

## **An Empirical Evaluation Of Government Policies To Promote Micro, Small & Medium Enterprises**

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### **ABSTRACT**

The Micro, Small and Medium Enterprises industry across the globe is one of those sectors which are generally in demand, effervescent and productive as it contributes greatly to the nation's economy, generates employment opportunities and even earns foreign currency. M.S.M.E. as an industry includes more than eighty percent of the total entities of the country's financial system; its employment intensity is much superior than that of the companies operating at large scale. M.S.M.E. sector is a significant stakeholder of the country's financial system because it is endlessly contributing to the expansion and enlargement of the country's G.D.P. by giving jobs to around 0.07 billion people, producing close to six thousand merchandises, and manufacturing close to fifty percent of the industrial output and even earns close to forty percent of the foreign exchange. In the present times this sector is mainly made up of small units which go by the name of Micro Enterprises. This indicates that M.S.M.E. is welcoming and giving employment to new individuals for livelihood and making them self depended with the help of numerous schemes launched by the government from time to time. This paper makes an effort to understand and analyze the various schemes launched by the Ministry of M.S.M.E., Government of India to help and the assist the M.S.M.E. sector in the country.

**Keywords:** *Employment, Government Policies, Schemes, Employment, M.S.M.E.*

### **INTRODUCTION**

The government of our country in the recent past has taken a number of steps to tackle the requirement for capitalism and has encouraged individuals to open their own business. In this direction the government made a law under Section 2 of Industries (Development and Regulation) Act, 1951 and a new form of business i.e. Micro Small and Medium Enterprises came into existence. In the year 1961 the government made a separate law for the M.S.M.E. sector by the name of Micro Small and Medium Enterprises Act and further Ministry of Small Scale Industries, Government of India and Ministry of Agro & Rural Industries, Government of India were fused in the M.S.M.E. ministry. The Ministry of M.S.M.E. is a unique experiment in itself whereby both production and service enterprises is under one roof and operate at three different levels as per the investment amount i.e. Micro, Small and Medium units.

The Ministry of M.S.M.E. in the present times plans strategies along with encouraging and assisting the business owners, their business ventures, implementing strategies on the ground level and also helps in their future expansion. To assist the Ministry of M.S.M.E. a number of departments

with each having a separate function have been formed such as AFI Division, SME Division, ARI Division, Internal Finance Wing and DA TC/DBT Division. The various proposals or policies launched by the Ministry of M.S.M.E. and its various departments try to find ways to assist or offer means for timely flow of money from the banking sector, assistance for equipment & machinery enhancement and face-lifting. They also make attempts to provide infrastructural amenities such as latest experimental machines, quality credentials and innovative production techniques. In the last few years the ministry has also started to train people with specialized programs so that the M.S.M.E. owners and their employees can update their skills and techniques from time to time.

## REVIEW OF LITERATURE

**Srirang Jha and Ashish Kumar<sup>1</sup> (2020)** in their research paper titled “Revitalizing MSME Sector in India: Challenges and the Road Ahead” makes an attempt to offer a sarcastic observation on the latest statement by Mrs. Sitharaman, Minister of Finance, Government of India on how to resuscitate the M.S.M.E. sector after the Coronavirus pandemic. The Covid-19 pandemic forced a lockdown throughout the country and because of this unpredicted shutdown the M.S.M.E. sector almost became paralyzed because of termination of production activities, interruptions in logistics, loss of sales, fall in revenue, huge magnitude of reverse migration and the most important, halt of cash flow. The matter of fact is that a good portion of the M.S.M.E. entities came under the category of Micro and Small enterprises hence they will always be susceptible to shocks from the external environment. Consequently the government had to step in to help the M.S.M.E. entities through a bunch of monetary steps. Nevertheless the assistance program for the M.S.M.E. entities declared by the state was disapproved for its dearth of understanding towards the precise requirements of the Micro and Small entities. Furthermore, a few stakeholders were also not enthusiastic about the new categorization of the M.S.M.E. sector.

**Amarish Padma and H. D. Thorat<sup>2</sup> (2015)** in their research titled “A Study on Policy Initiatives by Government in Development of Micro Small and Medium Enterprises” state that the small scale enterprises have an extremely significant function in the overall financial growth of the country. The growth and expansion of S.M.E. assists in the accomplishment of numerous goals such as creation of job with comparatively less expenditure, encouragement of reasonable allocation of country’s wealth and efficient flow of essential investment and individual expertises. In order to accomplish these goals the state has commenced numerous schemes for the growth and expansion of S.M.E. sector in the country. This research makes an attempt to analyze the various schemes aimed at the growth and expansion of M.S.M.E. sector in the country. This research also comprises the function and responsibility of the state as a contributor, watchdog and catalyst in the development of the S.M.E. sector in the country.

**Shweta Dahale, Sohan Khairnar, Siddharth Jain and Prashant Patil<sup>3</sup> (2015)** in their paper “Critical Analysis of Role Played by Financial Institutions in Development of Indian MSME’s” state that the M.S.M.E. sector are the main stakeholder in the financial development of almost every economy across the planet. This sector commitment in the growth and expansion of the country’s G.D.P. is very considerable as giving jobs to 1 crore individuals annually and plays an important role in balanced provincial development of the country. The M.S.M.E. sector is the country’s backbone because it consists of close to ninety percent of the industrial units, more than forty percent of country’s output, more than forty percent of foreign trade and close to twenty percent of the national income. The country’s monetary and the banking sector has always played a critical role in the growth and support of M.S.M.E. This article talks about the function of the financial organizations in the

general growth of M.S.M.E. sector in the country. This article also endeavours to estimate opportunities and issues for the M.S.M.E. in obtaining credit from the financial organizations which should be analyzed by the decision makers for enhanced results.

**Praveen Kumar and Prathiba David<sup>4</sup> (2015)** in their article titled “Role of Public Sector Banks in Promoting MSMEs’ in India” state that the M.S.M.E. sector is generally the most energetic and self-motivated industry of any country’s financial system because it provides impartial, comprehensive and job responsive development. This sector is the second biggest job creator and also provides regional development in undeveloped areas along with ensuring equal allocation of country’s GDP and even ensures steady rise in country’s wealth. Illustrating a commendable novelty and flexibility to endure during bad times along with registering an impressive growth and giving jobs to good number of people. Therefore, it has become a region of immense significance and provides limitations to both decision makers and research scholars to assess, examine and prepare industry responsive strategies and explanations. Nevertheless, most of the M.S.M.E. organizations are not able to sustain and handle the market situations and issues mainly because of problems in the field of finance, automation, reorganization, modernization and staff management. In our country the financial organizations think that the M.S.M.E. organizations are well established and hence they will be in a position to give competition to the large scale firms. This article makes an attempt to analyze numerous products presented and their end-result by the P.S.U. banks for the growth and development of the M.S.M.E. sector in our country.

**Antima Agarwal and Surender Kumar Gupta<sup>5</sup> (2013)** in “A Study on Various Schemes for MSMEs: With Special Reference to SIDBI” state that the M.S.M.E. industry is an significant stakeholder of the country’s financial system as it provides jobs to 7.3 crore people with the help of 3.1 crore outlets, producing close to six thousand merchandises, responsible for producing close to fifty percent of the industry production and close to forty percent of the country’s foreign trade. The SIDBI i.e. Small Industries Development Bank of India is the highest and most important monetary establishment for endorsement, credit and expansion of the M.S.M.E. industry and thus synchronizes of the operations of other organizations occupied in related actions. S.I.D.B.I. at the highest level sustains the M.S.M.E. industry to achieve the required power and has established numerous proposals and programs to fulfil the diverse requirements of the industry. Consequently in the present article there is a detailed analysis of many programs which are offered by S.I.D.B.I. for the growth of the M.S.M.E. sector.

**Asghar Jahanshahi, Khaled Nawaser, Seyed Khaksar and Amin Kamalian<sup>6</sup> (2011)** in their research endeavour “The Relationship between Government Policy and the Growth of Entrepreneurship in the Micro, Small & Medium Enterprises of India” state that with an remarkable record of small firm growth story, the M.S.M.E. sector has monopolized the business situation through its involvement in creating jobs, generating considerable revenues and also in dealing with the issue of provincial imbalances. Policy-making in this sector is quite sophisticated and chaotic as numerous points impact multiple echelons of commercial dealings such as governing guidelines, business guidelines, employment guidelines, provincial guidelines, community guidelines and also gender guidelines. This denotes that the state must implement more parallel compositions for widening and executing amalgamated guidelines. The combination of guidelines alternatives will rely upon a number of issues, counting the customary mind-sets of the society towards capitalism, the configuration of the workers, the magnitude and responsibility of the state, the pervasiveness of present status of capitalism movement and the present M.S.M.E. sector. It is humdrum for the state to have strategies to promote the success of regional M.S.M.E. because they can assist to eradicate

poverty. So the primary intention of this research article is to initiate and evaluate the association between the state policy and the augmentation of capitalism in Micro, Small and Medium Enterprises of the country. This paper further acknowledges the role of the M.S.M.E. sector in relation to creation of jobs in the country.

### **OBJECTIVES OF THE STUDY**

The main objectives of this research study are given in the subsequent lines:

- ✓ To study and evaluate the role of the government policies towards the growth and development of M.S.M.E. sector in the country.
- ✓ To analyse the role of the government agencies in development of the M.S.M.E. sector in the country.
- ✓ To study the level of awareness among the M.S.M.E. sector for various government policies in the country.

### **RESEARCH METHODOLOGY**

This research study is mainly based on secondary data relating to the M.S.M.E. organizations across the country. The research study has attempted to make a voluminous examination of the various government policies launched in the country for the promotion and growth of the M.S.M.E. sector. Encyclopaedic review of literature has given precious perception about the constraints and difficulties that the M.S.M.E. organizations are facing in the country because of a variety of issues ranging from financial, employees, operations, supply chain, infrastructure among others. The research study also provides some ideas that will help to develop the M.S.M.E. organizations in India.

### **GOVERNMENT AGENCIES TO PROMOTE M.S.M.E. SECTOR:**

In our country the Ministry of M.S.M.E. is the nodal agency for the promotion, growth, development for the Micro, Small and Medium Enterprises in the country. To assist the Ministry of M.S.M.E. a number of agencies with each having separate functions have been formed and some of these have been briefly explained in the following lines.

- ✓ **Office of Development Commissioner (MSME):** The M.S.M.E. Development Commissioner executes the various schemes and projects for arranging infrastructure and additional facilities for this sector. It also assists the Ministry in policy making that will help in the establishment and growth of this sector. It further provides technology, monetary and professional consultancy so that the M.S.M.E. units can modernize their goods and services.
- ✓ **Khadi Village Industries Commission:** Khadi & Village Industries Commission was founded as per the Khadi and Village Industries Commission Act, 1956 and it is a constitutional body under the patronage of the Ministry of M.S.M.E. The Commission main goal is to give jobs to the unemployed people in the villages of the country as well as to provide them with opportunities of livelihood. The Commission future goal is to generate the feeling of entrepreneurship among the rural community and also to create a strong bond among them.

- ✓ **Coir Board:** The Coir Board is a constitutional organization founded under the Coir Industry Act, 1953 for supporting the general growth of the coir industry and improving the standard of living of the people connected to this conventional sector. Our country is the biggest coir manufacturer on earth as more than eighty percent of the world's output is produced in India. This industry in our country is very dissimilar and engages family units, co-operatives, N.G.Os, producers and exporters. The main objective of the Coir Board is to support the coir exports and regulate the industry as per the government guidelines.
- ✓ **National Small Industries Corporation Limited:** N.S.I.C. is a constitutional body under the patronage of the Ministry of M.S.M.E formed to assist the development of the M.S.M.S. sector in the country. It gives scientific consultancy to the M.S.M.S. sector for better performance, output and productivity. In the recent years the N.S.I.C. has designed numerous programs to generate self-employment attitude and even provide monetary support to such people who wants to start their own project.
- ✓ **National Institute for Micro, Small and Medium Enterprises:** N.I.M.S.M.E. was started by the Ministry of M.S.M.E. to be the tutor of tutors. In the modern world there are continuous technological changes and dynamic market circumstances, this is the reason why N.I.M.S.M.E. basic character has sustained many alterations over a period of time. The primary goal of the institute is to build capacity for M.S.M.E. growth and development. The institute is entrusted with the basic objective of giving power to the neglected persons of the society through training programs among other objectives.
- ✓ **Mahatma Gandhi Institute of Rural Industrialisation:** M.G.I.R.I. main goal is to increase the pace of industrialization in the village and backward areas of the country so that these areas can easily and quickly integrate with rest of the country. In the last few years it has undertaken activities to attract specialized and qualified people to the rural areas. M.G.I.R.I. wants to empower conventional professionals so that they can find livelihood opportunities in their own areas.

## **GOVERNMENT POLICIES TO PROMOTE M.S.M.E. SECTOR**

The Ministry of M.S.M.E. in the last few decades has implemented numerous policies and projects for the growth and encouragement of M.S.M.E. sector in the country. The Ministry of late has become very aggressive to make sure that each and every benefit of the M.S.M.E. policies reaches the M.S.M.E. units in a timely manner. Some of these policies and schemes implemented over the last few years by the Ministry of M.S.M.E. and its departments have been discussed in brief in the following lines:

- ✓ **Prime Minister Employment Generation Program:** P.M.E.G.P. goal is to provide monetary help to self-depended units so that they can give jobs to the young persons and conventional professionals. This scheme also gives monetary support to M.S.M.E. units who want to start their own business in non agricultural segment. The scheme encourages any person who is more than eighteen years of age to take monetary assistance and even business forms can take the benefit of this policy.
- ✓ **II<sup>nd</sup> Loan for Up-gradation of the Existing PMEGP/MUDRA Units:** This policy intends to offer the M.S.M.E. organizations with monetary support so that they can expand and extend their units as per the market requirements. Additionally, this scheme will also assist the business owners to computerized and implement innovative equipment in their existing projects. As per the terms

and conditions the maximum subsidy allowed under this scheme is fifteen percent of the total project investment and further in case of hill states or North East State the maximum subsidy increases to twenty percent.

- ✓ **Credit Guarantee Scheme for Micro & Small Enterprises:** C.G.T.M.S.E. intends to inspire new industrialists so they can generate self-employment opportunities by giving financial assurance to those financial institutions who are giving them loans. The financial guarantee on credit is up to ₹ 20 million and is given by the government without any kind of undertaking and security deposit. Under this scheme the existing M.S.M.E. units and new units can apply for the benefits attached with C.G.T.M.S.E.
- ✓ **Credit Linked Capital Subsidy Component:** C.L.C.S. and T.U. policy intends to assist in automation and computerization mainly for the units operating as Micro and Small under the M.S.M.E. sector. This scheme further helps the M.S.E. units by giving them monetary help in the form of fifteen percent capital subsidy when they start their ventures. Under this scheme only the existing M.S.M.E. units are eligible and new units can not apply for the benefits attached with C.L.C.S. and T.U. This scheme mainly promotes technology up-gradation and modernization in the M.S.E. units.
- ✓ **Procurement and Marketing Support:** P.M.S. as a policy endeavours to expand the market of goods and services manufactured by the M.S.M.E. units in the country. This scheme makes efforts to promote various initiatives in relation to the promotion and sales of this industry. P.M.S. has made efforts to generate understanding for the business owners about various subjects such as digital marketing, G.S.T. among others. P.M.S. in the last decade has also started to give financial assistance to the M.S.M.E. entrepreneurs so that they are in a better position to market their products across the globe.
- ✓ **International Cooperation Scheme:** The Ministry of M.S.M.E. in the I.C. scheme aspires to develop the proficiency of the M.S.M.E. organizations in relation to the technology improvements for promotion and manufacturing of their goods and services as per demand in the market. This policy also provides monetary help on a number of parameters such as compensations for warehouse lease, travelling allowance, promotion & advertising expenses, cargo expenses among others. This policy further helps the registered M.S.M.E. units to participate in various exhibitions and trade fairs across the globe.
- ✓ **Micro & Small Enterprises Cluster Development Program:** MSE–CDP as a policy intends to assist the development and expansion of the M.S.E. units by giving them access to renewable & environmental friendly technology, market entry, expertises, operations eminence and so on. This policy helps to generate infrastructural amenities for the present units by providing assistance to the existing M.S.E. units. MSE–CDP provides monetary help up to ninety percent to the existing M.S.E. units and the maximum limit is ₹ 200 million. In some other cases the scheme provides upto eighty percent of the investment with the maximum limit being ₹ 150 million.
- ✓ **Scheme of Fund for Regeneration of Traditional Industries:** S.F.U.R.T.I. aspires to organize the conventional professionals and sectors into groups so that they can be assisted to earn their livelihood in wake of cut throat competition in the modern day world. The support is in the form of monetary assistance from the Ministry of M.S.M.E., Government of India and also helps them to organize themselves by training and teaching the modern day techniques. The financial assistance

is almost up to ninety percent of the investment and in some areas i.e. North East States, Hill states and the state of Jammu & Kashmir the financial assistance is almost up to ninety five percent.

- ✓ **A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship:** A.S.P.I.R.E. endeavours to establish a grid of incubation and technology hubs to encourage creativity and entrepreneurship so that the M.S.M.E. units can stand in competition against the domestic and foreign firms. A.S.P.I.R.E. has made two types of incubation hubs i.e. Technology Business Incubators (T.B.I.) and Livelihood Business Incubators (L.B.I.) to help young people in fulfilling their business dreams. T.B.I. was made to help the young people to generate new ideas in field of rural agriculture whereas L.B.I. was established to help people earn livelihood in field of rural agriculture.
- ✓ **ZED Certification Scheme:** This scheme endeavours to help the M.S.M.E. units in the production area by teaching them techniques to produce quality goods by incorporating the policy of 'Zero Defect & Zero Effect' in their organizations. This policy in the last few years has been linked to the 'Make in India' program of the Government of India so that more funds and skills can be incorporated in this direction. The Ministry of M.S.M.E. under this scheme has made special provisions for those industries who want to manufacture defence related products.
- ✓ **Lean Manufacturing Competitiveness for MSMEs:** This scheme intends to improve the competitiveness of the M.S.M.E. units by initiating the concept of Lean Manufacturing in their day to day operations. This concept will help the M.S.M.E. organizations by increasing their output, introducing high-quality supervision, decreasing defects and introducing the practise of constant enhancement. Under this scheme the nodal agency gives monetary helps to the M.S.M.E. units so that they can implement the concept of Lean Manufacturing in their respective organizations. This scheme is only valid for existing business owners and new business owners are not covered under this scheme.

## CONCLUSION

Micro, Small and Medium Enterprises in the recent years has surfaced as a mechanism of economic development in many developed and developing countries across the globe. In our country the M.S.M.E. sector has also surfaced as an effervescent and energetic component of the country's financial system by value of its considerable contribution to the national income, manufacturing output and foreign sales. Nonetheless, the most significant contribution of M.S.M.E. is in providing jobs to the country's unemployment youth. In the recent years the M.S.M.E. sector has faced quite a few challenges in the form of financial, operations, manufacturing, marketing, promotion and so on. Given the importance of the M.S.M.E. sector in the Indian economy by its contribution in terms of employment opportunities, revenue generation, exports, creating regional balances, increased G.D.P. among others the state having seen its problems decided to set in to help the industry survive in its bad days. The government in the last few decades have put in a lot of money and efforts so that industry becomes the flag bearer of the country's economic success as the financial and other benefits received from this sector is transferred to many sectors and people across the country.

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