

Micro Small and Medium Enterprises

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Abstract: *In this article we are discussed about Micro Small and Medium Enterprises. The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to deal with policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. It classified as manufacturing sector and service sector. Micro, Small and Medium Enterprises (MSMEs) are crucial for the economic growth and stability of any country and play a vital role especially for developing countries. The MSMEs are initiate so many policies for developing micro, small and medium enterprises. The policies are Udyog Aadhaar Memorandum, Zero Defect Zero Effect, Quality Management Standards & Quality technology Tools, Grievance Monitoring system, Incubation, Credit linked capital subsidy scheme and Women Entrepreneurship these are all some new initiatives of MSMEs.*

Keywords: MSME, Provisions, recent initiatives, problems and major schemes

1. Introduction

The 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. The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to deal with policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector.

On 9 May 2007, subsequent to an amendment of the Government of India (Allocation of Business) Rules, 1961, former Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small and Medium Enterprises (M/o MSME). This Ministry now designs policies and promotes/facilitates programmes, projects and schemes and monitors their implementation with a view to assisting MSMEs and help them to scale up.

1.1 Provisions for MSME

The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. The MSMED Act has the following key provisions:

- Establishment of a National Board for Micro, Small and Medium Enterprises headed by the Minister for MSME. The role of the Board is to examine the factors affecting the promotion and development of MSMEs, review the policies and programmes of the Central Government and make recommendations in regard to facilitating the promotion and development and enhancing their competitiveness.
- It provides the first-ever legal framework for recognition of the concept of "enterprise" which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium.
- It empowers the Central Government to undertake programmes and issue guidelines and instructions to develop and enhance the competitiveness of MSMEs.

1.2 Classifications of MSME

In accordance with the provision of MSME act, 2006 the MSME are classified as follows:

a) Manufacturing Sector

- Enterprise Category (Investment in plant & machinery)
- Micro Enterprise (Does not exceed twenty five lakhs rupees)
- Small Enterprise (More than twenty five lakhs rupees but does not exceed five crore rupees)
- Medium Enterprise (More than five crore rupees but does not exceed ten crore rupees)

b) Service Sector

- Enterprise Category (Investment in equipment)
- Micro Enterprise (Does not Exceed ten lakh rupees)
- Small Enterprise (More than ten lakh rupees but does not exceed two crore rupees)
- Medium Enterprise (More than two crore rupees but does not exceed five crore rupees)

2. Role of MSMES in Indian Economy

Micro, Small and Medium Enterprises (MSMEs) are crucial for the economic growth and stability of any country and play a vital role especially for developing countries as they facilitate economic activity and provide employment thus contributing to poverty reduction. In the Indian Context they can be considered as the backbone of national economy.

Churchil and Lewis (1983) identified five stages of growth for the SMEs as under;

- Existence
- Survival
- Success
- Take – off
- Resource Maturity

In each stage of development a different set of factors is critical to the firms survival and success. The churchil Lewis model gives an insight into the dynamics of MSME growth, including the distinguishing characteristics, problems and

requirements of growing MSMEs and explains business growth processes amongst MSMEs.

The major constraints of SMEs are finance for initial capital and working capital, line of credit from the suppliers, new technology to produce quality products/give service, ability to hire qualified and professional staff for production, service and marketing.

In the Indian context SMEs can be considered as the backbone of national economy and as a significant solution for our development issues as they,

- 1) Creates more jobs
- 2) Contributes to export
- 3) Reduces poverty
- 4) Provide more employment at lesser capital costs compared to large enterprises.
- 5) Reduces inequalities in the economy by contributing in distribution of wealth.
- 6) Facilitate learning across the sectors as well as geographically.

Problems of MSMEs:

- Despite being pillars of economy, the MSMEs continue to face several problems in their day to day operations, that is, in production and marketing of their products.
- They find it difficult to sell their output at remunerative prices and cannot spend much on advertising, marketing research, etc.
- They also face stiff competition from large firms. Inadequate infrastructural facilities and access to credit are other major problems.
- MSMEs are often unable to procure adequate financial resources for the purchase of machinery, equipment and raw materials as well as for meeting day to day expenses.
- They are mainly reluctant to adopt modern methods of organization and management.
- Despite constituting more than 80% of the total number of industrial enterprises and supporting industrial development, many MSMEs in India have problems such as sub-optimal scale of operation, technological obsolescence, supply chain inefficiencies, increasing domestic and global competition, fund shortages, change in manufacturing strategies and turbulent and uncertain market scenario.

3. Recent Policy Initiatives

1) Udyog Aadhaar Memorandum:

The Micro, Small & Medium Enterprises Development Act 2006 there was a system of registration by small scale industrial units to the DICs. Aadhaar card is a 12 digit number given to all individuals by the government. In this, the Aadhaar card is mandatory requirement. The benefit of registering in this scheme is ease in availing credit, loans and subsidies from the government. Registration can be done both ways in the online mode or the offline mode.

2) Zero Defect Zero Effect

In this model, goods that re manufactured for export have to adhere to a certain standard so that they are not rejected or sent back to India. To achieve this the government has

launched this scheme. In this, if the goods are exported these are eligible for some rebates and concessions.

3) Quality Management Standards & Quality technology Tools

Registering in this scheme will help the micro, small and medium enterprises to understand and implement the quality standards that are required to be maintained along with the new technology. In this scheme, activities are conducted to sensitize the businesses about the new technology available through various seminars, campaigns, activities etc.

4) Grievance Monitoring system

Registering under this scheme is beneficial in term of getting the complaints of the business owners addressed. In this, the business owners can check the status of their complaints, open them if they are not satisfied with the outcome.

5) Incubation:

This scheme helps innovators with the implementation of their new design, ideas or products. Under this from 75% to 80% of the project cost can be financed by the government. This scheme promotes new ideas, designs, products etc.

6) Credit linked capital subsidy scheme

Under this scheme, new technology is provided to the business owners to replace their old and obsolete technology. The capital subsidy is given to the business to upgrade and have better means to do their business. These small, micro and medium enterprises can directly approach the banks for these subsidies.

7) Women Entrepreneurship

This scheme is especially started for women who want to start their own business. The government provides capital, counseling, training and delivery techniques to these women so that they manage their business and expand it.

Major Schemes of MSME:

The Ministry of MSME runs various schemes targeted at

- a) Providing credit and financial assistance
- b) Skill development training
- c) Infrastructure development
- d) Marketing assistance
- e) Technological and quality upgradation

a) Providing Credit and financial assistance:

i) Prime Ministers Employment Generation Programme:

The scheme aims to generate employment opportunities in rural as well as urban areas of the country through setting up of new self – employment ventures/projects/micro enterprises. Another objective is to provide continuous and sustainable employment to all age segment of traditional and prospective artisans and rural/urban unemployed youth in the country.

The scheme is implemented by Khadi and Village Industries Commission (KVIC). The scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Board (KVIBs) and District Industries Centers (DICs) and Banks. The maximum cost of the project/unit admissible

under manufacturing sector is Rs. 25 lakhs and under business/service sector is Rs.10 lakhs.

ii) Credit Linked Capital Subsidy Scheme (CLCSS):

The objective of the scheme for Technology upgradation of Micro and Small Enterprises is to facilitate technology upgradation in Micro and Small Enterprises by providing capital subsidy of 15 % on institutional finance availed by them for induction of well – established and improved technology. Maximum limit of eligible loan for calculation of subsidy under the scheme is investment in approved plant & machinery upto Rs. 1 crore for induction of well – established and improved technologies.

iii) Credit Guarantee Trust Fund for MSEs:

The scheme covers collateral free credit facility extended by eligible lending institutions to new and existing micro and small enterprises up to Rs.200 lakhs per borrowing unit. The guarantee cover provided is up to 75% of the credit facility upto Rs. 50 lakhs with a uniform guarantee at 75% of the credit exposure above Rs.50 lakhs and up to Rs.200 lakhs. A composite all in annual guarantee fee upto 1.80% p.a of the credit facility sanctioned is charged, with the minimum guarantee fee being 1% p.a

b) Skill Development and Training:

i) A Scheme for Promotion of Innovation, Rural Industry & Entrepreneurship (ASPIRE)

The scheme has following objectives:

- Create new jobs and reduce unemployment,
- Promote entrepreneurship culture in India,
- Grass roots economic development
- Facilitate innovative business solution for unmet social needs, and
- Promote innovation to strengthen the competitiveness of MSME sector.

The following activities are covered under the scheme:

A) Livelihood Business Incubators by NSIC, KVIC, Coir Board or any other Institution or any other Institution or Agency of Govt. of India/State - Setting up LBI's (100 lakh for NSIC & others. And INR 50 lakh for eligible agencies under PPP) for plant & machinery only.

B)Technology Business Incubators -1-Incubation center

- Support for Existing Incubators (INR 30 lakh for incubator c apex)
- Setting up of New Incubator (INR 100 lakh for incubator c apex) 2 – Incubation of ideas (INR 3 lakh per idea)
- Creation of Enterprise out of innovative idea (Seed Capital fund@ INR 1.00cr. per incubator for enterprise creation@ 50% of project cost or 20 lakh per successful idea whichever is less)
- Accelerator workshop

ii) Entrepreneurship and Skill Development Programmes (ESDP)

The objectives of the scheme is to motivate young persons representing different sections of the society Ex-servicemen

and Below poverty line (BPL) persons to consider self-employment or entrepreneurship as one of the career options. The ultimate objective is to promote new enterprises, capacity building of existing MSMEs and inculcating entrepreneurial culture in the country.Under “Development of MSMEs” vertical has launched the “Entrepreneurship and Skill Development Programme (ESDP) scheme”for the existing & potential entrepreneurs. Under this scheme Ministry of MSME has been organizing a number of programmes, which mainly focus on the process of improving the skills and knowledge of entrepreneurs, enhancing the capacity to develop, manage and organize a business venture while keeping in mind the risks associated with it. The whole point of ESDP scheme is to increase the number of entrepreneurs.

c) Infrastructure

i) Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

The objectives of the scheme are to organize traditional industries and artisans into clusters to make them competitive and provide support for their long term sustainability, sustainable employment, to enhance marketability of products of such clusters, to equip traditional artisans of the associated clusters with the improved skills, to make provision for common facilities and improved tools and equipment for artisans, of the associated clusters with the improved skills, to make provision for common facilities and improved tools and equipment for artisans, to strengthen the cluster governance systems with the active participation of the stakeholders, and to build up innovative products, improved technologies, advanced processes, market intelligence and new models of public-private partnerships.

ii) Scheme for Micro & Small Enterprises Cluster Development Programme (MSE - CDP):

The Ministry has adopted the cluster development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs) and their collectives in the country.

Objectives of the Scheme:

- To support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital etc.
- To build capacity of MSEs for common supportive action through formation of self-help groups, consortia, upgradation of association etc.
- To create/upgrade infrastructural facilities in the new / existing industrial areas/clusters of MSEs.
- To set up Common Facility Centres (for testing, training centre, raw material depot, effluent treatment, complementing production Processes etc.

d) Marketing Assistance:

i) Scheme for providing financial assistance to Khadi institutions under MPDA

Government has introduced the scheme at April 2010, a flexible, growth stimulating and artisan oriented Market Development Assistance (MDA) scheme in place of the

erstwhile system of Rebate. Under MDA, financial assistance is provided to institutions @ 20% of the value of production of khadi and polyvastra, to be shared among artisans, producing institutions and selling institutions in the ratio 40:40:20. MDA provides institutions flexibility to use the assistance for improving the outlets, products and production processes, besides giving incentive to customers, etc. The scheme has been modified as MPDA by amalgamating existing Market Development Assistance on production (Khadi & Poly) Scheme and additional components of Publicity, Marketing and Market promotion (including Export Promotion) & Infrastructure (inclusive of new component of Marketing Complexes/Khadi Plaza) out of VI Grant. Modified MDA shall be calculated at 30 % of the prime cost, cost of raw material plus conversion charges upto grey cloth plus processing charges without margins [establishment expenditure (25%) and trading, insurance & bank interest (8%)]. The Modified MDA shall be distributed amongst producing institutions (40%), selling institutions (20%) and artisans (40%)

e) Technology upgradation and competitiveness

i) Financial support to MSME in ZED certification:

The Development Commissioner (MSME), Ministry, Micro, Small & Medium Enterprises. Govt. of India, will implement up-scaled 'Financial support to MSMEs in ZED Certification Scheme' for the benefit of manufacturing Micro, Small & Medium Enterprises (MSMEs) for a period ending 2019-20 at an estimated financial outlay of Rs. 116.94 Cr. With Government of India Contribution: Rs. 100.00 Cr. and Pvt. Contribution Rs. 16.94 Cr. The scheme envisages promotion of Zero Defect and Zero Effect (ZED) manufacturing amongst MSMEs and ZED Assessment for their certification with the following objectives:

- To promote adaptation of Quality tools/systems and Energy Efficient manufacturing.
- To encourage MSMEs to constantly upgrade their quality standards in products and processes.
- To drive manufacturing with adoption of Zero Defect production processes and without impacting the environment.

ii) Support for Entrepreneurial and Managerial Development of SMEs through incubators:

Manufacturing as well as knowledge based innovative MSMEs.

- Financial assistance upto Rs.15 lakh for developing and nurturing of an idea.
- Financial assistance upto Rs. 1.00 crore for procurement and installation of Plant and Machines in BI in order to strengthen the technology related R&D activities of BI.
- Financial assistance upto Rs. 1.00 crore as grant-in-aid for speed capital support to Host Institute (HIs)/Business Incubator (BIs) for converting deserving ideas into start-ups.

4. Conclusion

The MSME and its organizations are 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. The schemes/programmes undertaken by the Ministry and its organizations seek to facilitate/provide adequate flow of credit from financial institutions/banks; support for technology up gradation and modernization; integrated infrastructural facilities; modern testing facilities and quality certification etc.

References

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