

ROLE OF GOVERNMENT IN THE DEVELOPMENT OF MSMEs

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Abstract

Micro, small and medium enterprises (MSMEs) plays a pivotal role in the socio-economic development and are referred to as the growth engine of the nation. "The progress of a country depends not on mass production but, on production by masses." This statement of Mahatma Gandhi was brought in concrete form by MSMEs of the nation. The sector aims at percolating fruits of development to the grass root level. It enables the country to earn foreign exchange with low import intensive operations. The products produced caters domestic demand and increases exports from the country. This industrial segment is highly heterogeneous in terms of techniques of production, size, product produced or service rendered, and so on. They have to deal with challenges, diffuse threats, grab opportunities, adapt to dynamic business environment to ensure their survival in the long run. They are supported by the government through various schemes – MUDRA (Micro Units Development and Refinance Agency), MSMED Act, 2006 (Micro Small And Medium Enterprises Development Act), etc.

It encourages young blood to utilize their capabilities and show their business acumen. They contribute in industrialization of rural and backward areas. They showcase diverse cultural heritage (Handicrafts) and exhibits hidden potential in Indian entrepreneurs as well as industrial units to rest of the world. The object concerned with the research paper is to analyze the current status of the vibrant MSMEs which are functional in the country.

Keywords:- MSMEs, Handicrafts, Economic Development.

Introduction

MSMEs sector has emerged in the past five decades as an indispensable sector of the Indian Economy. The medieval period of India possessed myriad of small industrialists and almost everyone was engaged in small scale production. People earned sufficient income from domestic market and also managed to export in ample quantities. The beginning of trade in ancient and medieval time was considered as the golden era of trade. British regime squeezed of wealth and prosperity from the country.

Now, when we have won freedom struggle and became an independent nation, what is the condition of our micro, small and medium enterprises. How government policies impacts these units. What are the

challenges and how to deal with them are emerging questions. The solutions to these problems are generated by collaborative efforts of government ministry, industrialists, workers and researchers.

In order to ensure effective and efficient working of MSMEs there is a separate Ministry which is known by the name "Ministry of Micro Small and Medium Enterprises". It is dedicated for the purpose of assisting existing enterprises and creating affable environment for emerging enterprises. It promotes and modernizes small scale enterprises.

OBJECTIVES OF THE RESEARCH:

1. Examine the current status of MSMEs in India.
2. Observe challenges combated by this sector.

3. Understand the essentials of a successful small business.
4. Ascertain better marketing strategies for small scale business.

GENERAL VIEW OF MSMES

Every organization have to face certain challenges and turbulent environmental conditions which embark progress of any organization. The teaches the importance of growth and struggle as a weapon to lead the organization. There are several challenges faced by these enterprises like-technology obsolescence, cut throat competition, inefficient utilization of resources, lack of capable workforce, corruption and dynamic business environment. In order to survive in today's global competitive business world , they have to adopt creative approaches to solve problems and develop a growth oriented business outlook. The sector of small scale industries have immense potential of growth. However a special attention and support is required to assist them in achieving their goals.

Small scale industries are those firms which invests fixed capital not more than one crore and carry it's operation on small scale using labour intensive technologies to produce their final product. The Indian government has enacted Micro Small And Medium Enterprises Development Act, 2006 on June 16. The act brought tremendous change on the condition of MSMES in the entire nation. The act was focused on fostering development and enhancing competitiveness of micro small and medium enterprises. It led to the formation of National Board For Micro, Small And Medium Enterprises (NBMSME). This board came into existence on 15 May 2007 for providing financial as well as technical support to micro, small and medium enterprises. It acts as an advisory agency for MSME sector and helps the government in

taking right decisions at right time. It is responsible for identifying factors affecting promotion and development of small scale units.

The industrial units are the base of Indian economy. There are plethora of small industrial units in the state of Madhya Pradesh which are engaged in manufacture of basketry , pickles , papads , handicrafts . The economy is agrarian and nature-centric. The state is the depositor of largest reserves of diamond and copper in the country. In the recent past years , a "Global Investors Summit" was held in Indore in 2014, whereby various renowned investors were determined to invest huge amount of Rs. 80,000 in the coming years in Madhya Pradesh. Economic development is triggered by industrial investment to a greater extent.

HISTORY: THE PAST SCENARIO OF MSME

At the time of independence, India was considered as shattered and fragile economy. The visionaries decided to make it strong enough to withstand external forces and internal pressure. Policies were framed the foremost target was to accomplish self-sufficiency of food grain production. Secondary objective, was to develop Manufacturing sector . However, the excessive protection provided to native industrial units has weakened to promote a vibrant export sector . Government expenditures were rising exorbitantly producing lower revenues. Public sector industrial units have become breeding grounds for corruption .

All these challenges are bridled by "Economic Reforms Of 1991." The entire structure of Indian Economy was reversed. The policies of liberalization, privatization, globalization generated tremendous economic growth. From the perspective of MSME , these reforms presented both opportunities and threats . It opened the gates for

international markets as well as welcomed stiff competition whole heartedly. Despite of the risks involved, these small scale units have managed to extract more benefits than losses.

Due to substantial liberalization of foreign exchange regime, entrepreneurs undertook international trade. A large proportion of MSMEs were either closed or incurred high losses where they are not in a position to run business. On the contrary, equal number of small scale units established their reputation in the expanded markets and updated their technology to produce better results and combat competition.

CURRENT STATUS: PRESENT SCENARIO OF MSMEs

Small scale industrial units of the state are contributing immensely in strengthening economic position and generating huge revenues in terms of profit. The state government provides all the necessary facilities like finance, power supply to small scale units. In the current scenario young entrepreneurs are more inclined towards these units as they can use their knowledge and skill to make them reach another improved stage. However the marketing strategies are not so impressive, they are required to be taken care of. The government is working towards their upliftment and enhancing quality and quantity of output. Steps are being taken to discover untapped resources and develop new special economic zones in the state.

AREA OF WORK OF MSME IN MADHYA PRADESH

Small Scale Industries in Madhya Pradesh are engaged in the following arenas of work:

- 1) Glass Industry – This is one of the prominent industry in the state which employs large number of people. It is an artistic profit making business. The raw materials requires is present in abundance in the state.

- 2) Food Processing – This usually comprises of pickle and papad making firms. It also includes bakeries and other perishable food items. In many villages, women are engaged in such activities. This leads to rural development and empowers women.

- 3) Handicrafts – These comprises of certain products which are only manufactured in this part of the country. Handicrafts are completely handmade artistic articles (clay work, cloth work, pottery, brassware, stonework, woodwork, and so on) that are decorated with different design forms.

- a) Metal and wood work is an intricate artistic work, which is not possible to do by use of machines. It is labour intensive in nature and produces products having national and international demand.

- b) Textile and carpet weaving industry is major handicraft industry in Madhya Pradesh. Chanderi and Maheshwari saaris, handblock, batik, printed clothes are main attractions of textile product. Handwoven durries and carpets are decorated with beautiful motifs.

- c) Leather industry is renowned in the state. It employs artisans having knowledge of leather craft.

- d) Jewelry making industry are engaged in white metal and shell ornaments.

- e) Terracotta work comprises of skillfully created terracotta pots and home Decorative items.

ROLE OF STATE GOVERNMENT OF MADHYA PRADESH IN RESTRUCTURING MSMEs

Skill Development Programs –

The government has undertaken efforts to provide sufficient training to workers so as to ensure that they acquire basic skill and knowledge to perform certain jobs in small scale industries. This is necessary as micro, small and medium enterprises employs less qualified personnel. By updating their skills

workers would be able to become eligible for an industrial job.

Development Of Clusters –

Cluster is a form of organizational system in which different individual small industrial units, suppliers, collaborate together to form a group in the same geographical area. They take major decisions together and share resources whenever required. This provides strong industrial foundation to small sector units so that they can withstand national as well as inter-national competition. Madhya Pradesh Government has formulated various policies and enacted several decisions in favor of cluster formation.

Marketing Assistance – Marketing is an essential tool requires for satisfying consumers completely and convincing them to repurchase the products. Marketing begins before production and continues even after the product is sold. Large scale units incur superfluous expenditure on aggressive advertising and selling techniques. Small and medium enterprises have limited funds that are required to be utilized judiciously. Government has assisted in marketing of their products through various schemes.

Sub-Contracting –

The process of sub-contracting is one by which a person is employed to work in the external environment of the company to complete the entire project assigned. The Madhya Pradesh government aims at promoting sub-contracting to encourage local vendors and engage them in some productive employment.

Reduction in the number of ineligible industries –

The industrial segments which are not eligible for small scale production of certain items were decreased from 52 to 19. This decision encouraged several new entrepreneurs to start their own business and enhanced overall production of the item produced. Hence, it provided twin benefits of

meeting demands of large population of people and contributed positively in GDP (Gross Domestic Product)

Encouraging setting up of new vendor units in the proximity of mother units –

Mother units are major industrial units which are able to generate adequate income. They support sick enterprises by providing financial as well as technical assistance.

INITIATIVES OF THE INDIAN GOVERNMENT

Government of India under the guidance of ruling political parties over a period of time has undertaken various initiatives for the elevation of small scale industries.

(I) Industrial Policy Resolution –

IPR 1948, emphasized various acute problems faced by small scale units. These Problems are to be solved by collaborative efforts of state and central government. IPR 1956, reserved some 128 items only for the production by micro, small and medium enterprises. It led to the formation of small scale industries board. It aimed at protection and development of small scale sector. IPR 1977, focused impactful promotion of cottage and small scale units spread over rural areas. IPR 1980, focused on enhancing both quality and quantity of production and expanding small scale units both horizontally and vertically. IPR 1990, emphasized the role of micro, small and medium enterprises in generating income, employment opportunities at low operation cost. It encouraged greater participation of youth and women through Entrepreneurship Development Programme.

(II) Small and Medium Enterprises Development Bill –

It was a comprehensive bill passed on 2 December 2005, the bill addresses the following issues associated with small scale industries :

- Simplifying registration procedure of micro and small firms, so as to encourage greater participation from people.

- Simplifying inspection procedures
- Facilitating timely and easy access to credit.

(III) Credit Policy

Government made efforts to provide credit facilities at cheap rates of interest, and granted subsidies for establishing small scale firms in rural areas. Other industries can purchase shares of these units but shareholding must not exceed 24 percent .

SIDBI (Small Industries Development Bank Of India) , an independent financial institution was established to provide financial aid to MSME . It offers direct , bill finance schemes, micro credit finance as well as promotion services.

(IV) Infrastructure

Government aims at building strong roads which connects rural areas to urban areas. It is making efforts to provide adequate power supply, indigenous and imported inputs, appropriate training institutions with competent workforce, etc.

SCHEMES OF CENTRAL GOVERNMENT

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

Traditional Industries of India possesses huge growth potential . It is a scheme implemented by Khadi and Village Industries Commission (KVIC) and Coir Board . It aims at generating employment opportunities for rural population and avoiding huge migration of rural population to urban areas . It also aims at uplifting standards of living of workers . It focuses on strengthening governance of industrial collaborations clusters and provides exposure to new market .

A Scheme For Promotion Of Innovation , Rural Industry and Entrepreneurship (ASPIRE) –

This scheme was launched by the central government on 18 March 2015 , to encourage large number of entrepreneurs to start-up their own business organizations ,

especially in agro-based industry . It was decided to establish 80 livelihood incubation centers . These incubation centers are going to provide necessary technical and financial support to newly established businesses. The main objective of the scheme is to develop innovative solutions to solve conventional problems and foster economical development from bottom-most level (district level)

Coir Vikas Yojana and Coir Udyami Yojana -

Both the scheme consists of various activities undertaken by coir board to develop traditional industry by conducting research , analyzing new methods to develop creative products and enhancing the industrial competence . Under Coir Udyami Yojana , sick industrial units are provided financial assistance to improve their conditions by replacing obsolete tools , looms, and other equipment.

ESSENTIALS OF AN IDEAL SMALL SCALE BUSINESS

Starting a small business is rewarding as it offers the following benefits:

- 1) Precise Supervision – MSMEs are operated by sole proprietor or few individuals, who keep updated information about minute details. It reduces possibility of fraud and leads to optimum utilization of resources.
- 2) Nature of Demand – If demand of a product frequently changes or is less or seasonal, the producer can change the output produced accordingly.
- 3) Contributes to Economic Development – It uses labour intensive techniques and thus employs large number of people. It also leads to development of rural areas .
- 4) Low Finance Requirement – It is the major benefit of MSME. Entrepreneur can easily procur sufficient amount of finance required to establish and run the business.
- 5) Effective and Efficient Management - There exists direct relationship between people

working, clear line of action and adequately skilled labour .

- 6) Freedom Of Work – The worker have adequate amount of freedom as they are specialized in their work. This enables firm to produce better quality of work.

Threats and Risk involved in Small Scale Business :

- 1) High Cost Of Production – Small scale industrial units involves higher cost of production because cost of rent , interest , manufacturing costs per unit output is higher.
- 2) No reuse and recycle – These Industrial units don't have funds to recycle and reuse by-products generated in manufacturing process.
- 3) Time and efforts consuming – These units requires enormous amounts of hardwork on behalf of workers. It consumes huge time in producing each unit
- 4) Less Recognition – The promotional and advertising techniques of these units are not intensive . Their products generally covers proportional markets.
- 5) Difficult To Withstand Economic Crisis – These industrial units cannot bear long-term losses and thus cannot survive bearish market conditions.
- 6) Intense Competition – These units have to face cut-throat competition from large scale organizations and other small industrial units. It is difficult to grow ,retain and attract customers.
- 7) No Research and Development – They does not have enough funds to be invested in research and development activities. Hence , they are not able to introduce new range of products in the market.

Results and Discussions

It is observed that:

- 1) The Central state of Madhya Pradesh has immense growth potential and has all the

essential factors required for establishing and running small scale business.

- 2) Handicraft products produced in different parts of the country are required to be efficiently and effectively marketed , so that India can earn lots of foreign exchange by exporting handicraft products .
- 3) Employees should be paid according to their competence and skills and their safety must be ensured in order to attract and retain skilled workforce.

The Micro , Small and Medium sector has emerged as vibrant and dynamic sector and has the potential to generate maximum benefits at minimum investment . However to run small scale business , patience , cooperation and understanding is essential . These industrial units are the avenues where government and private sector must invest their funds as they possess high future growth prospects . Development of this sector implies holistic development of each and every part of the nation . The benefit of the economical progress would be equitably shared all the sections of population whether rich or poor, whether urban or rural .

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