
Role of MSME in Entrepreneurs Development in India

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Abstract

MSME sector has often been termed as the 'engine of growth' for developing economies like India. Based on official figures from the Ministry of MSME, Nov.08, MSME contributes 8% of National GDP, 45% of India's total industrial employment, 95% of all industrial units and comprises 50% of India's total manufactured exports. The SME sector in India has been changing over time, generally by the changes in policy of government. Despite its relevance, the MSME sector has been extensively facing various obstacles in growth. In recognition of these difficulties and problems to a long sustained lobbying, the GOI passed the MSME Development Act 2006 which brought about major changes in this sector. The basic achievement through that act was a clear and decisive definition of units that fall under Micro, Small and Medium category. These definitions are based on total investment required in plant and machinery for manufacturing units and required investment in equipments for service units. The new definitions have expanded the plant and machinery limits and now each enterprise level includes larger investments than before. An allowance for smaller investments in service enterprises has also been included in the scheme. The MSME has extensively helping in the development of SME through entrepreneurship development in India.

Introduction: The organization of the Development Commissioner (Micro Small and Medium Enterprises) [(earlier called Development Commissioner (Small Scale Industries)] was established as Small Industries Development Organization (SIDO) in 1954 on the basis of the recommendations of the Ford Foundation. With the enactment of the MSME Act 2006, the organization has been renamed as Micro, Small and Medium Enterprises-Development Organization (MSME-DO). It has over 60 offices and 21 autonomous bodies under its management. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centers. MSME-DO provides a wide spectrum of services to the small industries sector, now enlarged to include all enterprises, excluding the larger ones. These include facilities for testing, tool making, training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, pollution and energy audits etc.

Following the globalization, MSME sector is also facing numerous challenges in India. MSME-DO has documented the changed environment and is currently focusing on providing support in the fields of marketing, crediting, and technology up-gradation and infrastructure development of MSMEs in India. MSME-DO's is working as a channel of growth of small and medium enterprises in India.

The main services offered by MSME are:

- Advising the GOI in policy formulation for the promotion and development of MSME sector.
- Making available economic information services.
- Providing consultancy, common facilities, techno-economic and extension services to the MSME sector.
- Extending facilities for technology up-gradation, modernization, quality improvement and infrastructure.
- Skill and training up-gradation by developing HR.
- Work as a pool and provide close association with the State Governments, Central Ministries, Planning Commission, Financial Institutions and other Organizations concerned for development of MSME sector.
- Coordinating Policies and Programmes for development of MSME sector as ancillaries to large industries.

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Definition by Ministry of MSME

Manufacturing Sector	Investment in plant & machinery
Micro	Less than Rs. 2.5 million
Small	Rs. 2.5 to Rs. 50 million Rs. (Before 2006: 2.5 10 mil Rs.)
Medium	Rs.50 million to Rs.100 million (Not defined before 2006)
Service Sector	Investment in equipments
Micro	< 1 million Rs.
Small	1 20 million Rs. (Before 2006: < 1 million Rs.)
Medium	20 50 million Rs. (Not defined before 2006)

Table.1 Source: Ministry of Micro, Small & Medium Enterprises, 2007

MSME-DO Network: MSME-DO has a network of 30 MSME Development Institutes, 28 Branches of MSME-Development Institutes, 4 MSME Testing Centers, 7 MSME Field Testing Stations, and 18 Autonomous Bodies - which includes 10 MSME Tool Rooms, 6 MSME Technology Development Centers, 2 MSME Central Footwear Training Institutes. There are 2 MSME Departmental Training Institutes and one Departmental MSME Hand Tools Development Centre also. MSME Development Institutes, also have common facility workshops in various trades. There are at present 42 such common facility workshops.

PLAN/SCHEMES of MSME-DO are for Entrepreneurs Development:

- MSME Tool Rooms (MSME-TRs):** The 9 MSME-TRs started with Indo-German and Indo-Danish collaborations assist MSMEs in technical up-gradation, which provides good quality tooling by designing and producing tools, moulds, jigs & fixtures, components, etc. They also provide Training and Consultancy for tool and die makers.

These Tool Rooms are at Indore, Jalandhar, Guwahati, Ludhiana, Ahmedabad, Kolkata, Aurangabad, Bhubaneswar, and Jamshedpur. These Tool Rooms were established by the GOI in technical collaboration with the Govt. of Federal Republic of Germany for providing services in the area of tooling, precision machining, heat treatment, technical training and technical consultancy to metal working industry, in general and micro and small industries in particular so as to improve the quality and productivity of such units.

Achievements of the Tool Rooms:

1	Revenue Target (2007-08) (Rs. Lakh)	4515
2	Revenue Earned (Rs.Lakh)	2991
3	No. of Units Serviced	4465
4	No. of Trainees (Long Term)	3928
5	No. of Trainees (Short Term)	6748
6	No. of SC/ST Trainees	1839
7	No. of OBC Trainees	1338
8	No. of Minority Trainees	343
9	No. of Women Trainees	895
10	No. of PH Trainees	26

Table: 2, (As on November 2007)

- MSME Technology Development Centers (MSME- TDCs):** MSME Technology Development Centers are product specific Centers to look into their specific problems and render technical services, to develop and upgrade technologies and manpower development and training in specific product groups.

The main objectives of these institutes are to develop human resources to meet the essential requirements for transfer of technology in various fields like; electronic items, instrumentation industries, sports goods, promote and modernize the glass industry, technological up-gradation of essential oils, aroma chemicals, fragrance and flavor, foundry and forge industries in the country.

Achievements of MSME-TDCs:

1	Revenue Target (2007-08) (Rs. Lakh)	1499
2	Revenue Earned (Rs.Lakh)	831.52
3	No. of Units Serviced	3625
4	No. of Trainees (Long Term)	1311
5	No. of Trainees (Short Term)	3082
6	No. of SC/ST Trainees	800
7	No. of OBC Trainees	1134
8	No. of Minority Trainees	42
9	No. of Women Trainees	490
10	No. of PH Trainees	11

Table: 3, (As on November 2007)

- MSME Technology Development Centers: CFTI:** Central Footwear Training Institutes, at Agra and Chennai develop footwear designing to promote exports and provide training for manpower in Footwear Industry. The basic objectives of these institutes are to develop HR for footwear and allied industries through various training programmes on

footwear technology and allied services. These institutes conduct long term, short term and part-time training courses on various subjects of footwear technology. Besides, the institutes also provide technical support services to the user industry by making their facilities available to them. Further the institutes also provide services for development of new products and patterns as per given sample or concept.

Achievements of MSME-TDCs; CFTI:

1	Revenue Target (2007-08) (Rs. Lakh)	267
2	Revenue Earned (Rs. Lakh)	216.40
3	No. of Units Serviced	331
4	No. of Trainees (Long Term)	385
5	No. of Trainees (Short Term)	6049
6	No. of SC/ST Trainees	2841
7	No. of OBC Trainees	673
8	No. of Minority Trainees	219
9	No. of Women Trainees	2402
10	No. of PH Trainees	1

Table: 4 (As on November 2007)

4. Credit Guarantee Fund Scheme for Micro and Small Enterprises: The GOI launched the Credit Guarantee Fund Scheme for Micro and Small Enterprises in August, 2000, with the objective of making available credit to micro and small enterprises (MSEs), particularly micro enterprises, without collateral/ third party guarantees. The Scheme is being operated by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) set up jointly by the Government of India and SIDBI.

The Scheme covers collateral-free credit facility (term loan and/ or working capital including non fund based working capital) extended by eligible lending institutions to new and existing micro and small enterprises up to Rs. 50 lakh per borrowing unit. The guarantee cover is up to 75% of the credit sanctioned (80% for loans up to Rs. 5 lakh provided to micro enterprises, MSEs owned/ operated by women and loans provided in the NE region). The Member Lending Institutions (MLIs) availing guarantee from the Trust have to pay one time Guarantee Fee of 1.5% (0.75% for loans provided in the NE region) and Service Fee of 0.75% per annum, of the credit sanctioned.

The data received from the sampled units, the quarterly index with the base year 2001-02, from the period April 2002 to March 2006 had been collected and enumerated

below.

Year	Growth rates of MSE with 1970 base IIP	Growth rates of MSE with 2001-02 base IIP	Growth rates of Manufacturing Sector with base year 1993-94
2002-03	7.68 %	8.68 %	6.0
2003-04	8.59 %	9.64 %	7.4
2004-05	9.96 %	10.88 %	9.2
2005-06	10.40 %	12.32 %	9.1
2006-07	abandoned	12.60% *	12.5 #

Table: 5 Based on the index of first three quarters i.e. April-December, 2006. # Source: http://mospi.nic.in/iip_table3.htm

5. Credit Linked Capital Subsidy Scheme (CLCSS): MSME is operating a scheme for technology up-gradation of Small Scale Industries called the Credit Linked Capital Subsidy Scheme (CLCSS). The Scheme aims at facilitating technology up-gradation by providing upfront capital subsidy to SSI units, including tiny, khadi, village and coir industrial units, on institutional finance (credit) availed by them for modernization of their production equipment and techniques in specified sub-sectors/products approved under the Scheme.

The ceiling for eligibility of loans under the Scheme is Rs. one crore and rate of subsidy is 15%. Further, in the light of the experience gathered through implementing the Scheme, certain modifications have been made in taking up technology up-gradation on a larger scale. The Scheme is monitored by the Governing and Technology Approval Board (GTAB) of the CLCSS. There is a Technical Sub-Committee under the GTAB to consider inclusion of new sub-sectors/products and Well Established and Improved Technologies under the Scheme.

Nodal Agencies: The Scheme is implemented through eligible Primary Lending Institutions (PLIs) which include Scheduled Commercial Banks, Scheduled Cooperative Banks [including urban cooperative banks co-opted by the SIDBI under the TUFs of the Ministry of Textiles], Regional Rural Banks (RRBs), State Financial Corporations (SFCs) and North Eastern Development Financial Institution (NEDFI). The capital subsidy is released to SIDBI and NABARD for on-ward disbursement to the beneficiary units through eligible PLIs. An advance of Rs. five crore and Rs. three crore is been placed with SIDBI and NABARD respectively for operationalising the Scheme.

Besides all these facilities an advance of Rs. one crore

each is also been placed with the eight Public Sector Banks/Government Agencies such as: SBI, Canara Bank, Bank of Baroda, PNB, BOI, Andhra Bank, State Bank of Bikaner & Jaipur and Tamil Nadu Industrial Investment Corporation Ltd., which have been inducted as nodal agencies/banks for disbursement of subsidy under the Scheme. The National Small Industries Corporation Ltd. has also been inducted as nodal agency for disbursement of subsidy under the Scheme. These nodal banks/agencies consider proposals only in respect of credit approved by their respective branches w.e.f.04.04.2006.

6. ISO-9000/ISO-14001/HACCF Certification Reimbursement Scheme: To enhance the competitive strengths of the Small Scale Sector, the GOI, has introduced an incentive scheme for technological quality improvement, Up-gradation and environment management. The scheme provides incentive to undertakings in the Sector for having acquired ISO certifications.

The main features of the Scheme are:

- The Scheme conceives of reimbursement of expenses for acquiring ISO9000/14001 (or its equivalent) certification, to the extent of 75% of the cost subject to a maximum of Rs. 75,000/- in total.
- All Micro and Small Scale Enterprises having Entrepreneurs Memorandum (EM) Number are eligible to avail the reimbursement.
- The units can apply for reimbursement under the Scheme only after obtaining ISO9000/14001/HACCF (or its equivalent) certification.
- The Scheme is an all India Scheme administered by MSME-DO, Ministry of MSME, GOI. The Scheme has been decentralized to state level through MSME-DIs w.e.f. 01.04.2007
- Scheme provides one time reimbursement. The amount of subsidy / financial support if already received from the State Govt./ financial institution shall be adjusted against the entitlement of reimbursement under this Scheme.
- The GOI has extended the Scheme in the XIth Five Year Plan.

Till 31st Dec. 2007 since inception of the scheme in 1994, Total 15807 numbers of units have been reimbursed expenses involving an amount of Rs.80.30 crore.

7. Micro, Small & Medium Enterprise-Development Institutes (MSME- DIs): This Scheme has been in operation since the 6th Five Year Plan. Since 1983-84, 12 new Branch Institutes, mostly in the backward and hilly areas of the country have been sanctioned, making a total of 15

such Institutes under this Scheme.

Some of the main activities of MSME-DIs and their Branches are as follows:

- Assistance/Consultancy to prospective and existing entrepreneurs
- Preparation of State Industrial Profiles and District Industrial Potential Surveys
- Preparation/updation of Project Profiles
- Entrepreneurship Development Programmes
- Motivational Campaigns
- Production Index
- Management Development Programmes
- Skill Development Programmes
- Energy Conservation
- Pollution Control
- Quality Control & Up-gradation
- Export Promotion
- Ancillary Development
- Common Facility Workshop/Lab.
- Preparation of Directory of specific industries

8. MSME Testing Centers:

MSME Testing Stations and Testing Centers by Industries Associations: MSME-DO is operating four MSME Testing Centers (formerly RTCs) located at New Delhi, Mumbai, Chennai and Kolkata. The MSME Testing Centers provide testing and calibration facilities to industries in general and Micro, Small & Medium Enterprises in particular, for raw materials, semi-finished and finished products, manufactured by them. The Centers are equipped with the state-of-the-art indigenous and imported equipments in the disciplines of Chemical, Mechanical, Metallurgical and Electrical Engineering to undertake Performance Test, Type Test and Acceptance Test of semi-finished, finished products etc. The Centers also undertake calibration works for Measuring Instruments and Equipments conforming to international standards. These Centers are accredited by internationally recognized National Accreditation Board of Testing & Calibration Laboratories (NABL) Certification as per ISO (17025). Besides, these Testing Centers also render technical support to Micro, Small & Medium Enterprises in upgrading the quality of products manufactured by them. They also provide consultancy services in testing and quality management and in process quality system to MSMEs.

9. Training Programmes (IMCs/ EDPs/ESDPs/ MDPs and BSDPs) conducted by MSME-DIs:

MSME-DIs, organize a number of training programmes to train potential first generation entrepreneurs for upgradation of their techno/managerial knowledge and skills with ultimate object to start MSEs in various fields. The training programmes conducted are as follows:

- Industrial Motivation Campaigns (IMCs)
- Entrepreneurship Development Programmes (EDPs)
- Entrepreneurship Skill Development Programmes (ESDPs)
- Management Development Programmes (MDPs)
- Business Skill Development Programmes (BSDPs)

a) Industrial Motivation Campaigns (IMCs): Industrial Motivation Campaigns (of duration of 1 day or 2 days) are organized to identify and motivate traditional / nontraditional entrepreneurs having potential for setting up MSEs so as to lead them towards self-employment. Generally emphasis is given on organizing the max. no. of programmes in rural areas particularly for weaker sections of the society. During the year 2007-08, 925 IMCs conducted for motivating about 1 lakh persons towards self-employment. 400 programmes were already been conducted for motivating 42000 persons up-to December 2007.

b) Entrepreneurship Development Programmes (EDPs): Entrepreneurship Development Programmes are being organized as a regular training activity to cultivate the latent qualities of youth by enlightening them on various aspects that are necessary to be considered while setting up MSM Enterprises. These programmes are conducted generally for technicians / artisans for motivating them towards self employment. The course contents of the Entrepreneurship Development Programmes are so designed as to provide useful information on design, process/product, manufacturing practices involved, testing and QC, selection and usage of appropriate machinery and equipments, product/service pricing, project profile preparation, marketing avenues/techniques, export opportunities, support and financial institutions etc. There is no fee for SC / ST, Women and Physically Handicapped participants. A stipend of Rs. 500/- per participant per month is provided to SC / ST, Women and Physically Handicapped participants under Promotional Package. Same emphasis stated above is given on organizing the maximum number of

programmes in rural areas particularly for weaker sections of the society.

- c) Entrepreneurship Skill Development Programmes (ESDPs):** Comprehensive training programmes are organized to upgrade existing skills and to create new skills among workers and technicians of MSEs by organising various technical training courses for them. The basic objective has been to provide training to skilled workers engaged in MSEs and to equip them with better and improved technological skills of production. The main focus is set on organizing the max no of programmes in rural areas particularly for weaker sections of the society
- d) Management Development Programmes (MDPs):** Organizing Management Development Training Programmes constitutes an integral part of the activities besides counseling and consultancy services. The major objective of giving training in management subject is to improve decision-making capabilities resulting in higher productivity and profitability of existing and potential entrepreneurs and in to develop new enterprises. Inputs related to various topics of functions of managers are provided through short training, which aim at diffusion of knowledge of scientific and modern management practices.
- e) Business Skill Development Programmes (BSDPs):** A tailor-made course namely Business Skill Development Programme (BSDP) has been introduced for new entrepreneurs through Select Business Schools/Technical Institutions etc. The programme has been devised to encourage educated unemployed youth basically from Business Schools/Technical Institutes to start self-employment ventures of micro or small enterprises and thus become instrumental in employment generation.

10. The WTO Cell: A separate WTO Cell in the Office of the Development Commissioner (Small Scale Industries) now known as MSMEDO was set up during 1999 to co-ordinate the latest developments in regard to World Trade Organization. The objectives of the Cell inter-alia include

- (a) To keep abreast with the latest developments in WTO,
- (b) To disseminate information to MSE Associations and other stakeholders about the various aspects of WTO and their likely implications for micro and small enterprises,
- (c) To coordinate with other Ministries and Departments of Govt. of India,
- (d) To prepare policy for MSMEs in conformity with the provisions of WTO Agreements and
- (e) To organize WTO Workshops/ Seminars for creating

awareness, capacity building and conducting sectoral studies.

11. Scheme for Capacity Building, Strengthening of Database by Industry/Enterprise Associations: A reliable database is the key input in any policy decision-making process. This is more so for the MSE in view of its large size and wide disparity among the enterprises within the sector. The MSME-DO conducts periodic Census for strengthening/updating the database on MSE sector. So far, it has conducted three Censuses in the year 1971-72, 1992-93 and 2001-02. However, the limiting factor is the long gap between two Censuses and the high cost involved in conducting Census. In the intermittent period, two sources are used for obtaining information/data on the status of the MSE sector. First is the District Industries Centers (DICs) of State Government, which provide the updated information on the number of registered organizations. But registered organizations constitute only a small percentage of the total number of organizations, which leads to huge data gap. The 2nd important source is the MSE Associations, which are spread across the country. The present database with MSME-DO suggests the number of such Associations in the vicinity of 350, including both State and National level are mainly sector specific. MSME-DO has been using the services of these Associations from time to time, especially with regard to data on number of unregistered enterprises, production, exports, etc. relating to specific product groups like pharmaceuticals, motor pump industry etc. However, availability of low funds is the major challenge faced by these Associations in building database.

12. Public Awareness: The Advertising and Publicity Division of MSME-DO disseminates information about the Government policies and programmes, incentives and facilities and institutional support services available to MSMEs. It coordinates with the Directorate of Audio Visual Publicity (DAVP) and field offices for timely appearance of advertisements on entrepreneurship development programmes, skill development courses, etc., in local language newspapers in different parts of the country. During the year under report, 900 advertisements have been released up to Dec. 2007.

Comparison of the MSE Sector with the Overall Industrial Sector: The MSE sector has maintained a higher rate of growth in overall industrial sector. The growth rates of production for both the sectors during recent years are as follows:

Comparative Growth Rates:

Year	Growth Rate of MSE Sector (%)	Overall industrial Sector (%)
2002-03	8.68	5.75
2003-04	9.64	7.02
2004-05	10.88	8.36
2005-06	12.32	8.15
2006-07	12.60	10.8 #

*Table: 6 * April-December, 2006 #Source: http://commerce.nic.in/PressRelease/pressrelease_detail.asp?id=1980*

Conclusion: The main anecdote is, apart from special policies that are targeted towards the growth of the MSME sector, there can be various general development policies which are not specifically aimed at any sector but which seem to have very strong and positive impact on the development of the MSME sector. We have looked at growth of Indian Micro Small and Medium Enterprise Sector over the last years. The MSME sector has often been termed as the 'engine of growth' for developing economies like India. The MSME Development Act of 2006 is perhaps the most crucial policy for developing MSE in India. We have analyzed this legislation and look at its main achievements.

As the impact of globalization is seen and felt everywhere. The back boon of the India small and medium enterprises needs more concentration. Our main findings are that even though MSME is working efficiently, some specific policies that are aimed at the MSME sector need more for the growth of these sectors, more general development policies such as expenditure on infrastructure and access to finance will have significantly positive impact on growth of the MSME sector in India.

The analysis suggest that perhaps the government should play a facilitator role and improve access to finance by encouraging more banks and other financial institutions to enter the local market, instead of becoming an active player itself. The analysis also suggest that the core competence of the govt. in certain roles, like creating a facilitating environment such as improved connectivity by railway, roads and airways, improved accessibility of Light and water supply.

The development can never be achieved neglecting the rural population which accounts for around 69% of the total population, which also lacks in basic amenities like roads, electricity, water etc. Because of low cost of resources, work force etc, the rural population has a potential for the producing many products in low cost as compared to urban area. By providing more finance to rural population MSME can serve three functions, first is

more employment opportunities, second it will reduce migration, and it will develop the infrastructure in rural area. So MSME can achieve more growth by implementing the above suggestions.

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Abbreviations:

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| MSME DO | : Micro, Small and Medium Enterprises-Development Organization |
| GOI | : Government of India |
| MSME | : Micro, Small and Medium Enterprises |
| SME | : Small and Medium Enterprises |
| PLI | : Primary Lending Institutions |
| CLCSS | : Credit Linked Capital Subsidy Scheme |
| MSE | : Medium and Small Enterprises |