

Initiatives by MSME Ministry and Suggestions to Overcome the Problems Faced By Micro, Small and Medium Enterprises.

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ABSTRACT

In Indian economy MSME sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. They are also important for promotion of industrial development in rural areas, use of traditional or inherited skill, use of local resources, mobilization of resources and exportability of products. Government of India has taken many initiatives to promote the micro, small, medium enterprises. Despite of it, there are still many problems related to MSME which results in degradation of productions. These problems are considerably effecting the investment on machinery and equipment. The proposed paper attempts to address the problems faced by MSME and their solutions has described to overcome these obstacles.

Key Words: MSME, Initiatives, Significances.

1. INTRODUCTION

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. The Sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing

output and 40% to the exports from the country. The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.

2. DEFINITION OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA

Micro, small and medium enterprises as per MSME Act, 2006 are defined based on their investment in plant and machinery (for manufacturing enterprise) and on equipment for enterprises providing or rendering services. The present ceilings on investment for enterprises to be classified as micro, small and medium enterprises are as follows:

Table 1: Classification

Classification	Manufacturing Enterprises	Service Enterprises
Micro	Rs. 2.5 million / Rs. 25 lakh	Rs. 1 million / Rs. 10 lakh
Small	Rs.50 million / Rs. 5 crore	Rs. 20 million / Rs 2 crore
Medium	Rs 100 million / Rs 10 crore	Rs. 50 million / Rs 5 crore

3. REVIEW OF LITERATURE

[1] Roopa Kudva (2011) The Mangining Director of CRISIL says it is not easy to attract MSME's to do a credit rating, however it is important to have the credit rating done if the MSME's wants to position itself in the international market as well as there is a rebate from the bankers in the lending terms. Unfortunately the 75% subsidy is available only for the first time /year the MSME gets its rating done subsequently they have to bear the entire cost next year which is a strain on the purse strings. Producing a new framework for rating SMEs is important, because most would receive low ratings on traditional scales solely because of their small size. The benchmarks used for large corporations have to be abandoned.

[2] Ms. Jahnavi K. Dubal in his paper on Financing of SME Firms in India (2015) had examined the major issues in the financing of SMEs in the Indian context, such as the information asymmetry facing banks and the efficacy of measures such as credit scoring for SMEs; whether transaction lending would be adequate to address the information issues or would lending have to be based on a relationship with the SME, using both 'hard' and 'soft' information; and whether the size and origin of the bank affect the availability of credit to SMEs.

[3] Zainuddin Rahman, [2016] In this paper, analysis about the difficulties faced by micro and small enterprises in accessing markets in sustaining and expanding the operation and

the survival of their business is done. Data collection is done with in depth interviews with business owners (industry) to obtain data that is associated with this research. The conclusions of the research are: a). skills principals UMK on marketing management are generally very low, b). quality of the resulting product is still low so as to make their difficulties in dealing with competitors in the market, c) continuity in serving customers/partner has yet to be secured, d) difficulty in using modern production technology, because of lack of capital, e) slow in doing the response to changes in the market.

[4] Naoyuki Yoshino, Farhad Taghizadeh Hesary [2016]. In this paper, analysis of major reasons that slowed the SME growth in Asia i.e lack of finance, lack of comprehensive databases, low level of R&D expenditures and insufficient use of information technology and provides remedies for mitigating them is done.

4. OBJECTIVES

1. To know the recent initiatives taken by the government of India to boost the micro, small and medium enterprises.
2. To know the significances of MSME in India.
3. To know the problems faced by the MSME and Suggestions to reform the micro, small and medium industries in India.

5. RESEARCH MEHODOLOGY

Research methodology is descriptive in nature. The data has been collected with the help of Magazines, 6. **RECENT INITIATIVES OF THE** Newspapers, Research Articles and the site of **MINISTRY** ministry of micro, small and medium enterprises.

Table 2: Initiatives of the Ministry

Sr. No.	Initiatives	Purpose
1.	ASPIRE	A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship was launched by the Ministry on 18.3.2015. ASPIRE is designed to provide necessary skill set for setting up business enterprises and also to facilitate the market linkages available to entrepreneurs and to provide hand holding for a critical period to ensure self sustainability.
2.	SFURTI	For the traditional and village industries, government of India significantly enhanced allocation and revamped the ongoing Scheme of Fund for Regeneration of Traditional Industries (SFURTI) to achieve better and more intensive coverage with professional/expert inputs.
3.	PMEGP	Instructions have been issued to the concerned agencies for implementation of the concept of one nodal branch of each Public Sector Bank in each State. All the nodal branches of the banks under PMEGP have been connected through Central Plan Scheme Monitoring System (CPSMS) under PFMS (Plan Financial Management System) to monitor the flow of funds
4.	CUY & CVY	CUY is a credited linked subsidy scheme in coir sector, aims to integrate and develop coir units. Coir Vikas Yojana (CVY) envisages training for men & women coir workers and providing subsidized Rates to women workers apart from providing assistance for setting up and expansion of coir units.
5.	Technology Centre Systems Programme	Under Technology Centre System Programme 15 New Technology Centers (Tool Rooms) would be set up and existing Tool Rooms would be upgraded with support of World Bank.
6.	National portal for filing of EM	The Objective is to make the process of filing of EM forms easier for the applicant through any-time any where registration.
7.	District Industry Profile	Office of Development Commissioner (MSME), through its field formations i.e. MSME-DIs, have compiled brief Industrial Profile of each district of the country, which contains the details of resources as well as Industrial set-ups in the respective districts.
8.	Skill Mapping	On the basis of District Industrial Profiles of 658 districts government of India has also compiled district-wise Skill Development Needs. The District-wise Skill Development Needs have been made on the basis of Industry Clusters situated in the respective Districts

1. ASPIRE

Its most important component is to set up Livelihood Business Incubators under National Small Industries Corporation (NSIC). The next important component is to set up Technology Business Incubators at twin levels, i.e. supporting existing incubation centers operated currently under different Ministries and Departments of the Government of India or Institutions including National / Regional level institutions of GOI / State Governments to set up such centre dedicated to incubation and enterprise creation in the area of Agro based Industries and also new incubation centers to be set up by eligible private institutions including Industry Associations, along with the Academic Institutions, R&D laboratories, Universities, Government entities and Technology Parks. The last important component is to create a framework for Start-up Promotion through Small Industries Development Bank of India (SIDBI) by using innovative means of finance like Equity, Quasi-Equity, Angel fund, Venture capital fund, Impact funds, Challenge funds etc.

2. Revamped Scheme of Fund for Regeneration of Traditional Industries: SFURTI

This is a special component plan to support 100 Khadi institutions and Self Help Groups in the Border, Hill and Left Wing Extremism affected areas has been sanctioned at a cost of Rs.76 crore.

3. New Initiatives Under PMEGP (Prime Minister's Employment Generation Programme)

In order to expand the scope of PMEGP negative list of the PMEGP Guidelines has been modified. Under the Modified Guidelines, the following activities have now been allowed:

- a. Industries such as processing of pashmina wool and other products like hand spinning and hand weaving.
- b. All rural and urban transport activities.
- c. Value added Products for Tea, Coffee, Rubber etc. sericulture, Horticulture, Floriculture.

4. Revamped Coir Udyami Yojana (CUY) & Coir Vikas Yojana (CVY)

This scheme provides 40% as Govt. subsidy, 55% as Bank loan and 5% beneficiary contribution for setting up of coir units with project cost up to Rs.10.00 lakh (revised from Rs.5.00 lakh). Assistance under CVY is also provided for participation in international and domestic exhibitions/Fairs.

5. Technology Centre Systems Programme

The expanded and upgraded network would be supplied by a Technology partners to strengthen technical capabilities of MSMEs, Clusters Network Managers to establish linkages amongst all key stakeholders of entire ecosystem and, National portal for creating a vibrant and interactive platform to meet various needs of MSMEs. Loan Agreement between GOI and World Bank has been signed on 10.11.2014 and the loan has become effective on 19.12.2014. Locations have been identified at 9 states and a total of 150 acres of land has been taken possession at 9 places.

6. National portal for filing of EM

The Ministry of MSME, through National Informatics Centre, has developed a web portal for online filing of Entrepreneurship Memorandum (EM). Adoption of online system has encouraged higher rates of EM registration and enables more MSMEs to

avail benefits under various Government schemes. The portal has enabled the applicant to track the status of his application thereby promoting accountability and transparency in the system. It also provides a critical monitoring tool to the Government by way of tracking investments. Currently, this portal is being adopted by 13 States/UTs. Over 36765 EM1 and 8244 EM2 application has been filed online.

7. District Industry Profile

Till date 658 District Industrial Profiles have been compiled. These District Industrial Profiles also have Industrial Clusters in each district indicating potential areas in the industrial sectors. Efforts are being made to update the District Industrial Profiles.

8. Skill Mapping

On the basis of Industry Clusters, the type of Skills required to produce products and subsequently, the need of training programmes to be conducted for skilling unemployed youth have been identified. 29 column forms for skill mapping on each district on the basis of industry clusters have been developed to cover all possible information including name of the technical institutions (ITIs, Polytechnics, and Engineering Colleges with the facilities) have been developed. The draft has been shared with Ministry of Skill Development, National Skill Development Council and Industry Associations.

7. Significance of MSME

The significance of MSMEs is attributable to their caliber for employment generation, low capital and technology requirement.

1. They are also important for promotion of industrial development in rural areas, use of traditional or inherited skill, use of local resources, mobilization of resources and exportability of products.

2. According to the estimates of the Ministry of MSME, Government of India, the sector generates around 100 million jobs through over 46 million units situated throughout the geographical expanse of the country.

3. With 38% contribution to the nation's GDP and 40% and 45% share of the overall exports

and manufacturing output, respectively, it is easy to comprehend the salience of the role they

play in social and economic restructuring of India.

4. Besides the wide range of services provided by the sector, the sector is engaged in the

manufacturing of over 6,000 products ranging from traditional to hi-tech items.

5. The Indian MSME sector provides maximum opportunities for both self-employment and wage-employment outside the agricultural sector and contributes in building an inclusive and sustainable society in innumerable ways through creation of non-farm livelihood at low cost, balanced regional development, gender and social balance, environmentally sustainable development, etc.

9. PROBLEMS AND SUGGESTIONS

Problem 1: Unawareness of latest technology:



Small scale entrepreneurs are not fully exposed to the latest technology. Moreover, they lack requisite resources to update or modernize their plant and machinery. Due to obsolete methods of production, they are confronted the problems of less production in inferior quality and that too at higher cost. They are in no position to compete with their better equipped rivals operating modern large scale units.

Suggestion:

There should be detailed survey to access the technical needs of the MSME. So that, the proper arrangement could be made to fulfill the needs of the MSME'S. For the purpose of technological advancement and guidance a panel of experts and consultants should be prepared, who can help the MSMEs within the region for effectively transfer the available technologies. At the time of constitution of panel of experts, there should be inclusion of the owners of different sectors of MSME'S.

Problem 2- Proper Financial services:

Finance is one of the most vital problem confronting by the small scale industries. Finance is life blood of an organization and no organization can function properly in the absence of adequate funds. The scarcity of capital and inadequate availability of credit facilities are the major causes of this problem. Firstly, adequate funds are not available and secondly, entrepreneurs due to weak economic base have lower credit

worthiness. Neither they are having their own resources nor are others prepared to lend them. Entrepreneurs are forced to borrow money from money lenders at exorbitant rate of interest and this upsets all their calculations.

Suggestion:

After nationalization, banks have started financing this sector. These enterprises are still struggling with the problem of inadequate availability or high cost funds. These enterprises are promoting various social objectives and in order to facilitate them, adequate credit on easier terms and conditions must be provided to them. So that Entrepreneurs do not have to borrow money from money lenders at gigantic rate of interest.

Problem 3- Lack of Marketing

Tools:

These small scale units are also exposed to marketing problems. They are not in a position to get first hand information about the market i.e. about the competition, taste, liking, disliking of the consumers and prevalent fashion. With the result they are not in a position to upgrade their products keeping in mind market requirements. They are producing less of inferior quality and that too at higher costs. Therefore, in competition with better equipped large scale units they are placed in a relatively disadvantageous position.

Suggestion:

In order to safeguard the interests of small scale enterprises the Government of India has reserved



certain items for exclusive production in the small scale sector. Various government agencies like Trade Fair Authority of India, State Trading Corporation and the National Small Industries Corporation have to extend helping hand to small scale sector in selling its products both in the domestic and export markets.

Problem 4- Lack of training and skill development program:

The training and development programs in respect of MSME'S development concern is very low. So, skilled manpower is not being available to MSME'S. The skill developmental schemes conducted by the government are not sufficient.

Suggestion:

Although government is initiating skill mapping program but they have to reach the rural, under developed and poor areas of the country so that the people of those regions can avail employment opportunities and can take part in the growth of the country.

Problem 5- Delayed payments:

The small firms find it difficult to recover their dues from the large firms and even from Government if they are providing raw materials to these concerns. The reason behind this is complex payment procedure and corruption. Due to lack of funds, small businesses cannot employ credit collection machineries (like factoring services).

Suggestion:

Government has to take stern actions to reduce this problem so that small scale unit's owners can easily collect their dues from the big concerns and if somebody is not paying then a penalty has to impose on persons responsible for this. with this they will harass the small suppliers.

Problem 6- Lame Mindset:

The mindset of the many MSME entrepreneurs has not yet changed. They still expect protection policies and preferential treatment for the MSMEs. Fortunately, this tendency is low in the new generation entrepreneurs.

Suggestion:

These young entrepreneurs can motivate other small unit holders that they do not have to rely on government for help. They have to be self depended enough so that they can tackle all the obstacles in their way of success. Workshops, success story based approach may help reduce this tendency even more.

Problem7-.Poor communication strategy:

Without any skepticism, government is helping people associated with MSME and has introduced various policies but currently running programs are not so effective and sufficient. One of the important reasons for slow intake in the utilization of schemes is the lack of knowledge about schemes and their likely benefits.

Suggestion:



There must be conduction of training and development programs by the MSME ministry to communicate with the people so that they can apportion the benefits of their policies with the people. The current knowledge dissemination system is limited in its outreach. There is a need to develop a better communication strategy and use of new age media tools.

Problem 8:

Managerial inadequacies:

Managerial inadequacies pose another serious problem for small scale units. Modern business demands vision, knowledge, skill, aptitude and whole hearted devotion. Competence of the entrepreneur is vital for the success of any venture. An entrepreneur is a person around whom the entire enterprise revolves. Many small scale units have turned sick due to lack of managerial competence on the part of entrepreneurs. An entrepreneur who is required to undergo training and counseling for developing his managerial skills will add to the problems of entrepreneurs.

Suggestion:

The Government of India has to initiate various schemes and seminars aimed at improving the overall growth of the managers of these concerns. The small scale entrepreneurs have to encounter numerous problems relating to overdependence on institutional agencies for funds and consultancy services, lack of credit-worthiness, lower profitability and host of marketing and other problems. Such

programs can assist the manager in a tremendous way.

10. CONCLUSION

Small scale industries have been playing an important role in Indian economy in terms of employment generation and growth. In spite of having huge potentialities, the small scale industries in India could not progress satisfactorily as these industries are suffering from various weaknesses. If remedial measures are taken in proper time and spirit the small scale sector will be able to utilize huge development potential available in the country and the MSME sector will prove itself as one of the most dynamic and vibrant sector of the economy of the country. Issues related to credit, like adequacy, timely availability and cost continue to be a concern for MSME. The challenge now is to create a policy environment that will encourage the growth of more MSME that can hold their own in a competitive market. In general, there is need for tax provisions and laws that are not only labour-friendly but also entrepreneur-friendly so that MSME sector can also lead India towards the growth and prosperity.

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