

Micro, Small and Medium Enterprise (MSMEs) sector policies and Promotions: In Pre and Post Reform India

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Abstract

Micro, Small and Medium Enterprises (MSME) sector plays a prominent role in rural development with help of decentralisation of industrial sector in rural areas. MSMEs can also help in alleviating rural poverty through providing more employment to semi-skilled or unskilled labour in rural areas, results in equitable distribution of national income and wealth. Since independence our policy makers mainly concentrated on the rural development with socialistic lines and have been identified MSME sector as a solution for the unemployment, poverty, inequality in India. That's the reason they have been implementing innovative policies, promotional programs, schemes and projects to strengthening and scaling up of MSME sector in India. The Present study is an attempt to highlight the policies, schemes and promotions of MSME sector in pre and post liberalisation era. This study is descriptive in nature and focused on the policies, scheme and programmes implemented by ministry of MSME, Govt. of India in pre and post liberalisation era. This study is based on secondary information which have been collected through various annual reports of MSME and Reserve Bank of India, publications of recent research papers, Research Articles.

Key Words: MSME, Policies Poverty, Liberalisation and Reform India.

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) sector occupies second place in the employment generation to semi-skilled and unskilled labour after the agriculture sector, that's the reason MSME sector treated as engine of economic growth and plays an import role in the rural development by providing more employment opportunities. Nowadays growth of the Indian economy is more than 7% but in terms of welfare still India stood on 130th rank among the 188 nations (HDI report 2015). Shares of growth resulting from top section of the society, but not from the bottom of the society that's the reason our Indian planning commissions setup inclusive growth as a main objective. MSME sector promoting the inclusive growth by decentralising industrial sector thereby providing employment opportunities in rural areas, results in equitable distribution of income and wealth. This sector also promoting the development of the large scale industries by supplying ancillary units and raw materials. MSME sector can fill the dream of self-employment by owning enterprises which results in creating young entrepreneurs in rural areas thereby creates rural entrepreneurial skills .

Government of India has been identified MSME sector as a solution for the unemployment, poverty, inequality in India, that's the reason Ministry of MSME implementing innovative policies, promotional programs, schemes and projects to strengthening and scaling up of MSME sector in India. According to Annual report of MSME 2015-16, MSME Sector consisting of 36 million units, provides employment to over 80 million persons and contributing 8 % share to GDP with more than 6000 products, occupies share of 45% to the total manufacturing output and 40% share to the exports.

2. Review of Literature

Amudhan et al. (2012): Their study focused on the impact of globalisation on the Indian small scale industries in this view their paper was evaluated the performance of small scale industries of exports, output, employment, growth of units in pre and post liberalisation era. Their study found that globalisation had negative impact on the small scale industries and rate of growth of industries, employment generation had fallen in post reform period.

Aarti Deveshwar (2014): The main focus of his paper on globalisation its impact on the small, medium enterprises and prospects and problems of MSME in the liberalisation era. His study concluded that globalisation had negative impact the MSME sector in India.

Bala Subrahmanya (2006): His paper mainly focused on the prospects and problems of small industries in the era of globalisation and has concluded that growth rate of units, output, employment and exports had decline in post reform period and suggested some policy measures to develop the small industries in India.

Ishu Garg and Suraj Welia (2012): Their study highlighted that the growth and contribution of Micro, Small, and Medium Enterprises in pre and post reform India. Their paper also discussed the problems of MSME sector in India during pre and post reform India and they concluded that growth of MSME sector improved over period of time especially in post reform era.

Pankaj Kumar (2014): He has focused on the performance of the MSME during pre and post liberalisation period and concluded that post liberalisation policies are not influence the develop of the MSME sector and suggested policies in the field of MSME sector.

Rajesh Kumar shastri et al. (2011): Their paper was examine the impact of globalisation and domestic liberalisation on the small scale industries in terms of number of industries, employment, output and exports. Their study found that small scale industries doing well after the liberalisation with challenges and opportunities and they have suggested that government should promote credit and training policies for the development of small scale industries.

Ramana Kumar (2014): His study focused on the growth and performance of MSMEs in India from 2000-03 to 2011-12 and concluded that number of registered enterprises, output, employment generation, investment and exports in MSME sector of India has been improved during the study period.

2.1 Objective of the study

The Present study is an attempt to highlight the policies, schemes and promotions of MSME sector in pre and post liberalisation era.

3. Data and Methodology of study

This study is descriptive in nature and focused on the policies, scheme and programmes implemented by ministry of MSME, Govt. of India in pre and post liberalisation era. This study is based on secondary information, which have been collected through various annual reports of MSME, Reserve Bank of India, publications of recent research papers and Articles.

4. Analysis and Discussion

4.1 MSME sector policies and promotion in Pre-Reform period

Coir Board

In order to promote the products, marketing and designs of coir and coir products in India the government of India established coir board under the Coir Industry Act, 1953. It has been also promoting co-operative organisations among producers of husks, coir fibre, coir yarn and manufacturers of coir products with the overall sustainable development of the coir industry

The Board has promoted two research institutes namely:

- 1) Central Coir Research Institute (CCRI), Kalavoor, Alleppey.
- 2) Central Institute of Coir Technology (CICT), Bengaluru.

To promote the competitiveness, development & promotion of MSMEs, these institutes have been engaging in different services:

- Developing training modules
- Undertaking research & training
- Consultancy services

Mahatma Gandhi Institute for Rural Industrialisation (MGIRI)

Erstwhile Jamnalal Bajaj Central Research Institute established in 1955 as a society under Societies (Registration) Act, at Wardha and revamped as a national level institute under the Ministry of MSME known as the **Mahatma Gandhi Institute for Rural Industrialization (MGIRI)** in October 2008. The main objective of MGIRI to promote research and developmental activities to enhance the khadi and village industries with an aim of Gandhian development of sustainable and self-reliant village economy.

Khadi & Village Industries Commission (KVIC)

In order to promote the Khadi and village industries government of India established Khadi and Village Industries Commission (KVIC) as statutory body in 1956 under the Khadi and Village Industries Commission. Khadi and Village Industries commission also known for the decentralized sector and controlling migration of rural population to urban areas.

The Commission has been function with three main objectives:

- 1) Generating rural employment as a “The Social Objective”.
- 2) Providing saleable articles as a “The Economic Objective”.
- 3) Community spirit and self-reliance among rural people as a “The Wider Objective”.

4.2 MSME sector policies and promotion in Post-Reform period

National Industrial Policy (1991)

After the independence government of India has been taken series of industrial policies from 1948 to 1980 but new industrial policy 991 has taken special attention for the role and importance of small scale industries. Development of small scale industries was one of the objective of new industrial policy 1991 and state has taken measures to promote and strengthen small, tiny and village industries during 1991. New industrial policy also identified that MSME sector has more potential to deal with problem of poverty, unemployment, inequality and inflation. This industrial policy changed the structure of economy to free or market oriented economy from highly regulated economy or state dominated economy.

Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

MSMED act is one of the milestone for the MSME sector which has provide legal framework to develop the Micro, Small and Medium Enterprises, has made by the committee of Abid Hussain. According to MSMED Act, 2006 “An act to provide for facilitating the promotion and development and enhancing the competitiveness of Micro, Small and Medium enterprises and matters connected therewith or incidental thereto”. The act was divided MSME activities mainly into two types namely “Manufacturing & Services” and the Concept of “Enterprises” has defined by this act for the first time. The act provides more benefits to MSME sector namely; promotion of funds, innovative programmes and schemes in the field of credit & trainings and also providing competitive environment among MSMEs. The act was architect an effective mechanism for solving difficulties in delaying the payments to micro and small enterprises.

According to MSMED act, 2006 enterprises classified into two broad categories based on type of activity namely; manufacturing and Services. Enterprises which are engaging in the field of production or manufacturing of goods come under the manufacturing and Enterprises which are engaging in the field of providing or rendering of services come under the manufacturing. This was the first act divided enterprises into three categories based on investment limit on plant and machinery for manufacturing and on equipment for providing or rendering of services

MSMED Act 2006, Definition of MSME

Manufacturing	MSMED Act, 2006
Micro	less than 25 lakh
Small	25 lakh - 5 crore
Medium	5 crore - 10 crore
Services	MSMED Act, 2006
Micro	less than 10 lakh
Small	10 lakh - 2 crore
Medium	2 crore - 5 crore

Source: MSMED Act, 2006.

MANUFACTURING ENTERPRISES

- If investment in plant and machinery up to Rs. 25 lakh is known as “Micro Enterprises”.
- If investment in plant and machinery from Rs. 25 lakh to Rs. 5 crore is known as “Small Enterprise”.
- Investment in plant and machinery from Rs. 5 crore to Rs. 10 crore is known as “Medium enterprise”.

SERVICE ENTERPRISES

- If the investment in equipments up to Rs. 10 lakh is known as “Medium enterprise”.
- If the investment in equipments from Rs. 10 lakh to Rs. 2 crore if known as “Small Enterprise”.
- If the investment in equipments from Rs. 2 crore to Rs. 5 crore is known as “Medium Enterprise”.

Micro Units Development and Refinance Agency Ltd (MUDRA)

Government of India established Micro Units Development and Refinance Agency Ltd (MUDRA) Bank launched on 8th April, 2015 with fund of Rs 20,000 crore and 3000 crore kept as a credit guarantee fund. The main function of this bank is to regulating and refinancing all Micro-Finance Institutions (MFI) which are in the business of lending to MSM enterprises engaged in manufacturing, trading and services activities. MUDRA Bank been lending three types of loans to the micro enterprises:

Shishu: loans limit up to Rs 50,000/-

Kishor: loans limit above Rs 50,000/- and up to Rs 5 lakh

Tarun: loans limit above Rs 5 lakh and up to Rs 10 lakh

Udyog Aadhaar Memorandum (UAM):

In order to provide ease way of registration of MSME ministry of MSME and Government of India has introduced Udyog Aadhaar Memorandum (UAM). Filling of entrepreneur memorandum I and II was compulsory after the MSMED Act, 2006 but since September 2015, based on recommendation made by the “Kamath Committee” the same has been replaced with Udyog Aadhaar Memorandum (UAM). The Udyog Aadhaar helps to MSMEs registered themselves as MSME in a simpler way and MSME registration was made free-of-cost and paperless registration through Udyog Aadhaar Memorandum (UAM). UAM can helps to Micro, Small and medium Enterprises to enjoy the benefits of government schemes and enable to seek information and services being offered by all Ministries and Departments.

Micro, Small and Medium Enterprises Development (Amendment) Bill, 2015

Keeping in a view of inflation rate, input cost and global economic scenario, the Cabinet, in its meeting held on 25th March, 2015 approved the proposal to amend the Micro, Small and Medium Enterprises Development Act 2006 but the proposed bill is in pending.

Definition of MSMED (Amendment) Bill, 2015

Manufacturing	MSMED Act, 2006	MSMED (Amendment) Bill, 2015.
Micro	less than 25 lakh	Less than 50 lakh
Small	25 lakh - 5 crore	50 lakh - 10 crore
Medium	5 crore - 10 crore	10 crore - 30 crore
Services	MSMED Act, 2006	MSMED (Amendment) Bill, 2015.
Micro	less than 10 lakh	less than 20 lakh
Small	10 lakh - 2 crore	20 lakh - 5 crore
Medium	2 crore - 5 crore	5 crore - 15 crore

Source: MSMED (Amendment) Bill, 2015

Other Schemes of MSME

Performance & Credit Rating Scheme: To provide a trusted third party opinion on the capabilities and credit worthiness of the MSMEs.

Marketing Assistance Scheme: The main objectives of this scheme was to enhance the marketing competitiveness of MSMEs and provide them a platform for interaction with the entrepreneurs and institutional buyers **ex:** exhibitions/ trade fairs, Buyer-Seller meets

International Cooperation (IC) Scheme: Technology infusion and/or up gradation, promotion of exports of Indian micro, small and medium enterprises (MSMEs) are the principal objectives.

Assistance to Training Institutions Scheme: The main objective of this scheme was financial assistance to establishment of new institutions, strengthening the infrastructure of the existing industries and supporting entrepreneurship & skill development activities.

MSME Talent/Job Melas: To provide employment to trained youth government of India implement MSME talent and Job Melas.

Prime Minister's Employment Generation Programme (PMEGP): PMEGP is a credit cum subsidy scheme of the Ministry, as the Nodal Agency to generate employment opportunities in rural as well as urban areas of the country. PMEGP being implementing through KVIC, DICs and State KVI Boards with KVIC

Scheme of fund for Regeneration of Traditional Industries (SFURTI): In order to organize the traditional industries and artisans into clusters to make them competitive and provide support for their long term sustainability and economy of scale

Coir Vikas Yojana: In order to promote the products & designs; and marketing of coir and coir products in India, the board has been implementing the Export Market Promotion Scheme for market specific promotional programmes for popularizing coir and coir products in markets abroad.

Coir Udyami Yojana: The main objective of this scheme was to Rejuvenate, Modernize and Technologically Upgrade and provide credit cum subsidies for setting up of coir units in the Coir production.

There are different other MSME promotional schemes also being implemented by the Ministry of Micro, Small, Medium Enterprises (MSME) namely: A Scheme for Promoting Innovation and Rural Entrepreneurship, Technology Centre Systems Programmes, District Industry Profile scheme, Framework for Revival and Rehabilitation of MSME Credit Guarantee Scheme (CGTMSE), Micro and Small Enterprises Cluster Development Programme (MSE-CDP), Credit Linked Capital Subsidy Scheme (CLCSS).

5. Conclusion

Micro, Small and Medium Enterprises (MSMEs) sector occupies second place in the employment generation to semi-skilled and unskilled labour after the agriculture sector. That's the reason MSME sector treated as engine of economic growth and plays an import role in the rural development by providing more employment opportunities. MSME sector promoting the inclusive growth by decentralising the industrial sector which results in equitable distribution of income and wealth. Government of India has been identified MSME sector as a solution for the unemployment, poverty, inequality in India, that's the reason Ministry of MSME implementing innovative policies, promotional programs, schemes and projects to strengthening and scaling up of MSME sector in India. This study has found that Government of India and ministry of Micro, Small and Medium enterprises has been implementing many policies, schemes and programmes in post liberalisation era compare to the pre liberalisation era. In resent NDA government has been identifies that MSME sector as an engine of growth, in this view government has been implementing number of policies in the field of MSME sector.

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