

GOVERNMENT POLICIES AND SUPPORT SCHEMES FOR MSMEs IN INDIA AND THEIR AWARENESS AMONG MSMEs: A RESEARCH PAPER

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ABSTRACT

Government of India has a challenging ambition of becoming a US \$ 5 Trillion Economy in next 5 years. Therefore, Indian economy must grow at faster pace to achieve this target. MSME sector in India is key driver of our economy. MSMEs contribute approx. 1/3rd of our GDP and therefore, MSMEs need to grow at much faster speed to supplement the GDP growth. Keeping in view of the same, Government of India in the past had introduced many schemes to support the development of MSMEs. In order to fuel the growth of MSMEs, Government has been introducing various new schemes, IT initiatives and various promotional and awareness programs to encourage entrepreneurship, to promote manufacturing and service sector of MSMEs. Many schemes of Government are helping MSMEs directly or indirectly to achieve new scales of growth, quality of production and services to enable them gain competitive advantage. However, still our MSME sector is lagging behind many global firms due to lack of adequate technological and supporting infrastructure. Some of the micro enterprises are not able to take full benefits of Government initiatives. The present research paper is an effort to study the various Government schemes for MSME development and also to study and analyze awareness among MSME owners for these schemes. This research paper is also an effort to find out the results of Government schemes and to suggest further required actions to achieve desired results.

Keywords: MSME, Economy, Initiatives, Globalization, Direct Benefits, Rehabilitation.

Introduction

The Micro, Small and Medium Enterprises (MSMEs) sector has been the engine of economic growth of India. In the past few years, when our economy (in terms of GDP) has grown at the rate of 6-7% annually, the MSME sector has consistently achieved a growth rate of over 10%. This shows that Indian economic growth is very much dependent on the growth of MSME sector. From the data of past 10 years, it is estimated that MSME contributes approx. 1/3rd of our GDP. At the same time, MSMEs are major contributor to employment in the country. India, as a developing nation, is facing the problem of unemployment for past many years and MSMEs have given a hope for the future as the sector generates around 100 million jobs through over 46 million units situated throughout the geographical expanse of the country (Source: Annual Report FY'19, Ministry of MSME). Therefore, considering the role of MSME sector in economic and social development of India, the Government of India has been keeping special attention to this sector. The Government has been coming-up with various support schemes, policy initiatives to fuel the growth of MSME sector. At the same time, it is also pertinent to mention that many of the MSME owners are still lagging behind in adaptation of technology for the growth of their business. There are many MSMEs who are either not aware of the Government initiatives for the upliftment of MSME sector or they are unable to avail these benefits as many of these enterprises are from unorganized sector.

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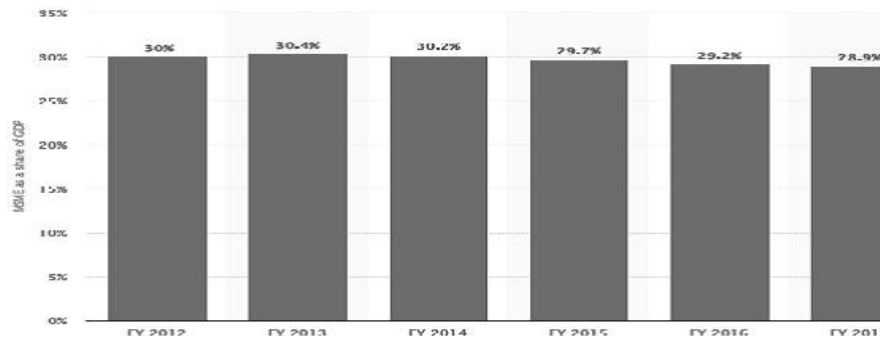


Figure: MSMEs share of GDP across India from financial year 2012 to 2017

Source: © Statista 2020

Objectives of the Study

As per the data available in MSME Ministry's Annual report for 2018-19, micro-enterprises dominate the MSME sector in India. Out of total 6.33 crore MSMEs in India, approx. 6.30 Crore MSMEs i.e. 99.4 percent MSMEs are micro-enterprises, whereas, 3.31 Lakhs (i.e. 0.52 %) are medium and 5,000 (i.e. 0.007 %) are medium enterprises. Out of the micro-enterprises, many are from the unorganized sector. Many of the Government schemes, tax benefits and financial support schemes do not reach to these unorganized enterprises. Some of them are not even aware of the support initiatives of the Government. Accordingly, the present study is an attempt to find out the major schemes of Government of India for the benefit of the MSMEs and awareness among MSMEs for these schemes to avail the benefits from these schemes.

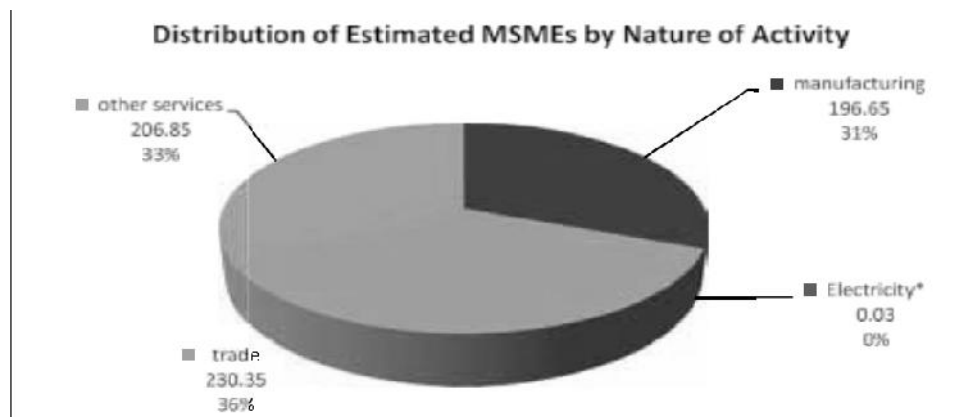


Fig.: Distribution of Estimated MSMEs (Nature of Activity Wise), Source: Annual Report Ministry of MSME

Research Methodology

I have carried out the research work for the present study in two parts. The first part was related to gathering information about the schemes of Government of India for MSMEs and the various platforms offered by Government Authorities for supporting the MSMEs in ease of doing business. Most of the information in this regard was gathered from secondary sources like website of the Government agencies, internet, some published reports of MSME Ministry and financial institutions etc. At the same time some data has been gathered from the primary sources like visiting the offices of dealing offices of Government agencies and by discussions with the officials of these Government agencies.

For gathering the information about second part of the study i.e. the awareness among MSMEs about the Government schemes, I have visited some of the MSME firms. The primary information was gathered through interviews with the MSME owners and their managers. I have also sought the view of various stakeholders of MSMEs through questionnaire. Further, some of the information was also gathered through secondary sources like some published journals, articles, websites associated with MSMEs, Reports published by Ministry of MSME etc.

Literature Review

In order to have in depth analysis of already conducted studies highlighting the Government schemes for the Indian SME sector, I have reviewed some of the published literatures by some professional institutes/ scholars and also studied details of government policies through the websites of relevant Ministry and the dealing authorities/departments. A brief overview of some of the published material is mentioned hereunder:

Bhavani T.(2010) concluded that even though MSMEs generates huge employment opportunities, but it requires a lot of Technological improvements. Requisite efforts in this field may not yield desired results in short term, but in the long run it will ensure high-income quality employment.

Kongolo (2010) pointed that Small and medium-sized enterprises (SMEs) sector is growing at a rapid speed and it has become an important feature of our fast growing and developing economy.

Venkatesh (2012) stated that SMEs rapid development has been identified as a thrust area for future growth especially for a developing economy like India. There is a need to nurture the country's economic well-being for the SME sector.

Dessai(2014) stated that MSMEs in India suffer from the problems of financial support from the Government. The Budget allocation of last 5 years shows that there is no consistency in allocation of funds, which has resulted in overall MSME growth of just 10 to 15 percent over the last 5 years. In order to increase the employment generation, especially in the rural areas, the Government needs to allocate more funds and raise financial aid schemes. This will further propel the GDP growth.

Garg(2014) analyzed that Indian MSMEs are facing challenging time in view of tight competition from the big and established industrial players. Further, the lack of infrastructure, competition in offering better quality products compared to large industries and anti dumping policy is also making the road ahead as tougher for MSMEs. Even though the Globalization has made Indian MSMEs more competitive than before, still our MSMEs are lagging from the global players as we are still technically not advanced. The Government of India has been providing all sort of support from protection to promotion of the MSMEs, but more support is required. At the same time proper awareness of Govt. schemes and promotional activities very much needed.

Kotte and Ramulu (2018) asserted that MSMED Act 2006 is one of the extraordinary measures taken by the Government to raise MSME units. In order to help MSMEs in maximization of their efficiency and to make them more competitive, in this era of Globalization, the public policy should promote MSMEs. The Policy framework, support initiatives of Government authorities by means of providing proper infrastructure and technological support should be more focused towards MSMEs. The fast changing technological environment require constant support of Government policies in meeting the challenges of the sector.

Bhusari and Rai (2019) stated that the government launch various schemes in Khadi and village industries commission(KVIC). Though these schemes are providing a good amount of support to MSMEs, still it is felt that more financial support is required from the Government for Khadi Udyog under MSMEs. It has been specifically pointed that a huge number of employment is attached to this sector.

Similarly, I have gone through various published articles, reports of tax consultants and other financial institutions which have stated based on their research that India's ambition of becoming a 5 Trillion US \$ economy depends largely on the growth of MSMEs and therefore, various IT enabled schemes of Government are needed for the fast up-gradation of MSMEs and their ease of doing business.

Definition of MSMEs:

As per Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, MSMEs are classified into two categories:

Manufacturing Sector	
Enterprise Category	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
Service Sector	
Enterprise Category	Investment in equipment
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees

Policy Initiatives and Schemes of Government for the support of MSMEs

The Government Schemes for the upliftment of MSMEs are of various types. The Government has been conducting various awareness programs for MSMEs so that they can decide from the cluster of schemes that which one is best suited to them. Further, there are various schemes which provide direct and indirect benefits to the MSME sector. Government is also taking various initiatives for technical up-gradation. There are various flagship schemes of Government of India like Make-In-India, Skill India, Digital India etc. which are encouraging entrepreneurs to take-up business initiatives with an aim to excel GDP growth and more and more employment. Some of the recent Government schemes for MSMEs are discussed hereunder:

Udyog Aadhaar Memorandum

Prior to start of any enterprise, MSMEs are required to file Entrepreneurs Memorandum (Part-I) at District Industries Centres (DICs). Once the project is commenced, the concerned entrepreneur files Entrepreneurs Memorandum (Part-II). Since September 2015, EM-II has been replaced by the Udyog Aadhaar Memorandum (UAM). UAM is thus a single page registration system at online platform for MSMEs, which is based on self-certification and thus avoids unnecessary paper-work. This is a great step by Government aimed at promoting the ease of doing business for the MSMEs in India as this platform of UAM has now superseded the earlier process of filing of Entrepreneurs' Memorandums (Part-I & II). Under UAM, the MSME entrepreneurs are required to file a simple, single page form online on <http://udyogaadhaar.gov.in> and they can get a unique Udyog Aadhaar Number (UAN) instantly over internet. Moreover, no unnecessary supportive documentation are required while applying over UAM platform and the information provided on self-certification basis is sufficient. This makes this process easy and convenient. As per Annual Report of FY'2019 of Ministry of MSME, above 68.25 lakh of MSME units have been registered under the UAM online platform till 30.05.2019.

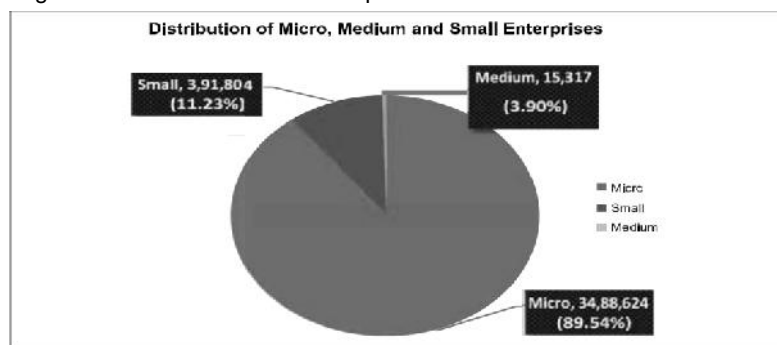


Figure: Distribution of MSMEs as per UAM filings, Source: Annual Report Ministry of MSME

Framework for Revival and Rehabilitation of MSMEs

Ministry of MSMEs, Government of India, vide Gazette Notification dated May 29, 2015 have provided for a "Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises" which is a easy and fast mean to resolve the issues related to financial stress of MSMEs by facilitating the MSMEs. Under the guidelines dated 17.3.2016, from Reserve bank of India (RBI), the Banks have formed a structure for a suitable action plan which is aimed at reviving the MSMEs financial position.

MSME Data Bank

Ministry of MSMEs, Government of India, vide Gazette Notification dated 29.07.2016 have provided that all MSMEs are required to furnish their data online under the Information furnishing Rules, 2016 to the Government of India. The data bank of MSMEs thus finalized will be used by the Government for launching their awareness programs, promotional events aimed at development of MSMEs and providing them all the support to make them more competitive in this market driven economy. This data bank of MSMEs is maintained at www.msmedatabank.in. By using this data bank, Ministry of MSMEs will streamline their process of supporting the MSMEs and it also helps Government authorities to directly pass on the benefits to registered MSMEs. Since, the data is maintained at online platform, it provides the real time status of registered MSMEs and thus helps the Government in making MSME development programs from the various perspectives. As per Annual Report of FY'2019 of Ministry of MSME, more than 1.61 lakh MSME firms have registered (till 30.05.2019) at www.msmedatabank.in since the date of notification.

My MSME

My MSME is a web-based application, launched by the Office of Development Commissioner of MSME, in order to support the MSMEs in taking the benefits of schemes rolled by them. Now this is available as a mobile app. Entrepreneurs in order to take benefits of the schemes of Office of Development Commissioner can apply through their mobile app and also they can track the status of their application.

Direct Benefit Transfer in the M/o MSME

In order to avoid undue process and corruption at intermediaries, the Government of India have brought Direct Benefit Transfer (DBT) Scheme for various fields, where Government provides support to citizens or entrepreneurs. This scheme is primarily for transferring the welfare funds or the subsidy amount from the Government to the beneficiary directly. This DBT scheme is also launched for MSMEs so as to improve the system of delivery of Government schemes aimed to support MSMEs. This scheme targets directly to beneficiary and avoid intermediary(ies). DBT cell have been constituted at the Ministry level, which acts as a common nodal point for implementing the DBT programmes of Government. Under DBT, the government schemes are divided based on type of the benefit to be provided to end beneficiary's i.e., Cash, Kind or Composite (i.e. Cash and Kind). As per Annual Report of FY'2019 of Ministry of MSME, all the twenty schemes of the Ministry of MSME were implemented on DBT Bharat Portal during 2018-19. It is pertinent to mention that, out of these 20 schemes, one of the scheme namely Coir Udyami Yojana scheme has been subsumed in Prime Minister's Employment Generation Programme (PMEGP).

Digital Payments

As we all know that Government of India has been promoting a digital economy and has been advising citizens and business firms to use digital modes of payment and reduced use of cash. The benefits of digital payments are immense and therefore, Government has been promoting these digital payment modes in MSME sector. Even the support provided by Government to MSME firms either in form of tax benefits or the DBT scheme benefits, the Government is promoting for the use of 100% digital payment. There are various modes of payment under digital process and all these helps to monitor the effective transactions and at a much faster speed.

Grievance Monitoring

The Ministry of MSME regularly follows up the status of all the grievances on Centralized Public Grievance Redress and Monitoring System (CPGRAMS). The status of number of grievances pending and grievances resolved are available on this platform. Recently, the Ministry of MSME has launched an MSME internet grievance monitoring system (eSAMADHAN), which helps in tracking the status of grievances and also promotes to invite suggestions for further improving the issues related to MSMEs.

MSME Samadhaan: To Address Delayed Payment to MSEs

One of the major issues faced by MSMEs in the past was related to delayed payments from Government departments & public sector undertakings, which are the large scale consumers of MSME products. In this regard, the sections 15 to 24 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 provides for provisions related to dealing with delayed payments to MSMEs. As per these provisions, in case the payment of a MSME is delayed beyond 45 days, the concerned MSME supplier may approach the Micro and Small Enterprises Facilitation Council (MSEFC) constituted under the Act in all States/UTs. The section 16 of MSMED Act has laid down the provisions for applying compound interest on these delayed payment with monthly interests at three times of the bank rate notified by the Reserve Bank.

In order to strengthen the system of timely payment to MSMEs, Ministry of MSME have launched a portal (<http://samadhaan.msme.gov.in/>) on 30.10.2017. This portal provides online status of the payments of MSME suppliers pending with CPSEs/ Central Ministries, State Governments etc. and other buyers. The Central and State Ministry have been provided with a separate user-ID and password to login and check the status of payment and delayed payments, if any, in respect of organizations/undertakings under their control. One of the features of this portal is the option of filing online complaint by MSMEs for the delayed payments. Once the online complaint is raised, it is automatically registered with the MSEFC concerned, after 15 days of online filing. As per Annual Report of FY'2019 of Ministry of MSME, as on 30.10.2017, MSMEs have filed 18509 applications related to delayed payments under MSME Samadhaan portal, since its launch. These cases involve delayed payments of Rs. 4797.81 Crore.

MSME-Sambandh

The Ministry of MSMEs has issued a notification, which provides for Public Procurement Policy for MSMEs. As per this notification, the Central Ministries & Departments and the Central Public Sector Enterprises (CPSEs) are required to procure atleast 20% of their annual procurement from MSEs including 4% from enterprises owned by SC/ST entrepreneurs.

For the effective implementation and also the monitoring of the aforesaid notification, the Ministry launched a Public Procurement Portal titled "MSME-Sambandh" on 8th December'2017. This online portal helps in monitoring the status of procurement by Central Government Ministries, Departments and Central Public Sector Enterprises (CPSEs) from the MSMEs. This platform also enable Central Government Ministries, Departments and Central Public Sector Enterprises (CPSEs) to share the list of required products/services from MSEs (Source: Annual Report, FY'2019, Ministry of MSME).

MSME-Sampark

Hon'ble President of India has launched a job portal called "MSME Sampark" on 27.06.2018. This portal is an online platform wherein a jobseekers (either passed out trainees or students of MSME Technology Centres) and the recruiters can register themselves and also interacts for their mutual requirements. As on 31st March'2019, a total of 35819 passed out trainees (job seekers) and 5060 recruiters (job provider) have registered on the SAMPARK portal against vacancies posted by recruiters, 7090 resumes have been shared with recruiters and 2124 jobs have been offered. (Source: Annual Report, FY'2019, Ministry of MSME).

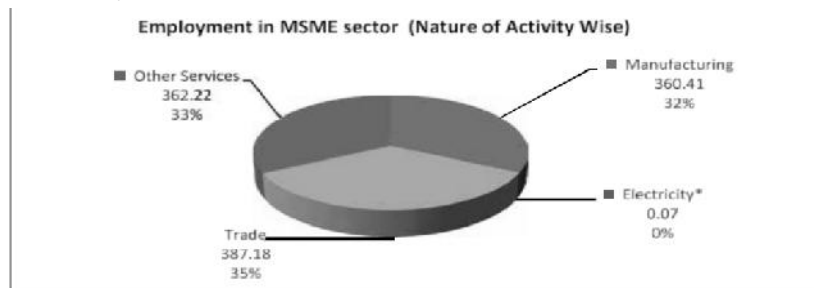


Figure: Estimated Employment in MSME Sector (Category Wise), Source: Annual Report Ministry of MSME

National Scheduled Caste and Scheduled Tribe Hub

In order to provide professional support to SC/ST entrepreneurs from MSME sector and to fulfill the Government's obligations of Public Procurement Policy for MSEs under the Order of 2012, National Scheduled Caste and Scheduled Tribe Hub was launched by the Hon'ble Prime Minister on 18th October'2016 with an estimated budget of Rs. 490 crore for a period of 2016-2020. The Hub has been set up for adopting applicable business practices and to leverage the Standup India initiatives.

In addition to the above, there are various other schemes like Prime Minister's Employment Generation Programme, Credit Linked Capital Subsidy Scheme (CLCSS), Skill Development and Training program, Marketing Assistance program etc. are also in place for the development of MSMEs, aimed to make them more competitive and technologically updated. At the same time, Government has been taking regular feedback from various agencies for the further strengthening of MSMEs in order to excel the economic growth. Government of India with initiatives like Make-In-India, Skill India, Start-up India, Digital India etc. is encouraging entrepreneurs to take-up business initiatives as a registered MSME with an aim to excel GDP growth and to provide more and more employment.

Awareness Programs to benefit MSMEs from the Government support Schemes

As may be seen from the above, there are various schemes of Government of India for the support of MSMEs. However, still MSMEs are lagging in technology initiatives. The procedures to enhance the quality of product, large scale production at competitive rates are some of the challenges face by MSMEs in order to compete in market driven economy. During this research study, I have got chance to meet various MSME owners and their managers. Based on the discussions with these stakeholders, I have found out that the enterprises of unorganized MSME sector especially the micro enterprises are not able to take benefits of Government schemes. In some cases, they were not even aware of available schemes. It was noted that there are various awareness programs conducted by Government for MSME development. Some of them are discussed hereunder:

- **Technology Centres (Earlier known as Tool Room & Technical Institutions)**

In order to fuel the growth of MSMEs, it has to be ensured that right stimulus must reach the MSMEs, particularly to micro and small enterprises. To achieve this, Technology Centers across India have been established by Ministry of MSME. Earlier these Technology Centers were known as Tool Rooms and Technology Development Centers. As per Annual Report of Ministry of MSME, presently, there are 18 such Technology Centres (TCs). Out of these TCs, the first 10 TCs (earlier known as Tool Rooms) used to provide various technological supports to industries.

- **The National Small Industries Corporation(NSIC) Technical Services Centres**

NSIC helps MSMEs in skill development by means of various training programs as per the requirements of these enterprises. These programs are aimed at strengthening MSMEs through knowledge sharing by the industries via its Technical Services Centres (NTSCs).

The Government of India through Ministry of MSME Development also conducts various R&D activities at its centers across India. Marketing support activities, various seminars are also conducted by Government in order to make MSMEs aware about the support initiatives and take benefits from the same.

Findings and Conclusion

This research paper was aimed at finding and listing some of the new initiatives of Government of India for the support of MSMEs. It has been revealed that there are many schemes of Government, which provides different types of support to MSMEs. Support in terms of cheaper loans, tax benefits, subsidy support, technological infrastructure support, R&D initiatives and various training programs aimed at enhancing the skills of MSMEs are in place. In order to enhance transparency, IT initiatives are also in place and the Government schemes are now available online. From the registration of a MSME to direct benefit transfer (DBT) scheme and to ensure the timely payment to MSME suppliers, IT platforms have been developed and these are properly monitored by Government authorities. Proper grievance handling mechanism has also been developed for MSMEs. The support initiatives like export promotion, tooling & technology, reservation policy, training and skill development programs, technology up-gradation and managerial skill enhancement programs have provided great opportunities to MSMEs for growth and better performance of Indian economy. In nutshell, it is seen that Government of India and its authorities have made various programs to make MSMEs more competent to meet the global challenges and to make them competitive in the market governed economy. Ease of doing business and transparency is also increasing. But even after these policies/initiatives/platforms, Micro and Small enterprises are still lagging in technology and they are still required to be more competitive at the pricing level and the quality of the product. In addition, the Micro and Small enterprises of unorganized sector are unable to reap the benefits of Government policies and support initiatives. Proper planning and actions are required to move the MSMEs from unorganized sector to organized sector. At the same time, based on the visits, I have made to various MSME owners specially micro and small enterprises, it was felt that still a lot is required to be done to augment the infrastructure for MSMEs development. More and more IT enabled platforms are required and enhanced use of digitalization is a must for the future growth of the MSMEs and thus the Economy of the country. Indian Government's target of becoming a US \$ 5 Trillion economy in next 5 years can only be realized by attaining the growth of MSMEs.

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