



# Execution Of Selected Schemes Of Government –A Strategic Action Plan For Growth Of MSMEs In India.

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## Abstract:

In a developing nation like India, micro, small, and medium-sized businesses play a crucial role in economic growth. These micro, small, and medium-sized enterprises will contribute to the creation of jobs, the reduction of economic disparities, industrialization, and the production and distribution of products and services. In a nation such as India, where agriculture plays a significant role, the contribution of the MSME sector is also noteworthy. In India, MSME accounted for nearly 8% of GDP, 45% of manufacturing output, and roughly 40% of exports. It would not be inappropriate to refer to them as the "backbone of the country." This paper attempts to predict the expected growth rate of the number of micro, small, and medium-sized enterprises (MSMEs) in India based on available data and to evaluate the execution of various initiatives implemented by the government of India as an action plan for the growth of MSMEs on the eve of AMRIT KAAL during the period of 2022-2047, India certainly achieve the target of 5 trillion economy through development of MSME's.

Key words: MSME, Employment, GDP, Expected growth, Govt. schemes, Amritkaal.

## Introduction:

In the early years of our independence, the primary and secondary sectors played a crucial role in rebuilding the nation and making it self-sufficient. During our second five-year plan, we placed a strong emphasis on establishing large and medium-sized industries to bolster the secondary sector and generate more job opportunities. Clearly, this sector has existed in India since the country's independence. In 2006, the Indian government officially introduced the term "micro, small, and medium-sized enterprises." The Micro, Small, and Medium Enterprise Development Act of 2006 made this possible.

The Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries amalgamated in 1961. This merger resulted in the establishment of the Micro, Small, and Medium-Sized Enterprises.

The MSME sector is comprised of Micro, Small, and Medium-Sized Businesses that are classified according to specific criteria. Prior to 2018, MSMEs were classified based on the quantity of investment made. After regulatory modifications, they are classified by Annual Turnover. MSME contribute significantly to India's GDP. MSMEs contribute 29% to the gross domestic product and account for 80% of the country's total exports. In contrast, this sector employs more than 11 crore individuals.

After careful consideration of the importance of this sector to the Indian economy, the government of India launched a number of significant initiatives to boost the MSME sector and create more entrepreneurial opportunities. These programs will encourage the youth of India to launch startups so that they can generate rural and urban job opportunities for the unemployed.

### Definition of MSME:

As per MSME Act, 2006, Micro, Small and Medium Enterprises are categorized into Manufacturing Units and Service Units. Manufacturing unit are Affiliated in production of goods, Where as Service Units will cover the Organizations which are deliver Services in different areas.

The both are defined based on the investment parameters as follows:

UNITS	Manufacturing	Service
Micro	Below 25 lakhs	Below 10 lakhs
Small	Below 5 crores and above 25 lakhs	Below 1 crore and above 10 lakhs
Medium	Above 5 crores and below 10 crores	Above 1 crores and below 5 crores

Definition was revised in July, 2020, with a view to avail huge funds to MSME sector .As per the revised definition Manufacturing and Service units are defined on the bases of Investment and Turnover as follows:

Units	Manufacturing/ Service
Micro	Investment upto 1 crore, Turnover less than 5 crores
Small	Investment upto 10 crores, Turnover less than 50 crores
Medium	Investment up to 20 crore, Turnover less than 100 crores

### Review of literature :

- Dr. Ajit Singh focused on the current state and prospects of the MSEM's sector in relation to the economy. He believes that it contributes to job creation, mass production, and the development of industries in both urban and rural areas. 4 July 2021 - The International Journal of Innovative Research in Engineering and Management (IJIREM) is published.
- Das p. examines the potential for MSME development in India by identifying MSME challenges. He discovered that introducing innovative technologies and marketing tactics will increase the productivity of MSMEs. They are enduring to strong conventional proficiency.
- Unni J. (2020) examined the effect of covid-19 on MSMEs. The study highlights the necessity for macro-level forecasting in order to assess the reasons for reductions in employment, national income, and GDP, which aids in planning short-term strategies.
- Dr. Sarika Srivastava focused on the role of the MSME sector in the Indian economy, with a particular focus on Gujarat. He noted that MSME has emerged as an essential segment that is considerably contributing to job creation, innovation, and inclusive growth of the economy, because MSMEs have the potential to manufacture cost effective

products, and the government is also providing support to this sector. [Pacific Business Review International Volume 13 Issue (September 3, 2020)]

- Yogesh c, Joshi, and Kaushal Kishore (2018) discovered in this study that a very tiny portion of MSMEs are engaged in energy conservation units, but it takes a lot to increase the units of energy conservation.

- Papiya Manna and Dr. Tapas Mistri (September 2017) discovered in their research that MSMEs are growing year by year, contributing to increases in national and state GDP.

### Objectives:

1. To know about the current status of MSMEs in India in various activities.
2. To understand the role of selected govt. schemes in development of MSMEs.
3. To study the impact of govt. schemes on the growth of the MSMEs in India.

### Methodology:

The present section represents the specific procedure adopted to gather the data and also for analysis. This article is purely based on secondary data where the information is collected from Annual reports of MSME and also repudiated Journals relevant to Entrepreneurship.

### SELECTED GOVERNMENT SCHEMES:

#### 1. Credit guarantee fund scheme for micro and small enterprises:-

CSS was established by the Government of India to provide collateral-free credit to the micro and small business sector. Existing and prospective businesses are eligible for coverage under the scheme. Ministry of MSME, Government of India, and SIDBI established CGTMSE to implement the initiative for micro and small businesses. It was introduced on August 30, 2020. Until August 31, 2014, the GOI and SIDBI each contributed 2295.30 crores to the corpus of the CGTMSE in the proportion of 4:1. It was anticipated to reach 2,500,000 crores by the conclusion of the eleventh plan.

Regional Rural Banks (RRB), National minor Industries Corporation (NSIC), North Eastern Development Financial Corporation (NEDFI), and minor Industries Development Bank of India (SIDBI) all disbursed loans.

The credit was extended in the form of term loans and working capital up to a maximum of 100 lakhs without recourse to collateral. The guarantee period for the term loan is agreed period and working capital was 5 years. The utmost coverage allowed is 85 percent of the credit facility.

Guarantee cover is as follows:-

Guarantee cover	Loan Amount
75%	50 Lakhs
85%	Up to 50 lakhs (micro enterprise)
80%	Up to 50 lakhs (MSME, owned and operated by women)
50%	Above 50 lakhs and up to 100 lakhs

As on Aug 31<sup>st</sup> 2014 aggregate credit of 79647.15 crore guarantee cover has been approved to micro and small enterprises. During 20-21 guarantee have been approved for an amount of 36,954 crores. As the scheme provide guarantee , the leading Institutions for the terms loans and working capital loan issued to the micro and small enterprise. These Institutions provide more loans to the micro and small enterprises without collateral security.

## 2) Prime Minister Employment generation programme

By emerging Prime Minister Rojgar Yojana and Rural Employment generation Programme the government of India launched a new programme called PMEGP a Credit linked Subsidy programme.

The Present scheme objective is to generate employment opportunities in Rural and urban areas through the establishment of Micro Units. The scheme was administrated by ministry of MSME and it was implemented through KVIC at the national level. At the state level it was implement through state KVIC Directorates, (DIC'S) District Industries Centers and banks.

### Quantum of Financial Assistance:

Beneficiaries under PMEGP	Beneficiary contribution of project cost	Rate of subsidy of project cost		Bank Finance
		Urban	Rural	
Location of project		Urban	Rural	
General category	10%	15%	25%	90%
Special(SC/ST/OBC/Women/ex-serviceman/PH	5%	25%	35%	95%

The maximum cost of project is 20lakhs and 10 lakhs under manufacturing and service sector respectively. The scheme will create estimated employment opportunities for about 40 lakh persons from 2021-2026. In 12<sup>th</sup> five year plan the scheme aimed to provide 27.12lakh employments.

This scheme generates more employment by establishing more micro enterprises in the rural areas and it leads to the growth of the MSME's.

## 3) Pradhan Mantri Mudra Yojana (PMMY)

This scheme was launched by Honorable P.M Narendra Modi in April 8,2015. The objective of the scheme is to provide loan for micro enterprises, reducing jobless economic growth, Monitoring and regulating micro finance institution.

This scheme provides loans upto 10 lakhs for non-corporate & Micro enterprises. These loans are categorized as Mudra loans and loan was disbursed by Commercial Banks, Small Finance Banks and NBFC's.

Mudra has created 3 products namely:

Sishu: Covering loans upto 50,000

Kishore: Covering loans above 50,000 and upto 5 lakhs.

Tarun: Covering loans above 5lakhs and upto 10 lakhs.

**Year-wise amount Disbursed under the Mudra.**

years	No. of Loans	Trend(%)	Amount Sanctioned(cr.)	Trend (%)	Amount Disbursed(cr.)	Trend(%)
2016-17	39701047	100%	180528.54	100%	175312.13	100%
2017-18	48130593	121.2	253677.10	140.5	246437.40	140.57
2018-19	59870318	150.2	321722.79	178.2	311811.38	177.86
2019-20	62247606	156.79	337495.53	186.9	329715.03	188.07
2020-21	50735046	127.7	321759.25	178.23	311754.47	177.82
2021-22	53795526	135.5	339110.35	187.8	331402.20	189.03
2022-23	28244245	128.8	210576.71	116.64	203959.16	116.34

From the above it is cleared that year to year the amount sanctioned under this scheme was increased. It indicates that more no. of ME's are established. CAGR during the period of 2016-2023 for amount issued is 5.1%, amount sanctioned is 2.59% and amount disbursed is 2.55%.

**4) SIDBI Make in India soft loan fund for MSME's (SMILE):**

SMILE scheme, a Schooner scheme of SIDBI provides loans between 10 lakh to 25 lakh. It is essential for the scheme that promoter must fund minimum contribution of 15% and for the extension of loan personal guarantee of promoter is required.

Any MSME with satisfactory financial position for last 3years is eligible for this loan. Priority given to the newly established MSME's, repayment period is maximum 10 years tough borrowers opt for a 36months moratorium.

**Type of Assistance:**

Govt. provides Quasi-equity and term loans to MSME to meet required D/E ratio for the establishment of enterprises and for providing opportunities for growth of existing msme's.

**Term Loan:**

Category	Project cost	Promoters contribution
General Category	75% of project cost upto 100 lakhs	Min 15% upto 100 lakhs
rest	2/3 <sup>rd</sup> of project cost	Min 20%

The scheme provides ¾ th of the project cost subject to maximum of 100 lakhs as term loan for general category and promoter should contribute minimum 15% of cost of project. For SC/ST/Women/PH provides 2/3<sup>rd</sup> of project cost as term loan and promoter contribution should be minimum 20% of project cost.

**Soft-loan in the nature of quasi :**

Category	Project cost	Maximum amount of loan	Promoters Contribution
General Category	10%	Subject to maximum 20 lakhs	51%
SC/ST/Women/PH	15%	Subject to maximum 30 lakhs	51%

The scheme provides 10% of project cost subject to maximum of 20 lakhs as soft loan to general category and promoter should contribute 51% of cost of project. For the rest it provides 15% of project cost subject to maximum of 30 lakhs and promoter contribution should be 51% of project cost.

### Estimated No. of MSMES :

Activity	Rural areas		Urban areas		total	Share(%)
	no. of	% of area	no. of	% of area		
Manufacturing	114.13	35.11	82.51	26.69	196.64	31%
Electricity	0.04	0.0123	0.02	0.00647	0.06	0
Trade	108.72	33.45	121.65	39.36	230.37	36%
Other services	102.10	31.41	104.86	33.93	206.96	33%
All	324.99	100	309.04	100	634.03	100

Nearly 31% of msmes engaged in manufacturing units, below 1% in Power generation. 36% occupies trade and 33% in other services. there is a lot of scope for development of msmes in the above activities.

### No. of MSMES Area wise: (2021-2022)

Location	Micro (In Lakhs)	Small	Medium	Total	Share(%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

The above table depicts that msme's are equally distributed in rural and Urban areas. Among these major share was occupied by micro Enterprises.

### Estimated growth of MSMES Area wise (2022-2023)

Location	Micro	Small	Medium	Total	Share(%)
Rural	356.499	0.858	0.011	357.368	51.25
Urban	337.073	2.783	0.044	339.9	48.74
All	693.572	3.641	0.055	697.268	100%
Growth in Number of MSMES	63.052	0.331	0.005	63.388	

From the above table it can noticed that there is significant estimated growth in number of MSMEs around ten percent compared to previous year.

**Estimated growth of MSMES Area Wise (2023-2024)**

Location	Micro	Small	medium	Total	Share(%)
Rural	392.14	392.14	0.0121	393.095	51.25
Urban	370.78	370.78	0.0484	373.88	48.74
All	762.92	762.92	0.0605	766.98	100
Growth in No. of MSMES	69.348	69.348	0.0055	69.717	

**Conclusion:**

Establishment of more number of MSMEs will boost up the economy and leads to inclusive growth with respect to providing employment opportunities, improving living standards, Eradication of poverty and community development etc. Encouraging directly or indirectly by the respective governments will have direct impact on this sector. In spite of these steps been taken by the Government the growth rate is still lag behind in medium and small scale sectors. Emerging Entrepreneurs should make use the schemes introduced by the government then only the expected returns can be achieved. Through these schemes the government has given its policy of Recognition, Promotion and establishment it may give appropriate results in future. It is the need of the hour to more focus in MSME through Make in India initiatives.

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