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Paradigm shift of MSMEs Schemes And Outreach

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Abstract : Government of India has flagged of myriad schemes for the development of MSME sector, which acts an engine of the growing economy. With these schemes MSMEs has achieved a progressive path in the past and with the Government of India initiatives in 2020, MSME heaved a sigh of relief. With the introduction of a legislation MMED Act 2006, promotion , development and its competitiveness has been achieved. To add up , inclusive growth and sustainable development needs to be adopted. Growth isn't realized with the surface layer, but it has to percolate to the depth. Therefore the paper presents that schemes has created paradigm shift and an impact on the MSMEs growth and development.

Keywords: Growth, MSME, Government Schemes, Economic Development, ECLGS Impact.

Introduction :

The very evolution of an enterprise from micro to small and medium is a perennial process in entrepreneurial domain. This is possible with the Government initiatives and support through various ministries and resources are harnessed. Ministry of MSME, through its various schemes facilitates the promotion and development of entrepreneurs' especially small businesses in attaining a level playing field in the market. Other Ministries also extend support in the areas of skill development, market development assistance, technology support, credit flow, public procurement policies, etc.

Role of the Government :

At the Centre level, MSMED Act, 2006 has been enacted to provide for facilitating the promotion, development and enhancing the competitiveness of MSMEs. Chapter V, Section 9 of the Act empowers GoI to issue guidelines for enhancement of competitiveness through programs on: technology upgradation and skilling, marketing assistance, infrastructure facilities, cluster development, backward and forward linkages.

Over the years, Ministry of MSME has launched several schemes to address different needs of the MSME ecosystem. Although, Ministry of MSME is the nodal ministry for MSMEs in the country, yet on the ground several sectoral Ministries have a presence and contribute in this direction. For instance, Ministry of Textiles through its Development Commissioner (Handlooms) focuses on awareness creation, skill development, design and technology, market intelligence, etc., for the handloom sector. Ministry of Ayush ensures the development and propagation of AYUSH systems of medicine by assisting in creation of AYUSH clusters through Special Purpose Vehicles. Major schemes being run by these Ministries are provided in the Table I below.

Table I : Major schemes of the Government

Ministry	Scheme
Ministry of MSME	<ul style="list-style-type: none"> - A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship(ASPIRE) - Scheme of Fund for Regeneration of Traditional Industries (SFURTI) - Credit Linked Capital Subsidy Technology Upgradation Scheme (CLCS-TUS) - Market Development Assistance to Khadi artisans (MDA) - Technology Development Centers are providing skilling on cutting edge technology to youths and MSME - Micro and Small Enterprise Cluster Development Programme (MSE-CDP) - National SCST Hub - Coir Udyami Yojana
Ministry of Food Processing Industries	<ul style="list-style-type: none"> - Marketing Research and Information Network - Development/Strengthening of Agricultural Marketing Infrastructure
	<ul style="list-style-type: none"> - Grading and Standardization - Agro processing Cluster - Mega Food Parks - Publicity and Marketing
Ministry of Commerce	<ul style="list-style-type: none"> - Startup India - Trade Infrastructure for Export Scheme Modified - Industrial Infrastructure Upgradation Scheme
Ministry of Textile	<ul style="list-style-type: none"> - Capacity Building in Textile Sector - Powerloom Cluster development - Integrated Textile Parks - Ambedkar Hastashilp Vikas Yojna
Ministry of AYUSH	<ul style="list-style-type: none"> - Assistance to organisations (government / non-government non-profit) engaged in Ayush education / drug development and research / clinical research, etc. for upgradation to Centres of Excellence - Scheme for Development of Ayush Clusters
Ministry of Chemicals and Fertilizers, Department of Pharmaceuticals	<ul style="list-style-type: none"> - Cluster Development Programme for Pharma Sector (CDP-PS) - Pharmaceutical Promotion and Development Scheme

Ministry of Communication and Information Technology	<ul style="list-style-type: none"> - Technology Incubation and Development of Entrepreneurs - Software Technology Parks
Ministry of Skill Development and Entrepreneurship Schemes	<ul style="list-style-type: none"> - Udaan Training Programme for Unemployed Youth of J&K - National Skill Certification and Monetary Reward (STAR scheme) - Pradhan Mantri Kaushal Vikas Yojana

Apart from these initiatives, Pradhan Mantri MUDRA Yojana, Make in India, Startup India, ease of doing business and GST are some of the other major initiatives facilitating growth of the sector. A major decision regarding change in classification of MSMEs from 'investment in plant and machinery/equipment' to 'annual turnover' has been proposed. Taking turnover as a criterion can be pegged with reliable figures available e.g. in GST Network and other methods of ascertaining will help in having a non- discretionary, transparent and objective mechanism that will eliminate the need for inspections, make the classification system progressive and evolutionary and improve the ease of doing business. This is one of the many reform steps taken by the Ministry aligned to Maximum Governance, Minimum Government. The consequent amendment to the MSMED Act, 2006 for changing the basis of classification needs to be expedited.

In addition, there are State-level interventions in the MSME sector. At the state level, MSME Policy of respective states serves as a guiding principle to schemes and initiatives. Different States provide different fiscal incentives to promote growth of sectors aligned to the State. In addition to fiscal incentives, few States like Haryana and Madhya Pradesh have designed schemes and initiatives aligned to specific needs of the State. Mini-Cluster scheme in Haryana, setting up of Business Facilitation Centres in Madhya Pradesh are few examples in this regard.

Need for Reforms

Government initiatives have, however, been segmented and piecemeal in their approach not catering to the complete requirement of business ecosystem in which enterprises operate. These are due to delivery constraints because of limited resources - both man power and financial resources and coverage constraints. For example, in Ministry of MSME itself, out of around thousand potential clusters spread across the country, interventions have been made in only 115 clusters under the MSE-CDP scheme, 594 SPVs are in operation under the LEAN Manufacturing Scheme while 20,000 units have got registered and certificates have been issued to 86 units under the ZED Scheme.

The exponential growth in number of B2B startups in India, catering to the needs of digital transformation and financing needs of MSMEs is testimony to the huge unmet need on the demand side. Reforms on the supply side need to augment the delivery capacity of Government agencies and be more responsive and tailored to the demands of MSMEs. Further, there is immense scope to leverage private sector in the growth of MSMEs by designing programmes that will be a win-win situation for MSMEs, Private Sector as well as Central and State Governments.

Mapping Elements of an Enabling Ecosystem for MSMEs with various Government Initiatives

The experience on the ground and available indicators have led to creation of seven pillars that contribute towards an enabling ecosystem for an enterprise to be born, germinate, blossom and sustain.

Table II : Seven components of the MSME ecosystem

Pillar	Description
Human Capital Development	Enabling entrepreneurship and skill development to build human capital for the sector
Knowledge Dissemination	Enabling one-stop information sources to resolve information asymmetry
Access to Finance including Insurance	Enabling timely access to credit and insurance products
Access to Technology	Enabling development of emerging technology ecosystem
Common Facility Infrastructure	Enabling incubation, plug and play facilities in major clusters
Facilitating Access to Markets	Enabling improved access to markets including digital marketing enablement
Policy Governance and Ease of Doing Business	Enabling responsive policy formulation

These seven pillars are presented below, the illustration depicts the seven components of the ecosystem in a floral pattern where MSME competitiveness and sustainability is at the centre. As a first step, all existing MSME Schemes have been aligned to the seven pillars of the ecosystem as mentioned above. The Table below illustrates that even after the realignment, there are gaps that remain to be addressed. The intensity of these gaps varies across different regions of the country. The situation does not change much when a similar mapping is done for the schemes of other Ministries.



Table III : Mapping elements of MSME Ecosystem to various Schemes

Schemes	Human Capital	Knowledge	Finance	Technology	Infra	Markets	Policy
EDC	✓	✓	✓	✓		✓	✓
NMCP(CLCS-TUS)	✓	✓	✓	✓	✓		
CLCSS		✓	✓	✓			
CGTMSE		✓	✓				
Interest Subvention			✓				✓
SFURTI	✓	✓		✓	✓	✓	
MDA		✓				✓	
ICS		✓				✓	
PMEGP	✓	✓	✓				
MAS		✓				✓	
CDP		✓		✓	✓		
Coir Vikas Yojana	✓	✓			✓	✓	
ASPIRE	✓	✓					
Solar Charkha	✓	✓		✓			
ISEC			✓				
Coir Udyami Yojana	✓		✓				
National SC/ST Hub		✓	✓	✓		✓	✓

Committee Recommendations:

- The Committee recommends that the Ministry of MSME should be the Nodal Ministry for all interventions pertaining to the MSME Sector, rather than multiple schemes being run by different Ministries for promotion of MSMEs in their respective domain.
- There is a potential to develop an ecosystem of sustainable, natural resource dependent and community based micro-enterprises for livelihood security in rural and backward areas. This can happen by leveraging natural assets that have been created on a large-scale under various schemes of the Government like MGNREGA, NRLM, National Afforestation Programme besides various sectoral interventions by different Ministries. However, these exist in isolation without synergistic operations or fall short because of small but critical gaps for effective implementation. The requirement on the ground is to optimize the use of existing schematic natural and infrastructural resources for the benefit of MSMEs.
- It is critical that a mechanism is devised to converge and integrate various initiatives horizontally and vertically. The first step in this direction is identification of demand. Access and use of data available with various agencies like banks and other financial institutions besides other high touch data and data with authorities like GST, GeM should be pooled, subjected to data analytics to identify real demand and gaps in supply on the ground. Based on such an analysis, scheme delivery and policy initiatives need to be dynamically fine-tuned with minimum lag.
- The business of supporting MSMEs should be done in a business-like manner without sectoral and jurisdictional limitations. Perhaps a corporate entity could be thought of as a delivery and implementation vehicle in this regard. This could be a not-for-profit entity whose structure could be devised so that it remains lean and sustainable.
- Several initiatives need to be taken to support MSMEs in all stages of their life cycle. One of the major steps is to refurbish the system of DICs and create EDCs at the grass root level. These EDCs will act as one stop-shop for information and facilitation including business development services required by aspiring and existing entrepreneurs. This will include assisting them for obtaining various Central and State Government Registrations like UAM, GST Registration, MSME Databank, labour licenses, etc. An online resource, India Enterprise Portal could be envisioned to be a knowledge aggregator for the sector. It would act as an information repository as well serve the need for knowledge dissemination. Consultations with these forums will enable MSME centric decision making.
- PMEGP needs to be restructured to better meet aspirations of young India. The scheme may have one component reflecting the present support for new units only which may be, for say, 25% of the funds under the scheme with subsidy of upto 15%. The balance 75% must be used for upscaling services for business counselling, help in developing and drafting business proposals and exposure trips for budding and first generation entrepreneurs.¹

Analysis :

From the table, it is observed 14 various schemes consists 'Knowledge' as an element in Mapping in the form of Conceptualization Element as against the Operational Elements , 9 schemes in 'Finance', 8 schemes in Human Capital, 7 schemes in Technology & Markets, 4 schemes in Infrastructure and 3 schemes in Policy element.

Basic intention of conceptualization of these schemes in the minds of entrepreneurs is to propel them to adopt these schemes, thus resulting in economic growth. The operational elements, Finance, marked in 9 schemes which is crucial for the survival and sustenance wasn't given significant importance in all the schemes. These gaps are similar to other operational elements as well.

The whole schemes are vitally envisaged not just at the conceptualization stage, but at the operational level. Forasmuch, MSMEs should concentrate on filling the gaps between the Conceptualization Element and Operational Element to witness the effectiveness MSMEs.

Among all the Mapping elements, the accentuated element – RISK was missing. Government intervention and its role in mitigating risks and safeguarding the entrepreneurs interests through Risk Management would be laudable effort.

In times of Socio-Political, Political-Economic disturbances and turmoil, invariably entrepreneurs are faced with risks inevitably. Schemes induces start-ups entrepreneurs, but the risks associated shows an exit option to these startup entrepreneurs, putting these short-lived schemes with no takers.

Scheme success is displayed with the new entrepreneurs but the very sustenance of these entrepreneurs in a high risk associated environment is unconsidered.

New Developments :

In a pragmatic mid-scheme assessment, the government has expanded the eligibility criteria for the Emergency Credit Line Guarantee Scheme (ECLGS) beyond MSMEs to include "individuals who take loans for business purpose.

The Emergency Credit Line Guarantee Scheme, worth Rs 3 lakh crore, was launched as part of Atmanirbhar Bharat Mission by Finance Minister Nirmala Sitaraman after Cabinet clearance on May 20. The scheme provides credit relief to MSMEs facing immense hardships due to coronavirus pandemic-triggered lockdowns.

The National Credit Guarantee Trustee Company Ltd (NCGTC) runs the ECLGS in which the government provides a full loan guarantee to the incremental loans given to borrowers.

Individual Entrepreneurs Benefited

Individual entrepreneurs constitute a large chunk of the country's business community. With today's eligibility expansion, doctors running clinics or laboratories, chartered accountants, taxi-bus service operators and lawyers who have taken loan for their business needs, will be eligible for credit under the special credit guarantee scheme which was earlier aimed to benefit medium and small enterprises.

Individuals like these along with truck owners, agriculture equipment owners or shop owners are not registered as MSMEs and so they take loans in their personal capacities. This had made them ineligible for the scheme.

The finance ministry sources said that it is estimated that guaranteed credit line individuals with business loans may use up to nearly Rs 1 lakh crore worth of Rs 3 lakh crore worth scheme.

Monitoring And Assessment

The department of financial services, part of the finance ministry, has been monitoring and reassessing the implementation of the scheme since the launch.

Earlier, business entities with Rs 25 crore outstanding loan and Rs 100 core annual turnover could avail the scheme. Now, those who have a Rs 50 crore outstanding loan or Rs 250 crore turnover will be eligible for the credit guarantee scheme.

The raised ceiling would include larger business entities and the economic benefit could be wider as they employ a larger worker base.²

Conclusion:

The debacle of the Indian Economy in view of socio-political, political-economic disturbances in 2019 and the pandemic in 2020 has not deterred the Government of India from initiating relaxations in the schemes and urging the MSME Entrepreneurs towards investments.

The raising and numbers of beneficiaries and , indicates the effectiveness of the schemes, on the contrary, schemes gain prominence, fruitfulness and effectiveness with every beneficiary availing it, on the contrary with few takers, the schemes seems to be redundant.

In-dept pursuing is imperative on the factors hindering the beneficiaries from availing the scheme benefits.

However, these attractive relaxations given by the Government would witness an upward trend in the economy. With the close of 2022, the optimism of the Government in lifting the fallen economy would be commendable effort.

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