



# Impact Assessment Of Government Policies On Small Business(MSME) In Uttar Pradesh

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## Abstract

The Micro, Small, and Medium Enterprises (MSME) region in Uttar Pradesh (UP), India, performs a critical function in the country's economy, contributing substantially to employment generation, commercial output, and inclusive increase. This abstract outlines the MSME sector in UP, focusing on its traits, demanding situations, and growth opportunities.

Micro, Small and Medium Enterprises (MSMEs) contributed about 27% to India's Gross Domestic Product (GDP) by 2021. In 2018-19, the share of MSMEs in India's GDP was 30.5% but declined during the pandemic. The MSME GVA of India's GDP by 2021-2022 is 29.15%, accounting for almost 50% of India's exports. In 2021, it was 27.24%.

Uttar Pradesh has a 90-lakh MSME base, the highest in India and contributes around 14% of India's total MSME count of 6.33 crore. The MSME sector accounts for almost 60% of the total industrial output in Uttar Pradesh. According to a CBRE-CREDAI report, Maharashtra, Tamil Nadu, and Uttar Pradesh collectively contribute nearly 40% of India's registered micro, small, and medium enterprises (MSMEs).

## 1. Introduction.

In the vibrant economic fabric of Uttar Pradesh (UP), micro, small and medium enterprises (MSMEs) are the intricate threads that weave together the fabric of technological prowess and socio-economic resilience. Known for its historical richness and cultural diversity, UP is not only India's most populous state but also a major spirit of entrepreneurship, and boasts the largest number of MSMEs in the country—around 90-lakh, like micro, small, and medium enterprises by 2022-23.

These businesses, located in the bustling streets of Lucknow or the quiet lanes of Varanasi, offer a range of industries ranging from age-old handicrafts like Banarasi silk weaving and Moradabad brassware to thriving industries in IT and electronics. Comprising the spectrum, they collectively contribute to about 60% of the state's industrial output and 30% of its GDP, forming the backbone of UP's economy. More importantly, they shape the lives of more than 1.8cr individuals, creating jobs and fostering inclusive growth in rural and urban areas.

But beneath this vibrant exterior lies a sector fraught with challenges—recession, regulatory challenges, raw material shortages, technological gaps and the COVID-19 pandemic have ravaged supplies for him to slow the demand by further testing their resilience. This research paper explores the heart of the MSME sector in UP, analyses its current state, identifies the constraints it faces and opens up avenues for sustainable growth and innovation. In doing so, it aims to highlight the vital role of MSMEs in creating a prosperous and inclusive future for Uttar Pradesh.

In recent years, the role of small businesses as drivers of economic growth and employment generation has gained significant attention globally. Small businesses constitute a substantial portion of the economy in India, contributing to employment, innovation, and local development. The MSME annual report for 2022-23 indicates that Uttar Pradesh for 14% of the total estimated MSME in India. EODB stands for "Ease of Doing Business." In India, the Ease of Doing Business index is an indicator that measures the regulatory environment for starting and operating a business in the country. India's ranking on this index reflects how conducive the business environment is for entrepreneurs and investors. As of 2021-22, India's Ease of Doing Business ranking was 63 out of 190 countries according to the World Bank. Uttar Pradesh ranked 14<sup>th</sup> in 2015-16, 12<sup>th</sup> in 2017-18, 2<sup>nd</sup> in 2019-20, UP now ranks 2<sup>nd</sup> in the country among the states.

## Objectives:

The study aims to investigate the impact of MSME (Micro, Small, and Medium Enterprises) policies within the state, focusing specifically on their effectiveness in enhancing employment opportunities. The specific objectives are given as under.

- To list the various schemes that come under MSME in the state of Uttar Pradesh
- To document the details of all MSME schemes in the state
- To analyse the impact on MSME schemes by a change in State policies
- To understand the employment growth through positive changes in the MSME policies.

## 2. Methodology

The study looks into the role of the MSME sector in the Uttar Pradesh economy and various problems faced by MSMEs. It highlights the present challenges related to various aspects of finance, exports, marketing, designing, etc. Possible suggestions for the promotion of a conducive environment are also deliberated upon. This study is primarily based on secondary data. The relevant data is collected from several sources some industry journals, the annual reports of 'The Ministry of Micro, Small and Medium Enterprises', data by the Central Statistics Office, Ministry of Statistics and Program Implementation, IBEF, RBI and Press Information Bureau (PIB) and the press release of the various news agency, SIDBI annual reports articles have been used for analysis.

### 2.1 Criterion of MSMEs as per Micro, Small and Medium Enterprises.

Micro, Small, and Medium Enterprises (MSMEs) constitute a significant segment of the global economy, contributing to job creation, economic growth, and innovation. To facilitate targeted policy interventions and support mechanisms, governments and international organizations establish criteria for classifying enterprises into micro, small, and medium categories. These criteria typically revolve around parameters such as investment in plant and machinery/equipment and annual turnover. The classification framework aims to differentiate enterprises based on their size, scale of operations, and resource utilization, enabling policymakers to address the specific needs and challenges faced by different segments of the MSME sector.

MSME revises the classification criteria periodically to align with evolving economic realities and promote inclusive growth. As per the latest revision in 2020, the MSME classification criteria based on investment in plant and machinery/equipment are as follows:

	2006 Act		2018 bill	Cabinet (June 2020)
Criteria	Investment		Turnover	Investment and Turnover
Type	Manufacturing	Services	Both	Both
Micro	Up to Rs. 25lakhs	Up to Rs. 10lakhs	Up to Rs 5 crore.	Investment: Up to 1 crore. Turnover: Upton Rs 5 crore.
Small	Up to 25 lakhs to Rs. 5 crores	Rs10lakh to Rs 2 crore.	Rs 5 crore to Rs 75 crore	Investment:1 crore to Rs10 crore Turnover: Rs 5 crore to Rs 50 crore
Medium	Rs.5 crores to Rs 10 crore	Rs 2 crore to Rs 5 crore.	Rs 75 crore to Rs 250 crore	Investment:10 crore to Rs 50 crore Turnover: Rs 50 crore to RS 250 crore

Source- MSME Act 2006/ Bill 2018/ New notification of MSMEs 2020 by GOI.

Here's a breakdown of the criteria:

### 2.1.1 Micro Enterprises:

- For Manufacturing: Investment in plant and machinery does not exceed Rs. 1 crore.
- For Service: Investment in equipment does not exceed Rs. 1 crore.

### 2.1.2 Small Enterprises:

- For Manufacturing: Investment in plant and machinery is more than Rs.1 crore but does not exceed Rs. 10 crore.
- For Service: Investment in equipment is more than Rs.1 crore but does not exceed Rs. 10 crore.

### 2.1.3 Medium Enterprises:

- For Manufacturing: Investment in plant and machinery is more than Rs. 10 crores but does not exceed Rs. 50 crore.
- For Service: Investment in equipment is more than Rs. 10 crore but does not exceed Rs. 50 crore.

These criteria are laid down by the GOI and are updated regularly to take account of changing economic circumstances and business trends. These criteria are essential for identifying the enterprises eligible for various government programs, incentives and support measures for MSME growth and development.

**2.2** Measuring the impact of policies involves assessing their effects on various aspects such as.

#### 2.2.1 State-wise Distribution of Estimated MSMEs.

The micro, small and medium enterprises (MSME) sector is the cornerstone of the Indian economy, contributing significantly to employment, industrial manufacturing and exports the distribution of MSMEs in Indian states and central territories reflects local diversity and economic activity specific to each region revealed. Here is the distribution of calculated MSMEs across the country, based on the latest available data from the MSMEs Department and the National Sample Survey (NSS). As per the "Ministry of MSME 2022-23 Annual Report," Uttar Pradesh accounted for the highest percentage of MSMEs in the nation, accounting for 14.20% of all MSMEs. 74.05% of the anticipated total number of MSMEs in the nation

were located in the top 10 states. The distribution of estimated enterprises in the top 10 states is shown in the table.

Sl.No	State/UT	Estimated Number of MSMEs	
		Number (in lakh)	Share (in %)
1	Uttar Pradesh	89.99	14
2	West Bengal	88.67	14
3	Tamil Nadu	49.48	8
4	Maharashtra	47.78	8
5	Karnataka	38.34	6
6	Bihar	34.46	5
7	Andhra Pradesh	33.87	5
8	Gujarat	33.16	5
9	Rajasthan	26.87	4
10	Madhya Pradesh	26.74	4
11	A total of above 10 States	469.36	74
12	Other State/UT	164.52	26
13	All	633.88	100

Source: Annual Report: Ministry of MSME year 2022-23

Looking closely at the Statement reveals that only ten states in India account for 74% of MSMEs, with Uttar Pradesh topping the list. Uttar Pradesh has 14.20% of MSMEs overall among all States and Union Territories, whereas Madhya Pradesh is ranked lowest among all States on the list of the best states.

### 2.2.2 number of new business registrations post-policy implementation.

The MSME sector is an important driver of entrepreneurship and industrialization in Uttar Pradesh (UP). Despite obstacles such as technological differences and capital restrictions, there is increasing emphasis on digital transformation. Though the COVID-19 outbreak disrupted manufacturing, UP's MSMEs remained strong. The industry has the potential to foster sustainable growth and innovation and contribute to the national economy. With continued government support, infrastructure and technology adoption, the state of Uttar Pradesh accounts for about 14% of India's total GDP.

### Status of the MSME sector in Uttar Pradesh During the Year 2018-19 to 2022-23

Year	Micro	Small	Medium	Total
2018-19	110378	12867	654	123899
2019-20	104341	12786	572	117699
2020-21 (From 1 JULY 2020)	203448	12427	1713	217588
2021-22	394767	17710	1248	413725
2022-23	657084	11972	483	669539
Total	1470018	67762	4670	1542450

Source: Registration of Micro, Small and Medium Enterprises (MSMEs) in India URC (Udyam Registration Certificate)

According to the following Table, Uttar Pradesh had 123899 MSMEs in 2018–19; by 2022–23, that number had increased to 1542450 MSMEs. The composition is as follows: Micro units 1470018, Medium units 4670, and small units 67762. Micro-scale units emerged faster than small- and medium-scale units.

### 2.3 Change in Employment figure within the MSME sector.

TABLE No-2.3.1 Total Employment in the MSME Sector in Uttar Pradesh During the Year 2018-19 to 2022-23

Year / Category	Micro	Small	Medium	Total
2018-19	484271	235929	59219	779419
2019-20	463119	219997	42218	725334
2020-21	1379560	441687	270545	2091792
2021-22	2450403	301473	75596	2827472
2022-23	4013620	150202	28401	4192223
Total	7227756	2246901	475979	9950636

Source: Registration of Micro, Small and Medium Enterprises (MSMEs) in India URC (Udyam Registration Certificate)

TABLE No-2.3.2 Percentage of Employment in MSME Sector in Uttar Pradesh During the Year 2018-19 to 2022-23

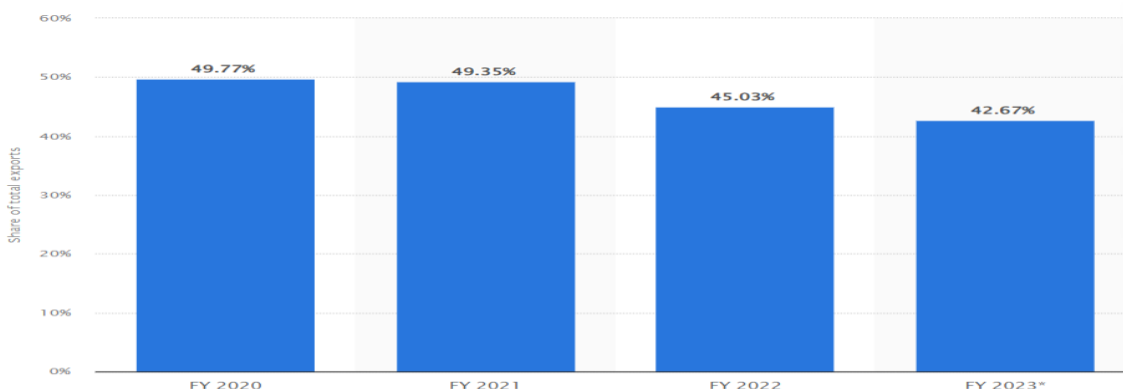
Year / Category	Micro	Small	Medium	Total
2018-19	62.13	30.27	07.60	100
2019-20	63.85	30.33	05.82	100
2020-21	65.95	21.11	12.93	100
2021-22	86.66	10.66	02.67	100
2022-23	95.73	22.58	04.78	100

Source: Registration of Micro, Small and Medium Enterprises (MSMEs) in India URC (Udyam Registration Certificate)

Tables 2.3.1 and 2.3.2 illustrate the breakdown of workforce engagement and its corresponding proportions in Micro, Small, and Medium Enterprises (MSMEs) across Uttar Pradesh. The collective number of individuals involved in the workforce across all three categories amounted to 779,419 in the fiscal year 2018-19, which surged to 4,192,223 individuals by the fiscal year 2022-23. Notably, the percentage of workforce participation saw a consistent upward trend, particularly in Micro enterprises, soaring from 62.13% in 2018-19 to an impressive 95.73% in 2022-23, indicating substantial growth over the years. In contrast, the workforce engagement in small-scale enterprises stood at 235,929 (30.27%) in 2018-19, experiencing a decline to 150,202 (22.58%) in 2022-23. Similarly, the total workforce engagement in Medium-scale enterprises was 59,219 (7.60%) in 2018-19, which dwindled to 28,401 (4.78%) in 2022-23. These figures underscore the promising employment prospects within the MSME sector in a densely populated state like Uttar Pradesh.

### 2.4 Export of MSME.

In the financial year 2023, around 42.6% of India's total exports came from Micro, Small, and Medium Enterprises (MSME)-related exports. This percentage was higher at about 49% in the financial years 2020 and 2021. However, there was a decrease in this share in 2022.



Source: Statista

**Top 10 States in terms of exports by Registered MSMEs (USD Million)**

Sl. No.	State	Exports in USD mln (2022-23)
1	GUJARAT	26104.15
2	MAHARASHTRA	24249.66
3	TAMIL NADU	12928.84
4	UTTAR PRADESH	9897.84
5	HARYANA	9169.66
6	WEST BENGAL	6850.67
7	KARNATAKA	6336.34
8	ANDHRA PRADESH	5613.55
9	RAJASTHAN	4717.27
10	DELHI	3376.02
<b>OTHERS</b>		<b>16281.76</b>
<b>Total Exports by Registered MSMEs (Country Level)</b>		<b>125525.8 [Rs. 1008768 crores].</b>

In the financial year (FY) 2022-2023, India's MSME sector exported \$125,525.8 [Rs. 1008768 crores] million worth of merchandise, about 42.6% of India's total exports. This is a 31.9% increase from FY 2021 when MSME-related exports were \$189,768 million. However, the share of exports reserved for MSMEs or exclusive to MSMEs has declined from 9.1% in FY 2021 to 7.7% in FY 2022.

The Uttar Pradesh (UP) government is working to promote 75 districts as export hubs for local industries to create jobs and contribute to the state's economy. The state will invest in the promotion and online marketing of MSMEs, especially under the One District One Product (ODOP) scheme, to compete in the global markets.

- On first place regarding Handicrafts, Food Processing, Carpets and Ready-made Garments.

### 3. Government Policy Landscape for MSME in Uttar Pradesh

In Uttar Pradesh (UP), several government initiatives and policies have been introduced to support the Micro, Small, and Medium Enterprises (MSME) sector, aiming to foster entrepreneurship, promote industrial development, and enhance the competitiveness of small businesses. Here's an overview of some relevant government initiatives and policies for MSMEs in Uttar Pradesh:

#### 3.1. Uttar Pradesh Start-up Loan Scheme:

In addition to offering subsidized interest rates on loans, this scheme provides mentorship, business development support, and networking opportunities to eligible startups. The funds can be used for innovative project implementation, business expansion, or new venture establishment in Uttar Pradesh.

##### 3.1.1 MUDRA Loan Scheme:

- The Pradhan Mantri Mudra Yojana (PMMY) aims to provide collateral-free loans to micro and small enterprises, including startups, through participating banks and financial institutions.
- Under the scheme, loans are categorized into three categories: Shishu (up to Rs. 50,000), Kishor (Rs. 50,001 to Rs. 5 lakh), and Tarun (Rs. 5,00,001 to Rs. 10 lakh), based on the funding requirements of the entrepreneurs.
- Startups in Uttar Pradesh can avail of MUDRA loans for various purposes, including working capital, machinery purchase, and business expansion.

##### 3.1.2 Uttar Pradesh MSME Loan Scheme:

- The Uttar Pradesh government, in collaboration with financial institutions, offers specific loan schemes tailored for MSMEs, including startups.

- These schemes provide customised financial products such as term loans, working capital loans, equipment financing, and invoice financing to meet the diverse funding needs of MSME entrepreneurs.

### 3.1.3 Credit Guarantee Scheme for MSMEs:

- The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) provides collateral-free credit facilities to MSMEs, including startups, by providing credit guarantees to banks and financial institutions.
- Under this scheme, startups can avail of loans without providing collateral or third-party guarantees, up to a specified limit, to meet their working capital or term loan requirements.

### 3.1.4 Stand-Up India Scheme:

- The Stand-Up India Scheme aims to promote entrepreneurship among women, Scheduled Castes (SCs), and Scheduled Tribes (STs) by providing loans for setting up greenfield enterprises.
- Startups led by women entrepreneurs or individuals belonging to SC/ST communities in Uttar Pradesh can avail of loans ranging from Rs. 10 lakh to Rs. 1 crore under this scheme.

### 3.1.5 Venture Capital Assistance Scheme:

- The Venture Capital Assistance Scheme (VCA) provides financial assistance to startups and MSMEs through equity participation or quasi-equity to meet their long-term funding requirements.
- Startups with innovative business ideas or high-growth potential in Uttar Pradesh can access venture capital funding under this scheme, which is administered by the Small Industries Development Bank of India (SIDBI).

## 3.2 One District One Product (ODOP) Scheme.

One District One Product (ODOP) is a flagship Scheme of the State Government. The Scheme aims at promoting the distinct identity of handicrafts, agro and processed products as well as other specialized products of different districts of the State. Under the ODOP Scheme, different indigenous products for each of the 75 districts of the State have been identified. The main objectives of the Scheme are: Securing the preservation and development of local crafts/skills and promotion of the art, Providing employment to youth and promoting the competitive ecosystem in the state, Capacity building and promotion of local skills, Preventing migration by improving income and local employment in the state, Improvement in product quality and skill development, Increasing overall exports of the selected products, Promoting ODOP products to global level with the structured approach. The various schemes under ODOP are Common Facility Centre Scheme, Marketing Development Assistance Scheme, Finance Assistance Scheme (Margin Money Scheme), Skill Development Scheme (Product training and toolkit scheme). (DDMs may indicate the ODOP product of their district, the status of units, financing, NABARD interventions if any in ODOP etc.)

The significant increase in Uttar Pradesh's exports from Rs 86,000 crore to Rs 2 lakh crore, attributed to the One District One Product (ODOP) initiative, reflects the positive impact of focused policies and interventions aimed at promoting the state's traditional industries and crafts.

## 3.3 Skill development programs for entrepreneurs.

In Uttar Pradesh (UP), several skill development programs and initiatives are available to support entrepreneurs and enhance their capabilities in starting and managing businesses. These programs aim to equip entrepreneurs with the necessary skills, knowledge, and resources to succeed in their ventures. Accelerated economic growth requires skilled and trained manpower. Around one-fifth of India's population resides in Uttar Pradesh of which 60% are in the working age group. The government intends to reap the benefits of this huge demographic dividend for the industrial growth of the state by aligning the skills of the age group with current and future industry needs.

Here are some skill development programs for entrepreneurs in UP.

### 3.3.1 Uttar Pradesh Skill Development Mission (UPSDM):

The UPSDM is a flagship initiative of the Uttar Pradesh government aimed at enhancing the employability of youth and promoting entrepreneurship in the state. The mission offers skill development training programs in various sectors, including agriculture, manufacturing, services, and entrepreneurship.

Entrepreneurship development programs under UPSDM focus on imparting essential business skills, financial literacy, market linkages, and support services to aspiring entrepreneurs.

### 3.3.2 Uttar Pradesh Start-up Policy:

The Uttar Pradesh Start-up Policy includes provisions for skill development and capacity-building programs for entrepreneurs and aspiring startups.

The policy offers mentorship, incubation support, and access to training programs and workshops on business planning, market research, funding strategies, and legal compliance for startups.

### 3.3.3 MSME Development Institute, Kanpur:

The MSME Development Institute, Kanpur, conducts skill development programs and entrepreneurship development programs for MSMEs and aspiring entrepreneurs in Uttar Pradesh.

These programs cover various aspects of entrepreneurship, including business planning, product development, marketing strategies, financial management, and technology adoption.

### 3.3.4 District Industries Centers (DICs):

DICs in Uttar Pradesh organize skill development workshops, seminars, and training programs for entrepreneurs at the district level. These programs focus on addressing the specific needs and challenges faced by entrepreneurs in different districts and sectors, providing customized training and support.

National Institute for Entrepreneurship and Small Business Development (NIESBUD): NIESBUD, located in Noida, Uttar Pradesh, offers training programs and skill development courses for entrepreneurs, MSMEs, and aspiring business owners. The institute conducts entrepreneurship development programs, management training programs, and skill enhancement courses to equip entrepreneurs with the knowledge and skills required to establish and grow their businesses.

NIESBUD also provides consultancy services, advisory support, and capacity-building initiatives to promote entrepreneurship and MSME development in Uttar Pradesh.

### 3.3.4 Industry-Academia Collaboration:

Uttar Pradesh has initiatives promoting collaboration between industries and academic institutions to offer skill development programs tailored to the needs of entrepreneurs and businesses.

Universities, colleges, and technical institutes in the state collaborate with industry partners to design and deliver entrepreneurship courses, vocational training programs, and specialised workshops to foster innovation and entrepreneurship.



### 3.3.5 E-Governance Initiatives:

The Uttar Pradesh government has implemented e-governance initiatives and online platforms to provide access to entrepreneurship-related resources, information, and training materials.

Online portals and mobile applications offer e-learning modules, video tutorials, and virtual mentoring sessions for entrepreneurs to enhance their skills and knowledge remotely.

### 3.3.6 Incubation Center and Innovation Hubs:

Incubation centres and innovation hubs established in Uttar Pradesh provide a conducive environment for entrepreneurs to develop their ideas, receive mentorship, and access resources for skill development.

These centres offer incubation programs, startup accelerators, networking opportunities, and access to funding and investment opportunities to support the growth and success of startups and entrepreneurial ventures.

Entrepreneurs in Uttar Pradesh can improve their entrepreneurial talents, gain vital business skills, and raise their chances of launching and running successful enterprises by taking part in these skill development programs and initiatives. To fulfil their entrepreneurial aspirations, prospective business owners must investigate these chances and make the most of the available resources.

## 3.4 Regulatory reform aimed at simplifying business registration and compliance.

Investment, business growth, and the creation of an environment that is favourable to entrepreneurship are all greatly aided by regulatory reforms that ease business registration and compliance. In Uttar Pradesh (UP), several efforts have been implemented to increase the ease of doing business, expedite regulatory procedures, and lower administrative barriers. To make business registration and compliance in UP easier, the following significant regulatory changes have been made:

**3.4.1 Single Window Clearance System:** The Uttar Pradesh government has implemented a single window clearance system for business registration and obtaining necessary approvals and permits. This system enables entrepreneurs to submit applications online and receive all clearances and licenses through a single platform, thereby reducing bureaucratic delays and administrative hassles. **Nivesh Mitra** is currently one of the largest single window portals among SWPs of State/UTs (offering more than 353 services of 29 departments). As of September 2022, more than 8 lakh applications have been received through the portal of which around 97% has been processed.

**3.4.2 Online Registration and Compliance:** The state government has digitized various registration and compliance processes, allowing businesses to register online and file returns electronically. Online portals and platforms facilitate seamless interaction between businesses and regulatory authorities, simplifying procedures for obtaining licenses, permits, and approvals.

**3.4.3 Simplified Licensing Regime:** To simplify the process of continuing the business within the state, a feature of Auto-renewal has been introduced for more than 17 renewals. In addition, more than 7 license renewals have been abolished as part of the Ease of Doing Business programme in UP.

Uttar Pradesh has rationalized and simplified its licensing regime by reducing the number of licenses and permits required to start and operate businesses. The government has introduced self-certification mechanisms and deemed approvals for certain low-risk activities to expedite the licensing process and minimize the regulatory burden on businesses.

**3.4.4 Transparent and Time-Bound Processes:** Regulatory authorities in Uttar Pradesh have been directed to ensure transparency, accountability, and efficiency in their operations. Clear timelines are prescribed for processing applications and issuing licenses, with provisions for monitoring and grievance redressal to address delays and bottlenecks.

The state has identified more than 100 Government services and has been notified under U.P. Janhit Guarantee Act 2011 which imposes a statutory time limit for disposal.

**3.4.5 Risk-Based Compliance Approach:** The state government has adopted a risk-based compliance approach, focusing regulatory scrutiny and enforcement efforts on high-risk sectors and activities while reducing compliance requirements for low-risk businesses. This approach prioritizes regulatory interventions based on the potential impact on public health, safety, and the environment.

**3.4.6 Feedback Mechanisms and Consultations:** Udyog Bandhu meetings to resolve investor issues will be regularly organised. A digital portal to capture issues raised at the District level Udyog Bandhu meeting and send them to the relevant Department within GoUP will be developed. The Uttar Pradesh government regularly seeks feedback from stakeholders, including businesses, industry associations, and experts, to identify regulatory challenges and areas for improvement. Consultative processes are initiated to gather input on proposed regulatory reforms and ensure that policies align with the needs and priorities of businesses.

Uttar Pradesh aims to create a business-friendly environment that encourages entrepreneurship, investment, and economic growth by implementing these regulatory reforms. Simplifying business registration and compliance processes reduces the administrative burden on businesses and enhances the state's competitiveness and attractiveness as a destination for investment and business expansion.

The loan scheme for business startups, skill development programs, industrial parks, and ODOP (One District One Product) policies can interact with each other in various ways to support economic growth and development.

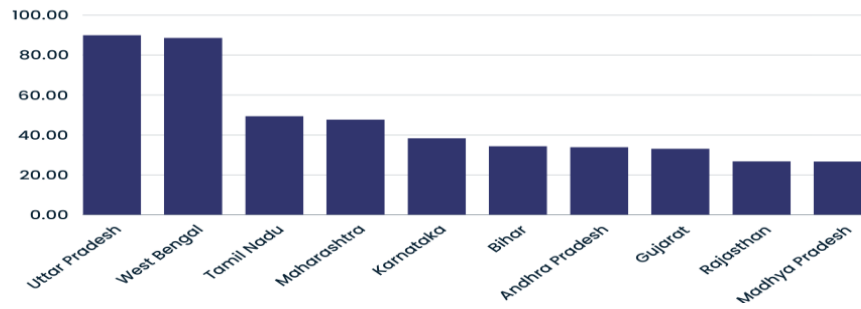
For example, the loan scheme for business startups can provide financial assistance to entrepreneurs looking to start or expand their businesses, which can help create jobs and stimulate economic activity. The skill development program can train individuals in specific skills needed for industries located in industrial parks, thereby increasing the pool of qualified workers for businesses in those areas.

Additionally, the ODOP policy focuses on promoting local products and industries in each district, which can complement the efforts of industrial parks and businesses supported by the loan scheme and skill development programs.

## 4. Data Analysis and Finding.

The MSME sector is an important part of India's economy, accounting for 30% of the country's GDP. Uttar Pradesh has the largest MSME sector in the country, with nearly 90.99 lakh small and medium enterprises (SMEs). This sector is essential for driving economic growth, job creation, and industrial advancement in the state. By analysing data related to the MSME sector, we can gain valuable insights into different aspects.

The MSME annual report for 2022-23 indicates that Uttar Pradesh accounts for around 14% of the total estimated MSMEs in India. This underscores the significance of UP's MSME sector in contributing to the national economy and underscores the importance of supporting its growth and development.



Source: Annual Report: Ministry of MSME year 2022-23

- UP has population of 24 crore people and 56% of the population is in the working age group. The rate of industrial growth in the state has been around 6.07%. The state has witnessed excellent progress in the core sector. Now, the State has adopted a policy for investment promotion in the non-core sectors, i.e., agriculture and food processing, automotive, new and renewable energy, IT, pharmaceuticals, healthcare, tourism, skill development, forest produce, etc.
- Uttar Pradesh is now proudly placed 2nd on the EoDB rankings under the Business Reforms Action Plan of the Department for Promotion of Industry and Internal Trade, Ministry of Commerce & Industry, Government of India. The remarkable jump of 10 positions in ease of doing business rankings over the last 3 years clearly explains the tremendous efforts put in by the Govt of UP to readily transform the investment climate in the State. The State Government's proactive initiatives and investment-friendly policies have created a favourable investment climate. Through these transparent policies and reforms, the State of Uttar Pradesh is emerging as a leading investment destination in India. Not only does the State provide attractive incentives but also ensures a single window clearance via the Nivesh Mitra portal and complete assistance to the business community, thereby making their dreams into reality.
- **One District One Product (ODOP)** is a program initiated by the Uttar Pradesh government to promote and support the production of specific products in each (75) district of the state. The program focuses on encouraging the production of handicrafts, readymade clothes, and leather products that are unique to each district. By identifying and promoting these specialized products, the program aims to boost the local economy, support small-scale industries, and preserve traditional crafts and skills. There is an online platform called "ODOP Mart Portal" is intended for the electronic marketing, or "e-marketing," of goods covered by the One District One Product (ODOP) program. Producers of ODOP products can reach a larger audience and increase sales chances by using this portal to display and sell their items online. ODOP scheme for bringing about a transformative change in UP, where the state's total exports before 2017 were Rs 86,000 cr, now only ODOP exports stand at 2 lakh cr.
- The Uttar Pradesh government provides various policy supports for micro, small, and medium enterprises (MSMEs), which include:
  - CAPITAL SUBSIDY**
  - SC/ST and women entrepreneurs will be eligible for a 2% additional, capital subsidy
  - Capital subsidy is capped at Rs 4 Crore/ unit
  - Capital subsidy will be provided in 2 equal instalments. The first instalment is payable once the construction of related buildings is completed. The second instalment is payable once at least 50% of commercial production has begun.

## Interest Subsidy

- Only micro units will be eligible for interest subsidy
- 50% interest subsidy, payable annually for five years, subject to a ceiling of Rs 25 Lakh/ unit
- 60% interest subsidy for SC/ST and women entrepreneurs, payable annually for five years, subject to a ceiling of Rs 25 Lakh/ unit.

## Stamp Duty Exemption

- MSMEs will be eligible for 100% stamp duty exemption in the Purvanchal and Budelkhand region, and 75% in the Madhyanchal and Paschimanchal region except for Gautam Budh Nagar and Ghaziabad wherein stamp duty exemption will be 50%
- Women entrepreneurs will be eligible for 100% stamp duty exemption in any part of the State
- MSME industrial parks/ estates/ flatted factory complex developers will be provided a 100% stamp duty exemption, on the purchase of land.

## Infrastructure Interest Subsidy

- Approved MSME industrial parks/ estates/ flatted factory complex (minimum area of 4000 square metres for flatted factory complexes) projects with an area of 10 acres or more, will be eligible for annual infrastructure interest subsidy of up to 50%, subject to a ceiling of Rs 2 Crore, annually
- Infrastructure interest subsidy will be payable for 7 years.

These policy supports are designed to address the diverse needs and challenges faced by MSMEs and promote their growth, competitiveness, and contribution to the economy of Uttar Pradesh.

## Discussion and Conclusion.

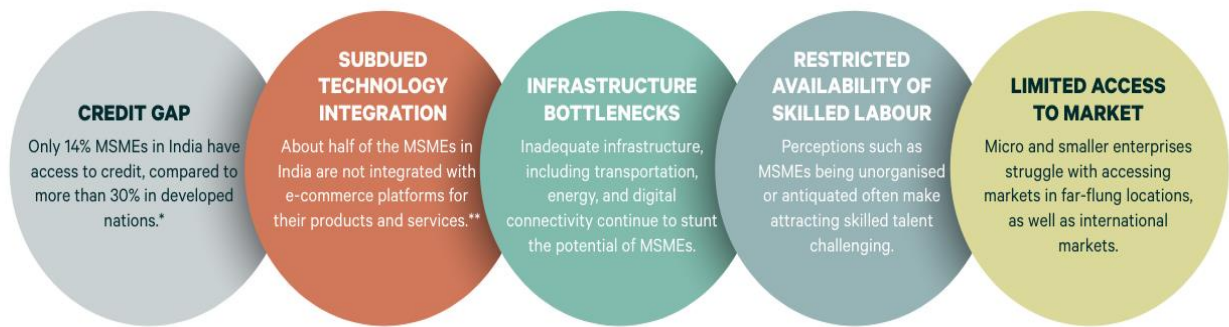
The study leads to Uttar Pradesh contributing more than 8% to India's GDP, with the MSME sector in the state contributing about 60% to the state's total industrial output. Uttar Pradesh has the highest MSME base in India, with 90 lakh MSMEs, which is about 14% of India's total MSME count of 6.33 crore. A report by CBRE South Asia Private Limited in January 2024 highlighted that Uttar Pradesh is one of the top three states in India contributing to the MSME sector, with a 9% share.

The MSME sector in Uttar Pradesh not only contributes significantly to the national agricultural produce but also has one of the largest employable workforces. The state aims to grow into a one trillion-dollar economy in the next five years to achieve the Prime. Overall Micro, small, and medium enterprises (MSMEs) contribute around 30% of India's GDP.

## What Hinders the True Power of MSMEs?

MSMEs in India grapple with a lack of formalisation, impairing their long-term potential for growth. One of the key obstacles faced by small enterprises is the lack of foresight and a roadmap to the future. Resource planning and utilisation, business optimization, managing cash flows and financials are often hindrances that they face internally. However, these operational challenges can be overcome by addressing the broader issues that MSMEs face.

## Key challenges faced by MSMEs



Source: CBRE Research Q4 2023, \* Avendus Capital, MSME Lending, April 2023 \*\* ICRIER, Leveraging E-commerce for the Growth of MSMEs, September 2023

Additionally, the results of this study allowed for the annual drop in small and medium-sized businesses (from 2012–23 to 2018–19).

The researcher would like to put forth the suggestion to focus on the use of AI in the MSME sector which can help to boost MSME and ODOP in many ways -

- **Data analysis and insights:** MSMEs may obtain important insights into market trends, client preferences, and business performance by analysing vast amounts of data with the aid of AI-powered analytics. Marketing plans, product development, and decision-making processes can all be influenced by this information.
- **Process Automation:** MSMEs may save time and resources by automating repetitive operations and workflows with AI technologies like robotic process automation (RPA). This covers jobs like inventory control, data entry, processing invoices, and customer service.
- **Customized Marketing:** AI systems are capable of analysing consumer data to produce recommendations and campaigns that are tailored to each customer. This makes it possible for MSMEs to increase consumer engagement, target their audience more effectively, and boost revenues.
- **Predictive Maintenance:** AI-powered predictive maintenance systems can analyse equipment data to predict potential failures and maintenance needs. This helps MSMEs avoid costly downtime, reduce maintenance costs, and optimise asset performance.
- **Supply Chain Optimization:** AI can optimize supply chain operations by predicting demand, managing inventory levels, and identifying opportunities for cost reduction and efficiency improvement. This improves supply chain resilience, reduces lead times, and enhances overall performance.
- **Customer Service Chatbots:** AI-powered chatbots can handle customer inquiries, provide support, and answer frequently asked questions 24/7. This enhances customer service capabilities for MSMEs, improves response times, and reduces the need for human intervention.
- **Fraud Detection and Security:** Artificial intelligence algorithms are capable of examining transaction data to identify trends that point to potential fraud or security risks. This aids MSMEs in defending against data breaches, financial fraud, and cyber threats.
- **Product Development and Innovation:** AI technologies such as machine learning can assist MSMEs in product development by analysing market data, predicting consumer preferences, and identifying opportunities for innovation. This accelerates product development cycles and enhances competitiveness.
- **Financial Management:** AI-powered tools can automate financial processes such as bookkeeping, expense tracking, and financial reporting. This improves accuracy, reduces errors, and provides better visibility into financial performance for MSMEs.
- **Compliance and Risk Management:** AI can assist MSMEs in compliance monitoring by analysing regulatory requirements and identifying potential risks or non-compliance issues. This helps MSMEs mitigate risks, ensure regulatory compliance, and avoid penalties.
- **Government Agencies:** By offering data analytics and insights, AI can support government agencies in charge of carrying out and overseeing the ODOP effort. For the program to be implemented successfully, AI-powered analytics can assist in identifying patterns, evaluating the effects of policies, and allocating resources as efficiently as possible.

- **Supply Chain Optimization:** AI may help enhance supply chain operations by controlling inventory levels, forecasting demand, and spotting areas where expenses can be cut and productivity can be increased.

Overall, AI has the potential to enhance the effectiveness and efficiency of the MSME and ODOP initiatives by providing data-driven insights, optimising processes, and facilitating collaboration among stakeholders. By leveraging AI technologies effectively, stakeholders can unlock new opportunities for promoting and scaling up the production and export of MSME and ODOP products, contributing to the socio-economic development of Uttar Pradesh.

The government of India has been working to increase the MSME sector's share of India's export basket and improve trade competitiveness. However, access to markets is a significant obstacle to MSME exports, so the government has to invest in research and development (R&D) and technology upgrading. According to a report by the Global Trade Research Initiative (GTRI), India's e-commerce exports are only about \$2 billion, while China's MSMEs export over \$200 billion through e-commerce platforms. One reason for this gap is the complicated compliance process for exports, particularly payment reconciliation, which can be especially challenging for new or small exporters.

As of December 2023, India has over 3 crore registered micro, small, and medium enterprises (MSMEs). Maharashtra, Tamil Nadu, and Uttar Pradesh contribute almost 40% of all registered MSMEs in India. The MSME sector has a significant contribution to India's merchandise trade segment also. India had recorded a total export value of USD 451070 million with total exports from the Indian MSME Sector being USD 125525.8 million [Rs. 1008768 crores].

However, these recommendations cannot be generalized as the researcher has analysed the limited data present in this study.

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