technology.
- Upfront subsidy of 15% on institutional credit up to INR 1.0 crore (i.e., a subsidy cap of INR 15.00 lakh) for identified sectors/subsectors/ technologies.
- 15 % of the subsidy on institutional credit up to crore with a subsidy cap of 15 lakhs.

c. Zero defect and Zero Effect

This plan intending the empowering MSME's towards assembling quality items by teaching Zero Defect and Zero Effect practice, to protect unremitting improvement in this manner supporting Make in India drive. It is applicable to all the existing entrepreneurs.

Advantages:

- ❖ Empower and support MSME's for using latest innovations to make quality items.
- ❖ Increment public mindfulness on requesting Zero Defect and Zero Effect items through ZED rating and grievance redress entry.
- ❖ Monetary help to be given to MSME's in the getting of ZED certificate.
- ❖ To advance the transformation of value frameworks and instruments in effective assembling.

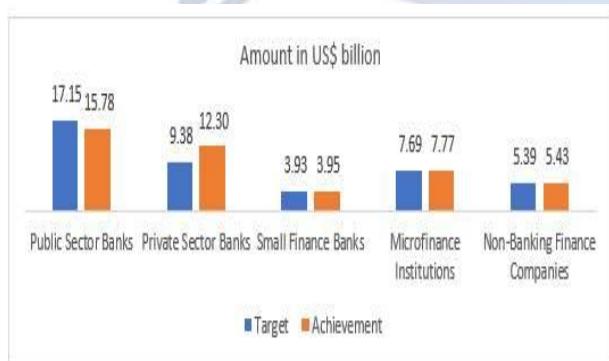
3. Pradhan mantra Mudra Yojana

Objective: The plan targets providing advances to the non-corporate, non-ranch little/miniature enterprises. These advances are named MUDRA credits under PMMY.

Pradhan Mantri Mudra Yojana is one of its sort resources of resources, imagined and conceptualized to draw in Indian business visionaries. Credits up to Rs 10 lakh can be beneficial under the MUDRA scheme.

MUDRA Banks give credits at low rates to smaller than normal cash foundations and non-banking financial establishments, who along these lines give low-premium advances to new organizations and MSMEs. The loans are given for income-generating activities in the manufacturing, trading and services sectors and activities allied to agriculture.

PMMY Sanctions in FY20 by sub-categories of borrowers



Source: MUDRA Annual Report FY20

In FY20, Shishu loans had the largest share among all three categories, accounting for 88% of the total accounts

and 48% of the total value. Further, Shishu loans sanctioned funds increased by 15% YoY.

In FY20, 66% MUDRA loan accounts (in the Shishu category) belonged to women, who received 67% of the sanctioned amount. This high percentage was mainly due to MFIs lending microloans to women.

Women entrepreneurs are expected to play a significant role in transforming India into a self-reliant country. According to a report by Bain & Co. and Google, women entrepreneurs in India are expected to generate ~150-170 million jobs by 2030, accounting for > 25% of all new jobs available for India's working-age population.

Through PMMY, the government has offered numerous opportunities to women entrepreneurs. Between 2015 and 2021 (until February 2021), ~68% loans, representing 19.04 crore accounts, with a total value of Rs. 6.36 lakh crore (~US\$ 86 billion) have been sanctioned to women entrepreneurs.

PMMY: Agency-wise Achievement in FY20

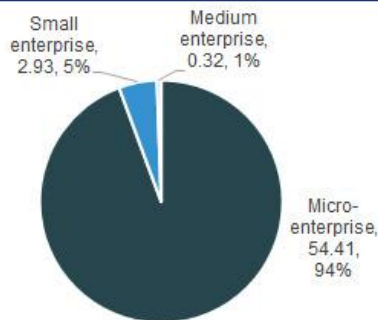
For FY20, the Indian government set a goal to achieve Rs. 3.25 lakh crore (~US\$ 44 billion), under PMMY, which was distributed among various lending institutions, banks, MFIs (microfinance institutions) and NBFCs (non-banking finance companies) based on their scope and presence across the country.

In FY20, the overall output of the programme adopted by all lending institutions increased by 5% YoY at Rs. 3.37 lakh crore (~US\$ 46 billion) from Rs. 3.21 lakh crore (~US\$ 43 billion) (sanction amount) in FY19. In addition, public sector banks reported a 0.4% YoY surge and private sector banks posted a 43% YoY increase in terms of sanction amounts.

Among the public sector banks segment, State Bank of India (SBI) led the space, with Rs. 35,125 crore (~US\$ 4 billion) sanctions, followed by Bank of Baroda at Rs. 10,282 crore (US\$ 1.39 billion) and Canara Bank at Rs. 9,489 crore (US\$ 1.29 billion).

Indian Micro, Small and Medium Enterprises (MSMEs) are rapidly adopting digital payments over cash, with 72% payments done through the digital mode compared with 28% cash transactions. Rise in digital adoption presents prospects for further growth in the sector.

Registered MSMEs in India in FY22* (lakh units)



Major Recent Developments in the MSMEs include:

In June 2022, the central government announced a new initiative called "Promotion of MSMEs in North Eastern Region and Sikkim." The main purpose of this project was to stimulate MSMEs in the North East by establishing mini-technological centres, developing new and existing industrial estates, and promoting tourism.

In November 2021, the Small Industries Development Bank of India (SIDBI) inked a pact with Google to pilot social impact lending with financial assistance up to Rs. 1 crore (US\$ 133,939.60) at subsidised interest rates to micro enterprises. To reinvigorate the Indian MSME sector, Google India Pvt. Ltd. GIPL, will bring a corpus of US\$ 15 million (~Rs. 110 crore) for micro enterprises as a crisis response related to COVID-19.

In November 2021, digital freight forwarder Freightwalla, launched a shipment tracking service for MSME exporters and importers based on predictive analytics to help businesses tackle risks associated with shipment delays and improve supply chain efficiency.

In November 2021, Cash invoice, a supply chain financing (SCF) platform, announced that it will aid MSMEs with over Rs. 10,000 crore (US\$ 1.33 billion) worth of financing in the year ahead, as it has raised Pre-Series A funding of US\$ 1 million from Accion Venture Lab.

In October 2021, Sundaram Finance and the MSME Development Institute (Chennai), provided marketing assistance to MSMEs. Entrepreneurial and managerial development of MSMEs will be done through an incubator scheme, that will give innovators opportunities to develop and nurture ideas for the production of new products.

In September 2021, Aerospace Engineers Private Limited, a Tamil Nadu-based MSME, secured a contract

from Boeing to produce and supply critical aviation components..

Findings:

1. lack of technology

There is an extreme absence of business visionaries in this area, which has kept it from embracing new advances and devices which have achieved massive changes in different areas like e-Commerce and call focuses, and so on.

2. lack of professionalism

A greater part of Indian MSMEs needs incredible skill in spite of being fundamental for bigger ventures' development. Thus, they are exceptionally inclined to debasement and maltreatment of force, which tremendously affects the efficiency of their organizations.

3. no standard policies.

there is no consistency with regards to MSME advancement as well as business advancement programs.

Suggestions:

- They can do a workshop to ensure that entrepreneurs are aware of the latest technology.
- They can also provide financial support for the smaller sectors
- The people are not educated to access the funds of the MSMEs
- Our finding is that the SMEs are extremely essential for the advancement of any economy since it helps in the age of work and reshaping useful areas yet they endure issues due to non- accessibility of money and non-accessibility of skilled work at a reasonable expense.
- The MSME area plays a significant part in the Indian economy. It shapes a critical portion of the Indian Industrial sector. It likewise has made a huge commitment towards the export of the products.

The absence of the data is the main driver of numerous different issues like Technological up-gradation and R&D since for the most part, little MSMEs proprietors are not exceptionally educated, they do not have some familiarity with the most recent and most reasonable innovations and need more information to drive the R&D office in their organizations. They don't have data about the benefits given by the public authority. The

larger part of the proprietors doesn't realize that there is a Service for Micro, Small, and Medium Enterprises. In this manner, even though the public authority understands the significance of MSMEs as development motors and has numerous approaches and plans set up to cover pretty much every part of issues looked at by the endeavors. Because of the low efficiency, debasement, and unfortunate working circumstances, MSMEs have been attempting to guarantee development. This has brought about the area having an exceptionally low degree of productivity and development, which isn't OK for the general economy. Maybe, in the event that we dispose of defilement and spotlight more on quality, MSMEs will actually want to beat greater firms.

Conflict of interest statement

Authors declare that they do not have any conflict of interest.

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