



# The Role of Government in MSME Development

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## Article Info

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## ABSTRACT

*The Micro, Small and Medium Enterprises (MSME) sector has emerged as a dynamic sector of the Indian economy over the last five decades.*

*It contributes significantly in the economic and social development of the country by fostering entrepreneurship MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the industrial development of the country.*

*The MSMEs are producing diverse range of products and services to meet demands of domestic as well as global markets.*

*They have been contributing significantly to the expansion through business innovations. The MSMEs in India are playing a crucial role by providing large employment opportunities and reducing regional imbalances assuring more equitable distribution of national income and wealth.*

*Micro, Small Medium Enterprises promote growth and development of Khadi and Village Industries Commission (KVIC) and the Coir Board besides National Small Industries Corporation (NSIC), National Institute for Micro, Small and Medium Enterprises (NIMSME) and Mahatma Gandhi Institute for Rural Industrialization (MGIRI) The Ministry of MSME runs various schemes aimed at financial assistance, technology assistance, infrastructure development, skill development and training, enhancing competitiveness and market assistance of MSME exploring new areas of technology, facilitating joint ventures, improving markets for MSMEs products, foreign collaborations*

*Hence in the present paper various government schemes are discussed for development of MSMEs*

**Key Words:-** Schemes, Training, Innovations, New Technology

## 1. INTRODUCTION

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs play crucial role in providing large employment opportunities. The Government helps in industrialization of rural and backward areas, thereby reducing regional imbalances assuring more equitable distribution of national wealth. MSMEs are complementary to large industries as ancillary units

and this sector contributes enormously to the socio-economic development of the country. A revision in MSME criteria of classification was announced under Aatma Nirbhar Bharat package on 13th May, 2020. They have contributed significantly for the expansion entrepreneurship through business innovations. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the industrial development of the country.

MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. Establishment of specific funds for the promotion, development and enhancing competitiveness of these enterprises. Ministry of Micro, Small Medium Enterprises promotes growth and development of Khadi, Village and Coir Industries. State Governments and other Stakeholders, provide support to existing enterprises and encourage creation of new enterprises. Establishment of specific funds for enhancing competitiveness of these enterprises and notification of schemes/ programmes for this purpose. This Ministry now designs policies and promotes/ facilitates programmes, projects and schemes and monitors their implementation with a view to assisting MSMEs and helps them to scale up. The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements the efforts of the State Governments through various initiatives.

The role of the MSME and its organizations is to assist the States in their efforts to encourage entrepreneurship, employment and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario.

Programmes undertaken by the Ministry

- adequate flow of credit from financial institutions/banks
- support for technology up gradation and modernization
- integrated infrastructural facilities
- modern testing facilities and quality certification
- access to modern management practices
- entrepreneurship development and skill up gradation through appropriate training facilities
- support for product development, design intervention and packaging
- welfare of artisans and workers
- assistance for better access to domestic and export markets
- Cluster-wise measures to promote capacity-building and empowerment of the units.

The Khadi and Village Industries Commission (KVIC), engaged in promoting and developing khadi and village industries for providing employment opportunities in

rural areas, thereby strengthening the rural economy for generating sustainable rural non-farm employment opportunities. According to the latest monthly data by the Reserve Bank of India (RBI), the priority sector loans to micro and small enterprises (MSEs) by scheduled commercial banks saw an 1.2% year-on-year growth in December 2022. As per SBI report 14.6 lakh MSMEs saved post-Covid including the livelihood of 6.6 crores of people. The sector has also contributed immensely with respect to entrepreneurship development especially in semi-urban and rural areas of India.

The Micro, Small, and Medium Enterprises (MSME) sector has created employment for more than 120 million persons through 63.4 million units. MSMEs contribute around 6.11% of the manufacturing GDP and 24.63% of the GDP from service activities as well as 3.4% of India's manufacturing output and contribute around 45% of the overall exports from India. This sector has consistently maintained a growth rate of over 10%. About 20% of the MSMEs based in rural areas indicate the deployment of significant rural workforce in the MSME sector; This shows the importance of these enterprises in promoting sustainable and inclusive development as well as generating large scale employment especially in rural areas. It supports the MSME sector to gain the needed strength and has introduced various schemes and initiatives to meet the various requirements of the sector. National Institute for Micro, Small and Medium Enterprises, (NI-MSME) in-charge of enterprise promotion and entrepreneurship development, enabling enterprise creation, performing diagnostic development studies for policy formulation. Mahatma Gandhi Institute for Rural Industrialization (MGIRI) accelerating rural industrialization for sustainable village economy. It attracts professionals and experts to Gram Swaraj, empower traditional artisans, encourage innovation through pilot study. New online system of MSME/Udyam Registration launched by the Union MSME Ministry, July 01, 2020, successfully registered 1.1 million MSMEs until November 2020.

#### GOVERNMENT POLICIES

The Government of India has designed various policies for the growth of MSMEs in the country.

- As on July 8, 2022 the number of loans sanctioned under the Pradhan Mantri MUDRA Yojana (PMMY) scheme was 10.03 million and the amount disbursed

was Rs. 73,199.89crore.

- In the Union Budget of 2022-23 MSMEs sector was allocated an Emergency Credit Line Guarantee Scheme (ECLGS) of Rs. 50,000 crore.
- On March 30 2022, the Indian government allocated Rs. 6,062.45 crore (US\$ 808 million) for the scheme Raising and Accelerating MSME Performance (RAMP).
- The programme aims to improve market and credit access, strengthen institutions and governance at the centre and state levels, improve centre-state connections and partnerships, resolve late payment difficulties and green MSMEs.
- In November 2021, the Indian government launched the Special Credit Linked Capital Subsidy Scheme (SCLCSS) for the service sector. This scheme will help enterprises in the service sector to meet various technical requirements.
- In November 2021, the Ministry of Micro, Small and Medium Enterprises launched SAMBHAV, a national-level awareness programme to push economic growth by promoting entrepreneurship and domestic manufacturing.

#### RECENT DEVELOPMENTS

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 at subsidized interest rates to micro enterprises.
- To give new strength to MSME sector, Google India Pvt. Ltd (GIPL) will bring a corpus of US\$ 15 million for micro enterprises as a crisis response related to COVID-19.
- In November 2021, digital freight forwarder Freightwala 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 worth of financing.

- 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.
- The Ministry of MSME runs numerous schemes targeted at providing credit and financial assistances, skill development training, infrastructure development, marketing assistance, technological and quality upgradation and other services for MSMEs across the country.
- The Government of India has envisioned doubling the Indian economy to US\$ 5 trillion in five years. In order to achieve this goal, career opportunities for the young population have been generated and MSMEs have the potential to serve as a key employment generator. Therefore, the government has taken up promotion of MSMEs in order to create new jobs in the sector. Further, the government aims to enhance MSME's share in exports and its contribution to GDP

#### REVIEW OF LITERATURE

- Vijayrani (2011) examines that appropriate policies are needed to meet the challenges and to sustain the growth of small scale industries.
- Basant (2006) studies the comparative advantage of small scale industries and addresses the policy issues that constrain the sector's growth.
- Shailender singh and Hawali Janor (2013) focuses on organization wise financing pattern of SME's and reveals that industrial credit carries certain restrictions.
- Sonia Mukherjee (2018) examines that lack of use of updated technology makes MSME to lag behind .It is very difficult to face competition from rivals .

#### METHODOLOGY

The data for the research paper is collected from secondary sources, through (1) Annual Reports of

MSME,s(2) RBI Annual Reports, (3) Reports of Ministry of MSME, (4) *Government websites*

## **SCHEMES OF GOVERNMENT**

The MSME is having two Divisions called Small & Medium Enterprises (SME) Division and Agro & Rural Industry (ARI) Division. The SME Division is allocated the work, inter- alia, of administration, vigilance and administrative supervision of the National Small Industries Corporation (NSIC) Ltd., a public sector enterprise and the three autonomous national level entrepreneurship development/training organizations. The Division is also responsible for implementation of the schemes relating to Performance and Credit Rating and Assistance to Training Institution, among others.

The ARI Division looks after the administration of two statutory bodies viz. the Khadi and Village Industries Commission (KVIC), Coir Board and a newly created organization called Mahatma Gandhi Institute for Rural Industrialization (MGIRI).

The National Board for Micro, Small and Medium Enterprises (NBMSME) was established by the Government under the Micro, Small and Medium Enterprises Development Act, It examines the factors affecting promotion and development of MSME, reviews existing policies and programmes and make recommendations .

## **PRIME MINISTER EMPLOYMENT GENERATION PROGRAMME ( PMEGP )**

PMEGP is a bank appraised and financed credit linked subsidy programme for generating employment by establishing micro enterprises in rural and urban areas KVIC is the single Nodal Agency at the National level to implement the scheme across the Country, and the implementing agencies are the KVIC and State Khadi and Village Industries Boards (State KVIBs) in rural areas, and District Industries Centers (DICs) in both rural and urban areas in the Country, and Coir Board for coir activities. Maximum cost of the project under the scheme in Manufacturing Sector is Rs. 25.00 Lakh and in Service Sector Rs. 10.00 Lakh. During the year 2021-22, a target has been fixed for setting up of 95181 PMEGP units, by disbursing Rs. 2867.93 Crore as margin money subsidy, and generating estimated employment opportunities for 7.61 lakh persons.

## **II. MODIFIED MARKET DEVELOPMENT ASSISTANCE (MMDA)**

The Government of India has introduced the "Modified Market Development Assistance" (MMDA) scheme 2016-17 under which 30% is provided as Grant on Prime Cost of Khadi & Polyvastra. During 2020-21, Rs. 197.34 Crore has been disbursed to 1143 Khadi Institutions and 1,35,342 artisans. During 2021-22 Rs. 152.57 Crore has been disbursed to 917 Khadi Institutions and 1,27,328 artisans under MMDA to Khadi & Polyvastra. During 2021-22, the anticipated disbursement under MMDA to Khadi and Polyvastra is Rs. 155.16 Crore to 1503 Khadi Institutions and 1,66,876 artisans.

## **INTEREST SUBSIDY ELIGIBILITY CERTIFICATE**

(ISEC) Scheme Government of India has launched the "Interest Subsidy Eligibility Certificate" (ISEC) Scheme in May, 1977 for Khadi Institutions to mobilize additional requirements of fund from the Financial Institutions / Banks. The ISEC Scheme is the major source of funding for the Khadi programme and also to a limited extent for the Village Industries programme. Under the scheme, credit at the concessional rate of Interest @ 4% per annum is given for Capital Expenditure (CE) as well as for Working Capital (WC), as per the requirement of KVI Institutions. During 2020-21, Rs. 33.36 Crore, 2021-2022 Rs 24.59 Crore, has been disbursed to Khadi Institutions under ISEC to Khadi & Polyvastra.

## **WORK SHED SCHEME**

Work-shed Scheme for Khadi Artisans was introduced in 2008-09 to envisage providing sufficient space and congenial environment to Khadi artisans for smooth and fatigue free working leading to enhanced productivity and increased earning In the State where BPL card is being issued, the Khadi artisans are covered under the scheme. The benefits of the scheme would be made available only to those Khadi artisans who work at least 100 days in a year, and possess own land. Under the Scheme financial assistance given up to Rs. 60,000/- for constructing Individual Work-shed and up to Rs. 40,000/- for constructing Group Work-shed. Since inception, up to 31-12-2021, a total of 46,702 Khadi Artisans were benefitted under this Work-shed Scheme. During 2020-21, 912 Khadi Artisans were benefitted

under this Work-shed Scheme. During 2021-22 1336 Khadi Artisans were benefitted.

#### **SCHEME OF FUND FOR REGENERATION OF TRADITIONAL INDUSTRIES (SFURTI) :-**

Government of India has launched the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) with a aim to recognize the talent, creativity, enterprise of hard work of rural artisan in a variety of fields, ranging from food products to handicraft, leather products,

to ayurvedic medicines and to make the traditional industries more productive, profitable and capable for generating sustained employment for traditional industry. Artisans and subsequently empower and convert them as self-governing entrepreneurs. It is a Cluster- based scheme of Government of India. Since inception, up to 31-12-2021, a total of 100 Clusters (Khadi: 10 and Village Industries: 90) were assisted under this SFURTI Scheme). During 2020-21, 23 Village Industries Cluster were assisted under this SFURTI Scheme. 8 Khadi Reform and Development Programme (KRDP) Khadi Reform and Development Programme (KRDP) was introduced and supported by Government of India by availing loan amounting US \$ 105 Million from the Asian Development Bank (ADB). The financial support for implementing the Khadi and Village Industries programmes is extended by the Government in the form of grant to Khadi and Village Industries Commission.

#### **KHADI REFORM AND DEVELOPMENT PROGRAMME (KRDP)**

The main objective of the scheme is to fully realize the significant growth potential of Khadi and Village Industries sector in terms of employment generation, enhancement of the earnings of the Artisans, improving the technology and also to ensure positioning of Khadi in consonance with current market needs. As on 2021, a total of 465 Khadi Institutions and 8 village industries were provided Direct Reform Assistance (DRA) under KRDP. During 2020-21, 18 Khadi Institutions were provided Direct Reform Assistance (DRA) and 1 Village Industries were provided under KRDP. During 2021-22, 26 Khadi industries are expected to provide Direct Reform Assistance (DRA) under KRDP.

#### **HONEY MISSION-THE SWEET REVOLUTION**

Honey Mission is engaged in the development of the Beekeeping Industry with a view to uplift people living in extremely interior rural areas by introducing and popularizing modern Beekeeping and creating sustainable employment and income. During 2020-21, 15,050 Bee Hives (Boxes) with Bee Colonies were distributed to 1,645 Beekeepers under Honey Mission programme. During 2021-22 , 2400 Bee Hives (Boxes) with Bee Colonies were distributed to 240 Beekeepers under Honey Mission programme. During 2021-22, 19100 Bee Hives(Boxes) with Bee Colonies were expected to be distributed to 1910 Beekeepers under Honey Mission programme.

#### **KUMHAR SASHAKTIKARAN PROGRAMME(KSP)**

Under Mineral Based Industry, Khadi and Village Industries Commission (KVIC) distributed Electric Pottery wheels along with other tools and equipments to the pottery artisans, for strengthening potter families engaged in pottery. Since inception, up to 31 - 12 - 2021, a total of 20410 Electric Pottery wheels, and other equipment's were distributed to 20410 pottery artisans under KSP. By this, 81640 pottery artisans were benefitted during 2020-21, 6,475 Electric Pottery wheels and other equipment were distributed to 6,475 Pottery artisans under KSP. By this, 25,900 pottery artisans were benefitted. During 2021-22 700 Electric Pottery wheels were distributed to 700 pottery artisans under KSP. The National Board for Micro, Small and Medium Enterprises (NBMSME) was established by the Government under the Micro, Small and Medium Enterprises Development Act, It examines the factors affecting promotion and development of MSME, reviews existing policies and programmes and make recommendations to the Government in formulating the policies and programmes for the growth of MSME.

#### **Name of the Scheme**

ATI Scheme (Training Component) MPDA Grant to Khadi Institutions Coir Vikas Yojana Entrepreneurship and Skill Development Programme (ESDP) International Co-operation(IC) Schemes Skill training to the youths for wage employment and self-employment. Skill up-gradation training to existing entrepreneurs to enhance their perform These training are provided under

various schemes such as MSME-TCs Assistance to Training Institutions (ATI) National SC/ST Hub Capacity Building Coir Vikas Yojna- Skill Upgradation and Mahila Coir Yojna Customized demand-driven training courses as per industry requirements are also conducted by organizations Skill development programmes

#### THE SCHEME COVERS THE FOLLOWING ACTIVITIES

a) Deputation of MSME business delegations to other countries for exploring new areas of technology infusion/upgradation, facilitating joint ventures, improving markets for MSMEs products, foreign collaborations.

b) Participation by Indian MSMEs in international exhibitions, trade fairs and buyer-seller meets in foreign countries.

c) Holding international conferences and seminars on topics and themes of interest of MSMEs.

Nature of assistance IC scheme provides financial assistance. It also provides assistance for common expenses of delegations like freight & insurance, local transport, communication services, printing of common catalogue.

Science & Technology (S&T) Khadi and Village Industries Commission has been functioning with the vision of boosting and injecting innovation, quality and productivity to make the Khadi and Village Industries products globally competitive and also to enable rural industries get its due to market demand. KVIC has made stringent effort to address the Quality aspects, Research and Development need of KVI Sector through Research and Development (R&D) projects, and ISO 9001 - 2015 Certification. Organizing skill development programmes/ courses for the existing and potential entrepreneurs to build their capacity. These training courses are as per demands of industry, a pathway to fill up the gap of requirement of skilled workforce in the MSME sector

#### CONCLUSIONS

In order to achieve these targets, the government should invest in providing more back-end services to improve performance of the MSME as it supplies goods and services to big industrial enterprises.

Lack of technology-based production activities and low investment in research and development activities are bottlenecks hindering the sector to become competent.

Globally available technology could be subsidised by the government so that the product quality of MSME players can be improved using the existing resources.

The government schemes should promote and encourage MSME's to produce high quality products to compete in global market MSME's has to adopt best international practices .

#### Conflict of interest statement

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

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