



RE-STRATEGIZING MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) FOR SUSTAINABLE INDIA

DR. USHA PRABHU

Professor, City College, Bangalore.

MR. N. SATHYANARAYANA

Assistant Professor, School of Commerce, Jain Deemed to be University, Bangalore.

ABSTRACT:

May 12th, 2020 heralded a clarion call by our Indian Prime Minister, Shri Narendra Modi initiated for Self-reliant India or Atmanirbhar Bharat Abhiyaan, to create new strategies for localization, a new ray of hope for transformation and growth of the Indian Economy. It is evident, due to COVID-19 outbreak had placed a serious challenge on the economy-the wheel of progress began to turn backwards and apprehension in rebooting the economy was a challenging task. MSME sector in India was crippled by the lockdown, so it was pertinent to be revived. The Indian government's initiative 'Self-Reliant India' emphasized the country's MSME sector. The Stimulus package would assist the MSME sector, which was an urgent need for easier access to capital. This paper tries to examine the various support schemes for Indian MSMEs in re-strategizing for sustainable growth in India.

KEYWORDS:

MSME, COVID-19, Stimulus package, Atmannirbhar Bharat, Self-reliant, Sustainable Growth

1. INTRODUCTION:

May 12th, 2020 heralded a clarion call by our Indian Prime Minister, Shri Narendra Modi initiated for Self-reliant India or Atmannirbhar Bharat Abhiyaan, to create new strategies for localization, a new ray of hope for transformation and growth in the Indian Economy. A



special and comprehensive economic package of Rs 20 lakh crore was announced by Prime Minister to build a sustainable economy and urged citizens of the country to buy and encourage desi products and brands 'Vocal for the local', the intent is to encourage cottage industries, home industry, agriculture, and allied industries and MSME. (India Today, 2020). Emphasis on localization was very much felt during the COVID-19 pandemic situation, the absence of domestic production of personal protective equipment (PPE), mask, and other accessories which was imported from other countries. The Indian economy is the fifth largest nominal GDP in the world and fast-growing economy till 2018. The economy remained positive due to the young population, healthy savings, and investment rates.

The MSME sector in India is the pillar of our economy and has the resilience to gear up for global shocks. At present around 63.4 million units exist, contributing around 6.11% to manufacturing GDP and 24.63% of the GDP from the service sector. At present, registered micro-enterprises stood at 28 lakh (93%), followed by small enterprises at 1.78 lakh (6%) and mid-sized enterprises at 24,657 (1%) (www.ibef.org, 2021). MSMEs have the option to offer employment to around 120 million people and contribute around 45% of exports from our country. India should focus on sustainable and inclusive growth as a long-term growth strategy and generate large-scale employment, especially in rural areas.

This concept intends to make our country self-reliant (Atmaanirbhar Bharat) by focusing on local manufacturers and service providers. Making the country self-reliant in all domains- from manufacturing to supply, will help the country in reducing the requirement for imports and accelerate exports. Imports will reduce, leading to the trade deficit and finally direct to trade surplus, which is urgently needed for India.

MSMEs in India are acting a critical function in creating a substantial magnitude of employment at a lower cost of capital than large industries. MSMEs are dispersed in rural and backward areas as a result of industrialization, eliminating regional imbalance and ensuring a more equitable distribution of national income and wealth.



Table 1: Estimated Number of MSMEs (Activity Wise)

Activity Category	Estimated Number of Enterprises (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	114.14	82.50	196.65	31
Electricity*	0.03	0.01	0.03	0
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
All	324.88	309.00	633.88	100

Source: MSME Annual Report 2020-21

Table 2: Estimated Employment in the MSME Sector (Activity Wise)

Activity Category	Estimated Number of Enterprises (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	186.56	173.86	360.41	32
Electricity*	0.06	0.02	0.007	0
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
All	497.78	612.10	1109.89	100

Source: MSME Annual Report 2020-21

Table 3: Distribution of Enterprises (Rural and Urban area wise)

Sector	Micro	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

Source: MSME Annual Report 2020-21



The Ministry of MSME initiated special schemes to provide credit and financial assistance due to COVID-19, such as;

- 3lakh Crore was released as **Emergency Credit line Guarantee Scheme(ECLGS)** for MSME from banks and Non-Banking Financial Companies which was fully guaranteed and collateral free and it will be extended till March 2023, as it has been badly hit in the first & the second wave of COVID-19. Thus policy makers understood additional capital to cover operational liabilities to resurrect their business.
- The government of India understood the plight of the MSME sector, so extended Rs.20,000 crores as **Subordinate Debt for Stressed MSMEs**.
 - Two lakh MSMEs were likely to benefit from the government announcement
 - The central government guaranteed zero loans through banks and gave authority to banks to be more comfortable in assisting MSME borrowers.
(Asma, 2020)
 - Rs. 17.66 crores were distributed to 178 borrowers who received guarantees from 12 banks.
 - On 13th May 2020, Finance Minister announced –The **fund of Fund** for MSMEs to infuse Rs. 50,000 crore as Equity to help MSMEs in capacity augmentation.
 - Rs 50,000croreEquity infusion for MSMEs through Fund of Funds(**Sources-Annual Report MSME 2020-21**)
- The government of India support Rs. 4000 Crores to Credit Guarantee Trust for MSMEs.
- Rs.50,000 crore equity infusion for MSMEs through the '**Fund of Funds**' Scheme which would be hand holding for entrepreneurs to rejuvenate their business due to pandemics.
- Other interventions for MSME
- E-market linkage was promoted to replace trade fairs and exhibitions for MSMEs
- Data provided by the e-marketplace, fintech be used to improve transaction-based financing



Other schemes to reboot MSME:

Skill Development Programs such as

- A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship (ASPIRE);
- Entrepreneurship and Skill Development Programmes(ESDP);
- Scheme of Fund for Regeneration of Traditional Industries(SFURTI);
- Scheme for Micro & Small Enterprises-Cluster Development Programme (MSE- CDP);
- Lean Manufacturing Competitiveness for MSMEs;
- ZED certification scheme;
- Digital MSME;
- Skill Up-gradation and Mahila Coir Yojana;
- Interest Subsidy Eligibility Certificate (ISEC);
- Work-Shed Scheme for Khadi Artisans;
- Rojgar Yukt Gaon and others to empower the entrepreneurial ecosystem.

Self-employment supports the improvement of Micro, Small and Medium Enterprises (MSMEs), the government has changed its attitude from a regulatory role to a facilitator, after globalization emphasizes an entrepreneurial ecosystem. MSMEs aim to reduce the deficit in the balance of trade and revive the economy (**Jarwal, 2020**).

In past, Capitalist controlled economies of scale, who were able to bring a large amount of capital and enjoyed a monopoly in the production sector (**Cowling, 1982**) but the liberalization program resulted in the vertical breakdown of business processes and the proliferation of MSMEs, it means that wealth is trickling which is beneficial in minimizing social inequalities (**Mc Cartney& Matthew, 2009**). The stimulus package of about 20 lakh crore equivalents to 10%of India's GDP would be introduced to revive the Indian economy and manage the COVID-19 resulting from induced lockdown leading to a reduction of jobs



and incomes, creating additional supply than the demand. There is an agreement among economists; that the revival of the economy is possible when the demand line is increased by enhancing the purchasing power of the ordinary people leading to an increase in output and growth. (Sunil, 2020).

1. OBJECTIVES:

- a. To highlight the contribution of MSMEs rendered during COVID-19
- b. To understand the innovative schemes designed by Government for the MSME sector

2. New Definition of MSME

There has been a long-standing demand for a change in the MSME definition, i.e, the difference between the manufacturing and service sectors has been eliminated. The revised definition has been the effect on July 1, 2022, and includes a condition on the investment and annual turnover.

- For Micro Enterprises (Manufacturing & service sector- Investment < Rs.1 crore and Turnover < Rs. 5 crores;
- For Small Enterprises(both Manufacturing & services sector- Investment < Rs. 10 crores and Turnover < Rs. 50 crores;
- &for Medium Enterprises (both manufacturing & service sector < Rs.20crores and turnover < Rs. 100 crores.

As the economy undergoing significant changes, a new classification was announced in the Atmanirbhar Bharat package. The objective behind this new system of classification is to achieve realistic goals & provide ease of doing business.

3. Special Measures under Atmanirbhar Bharat Abhiyaan



Our Hon'ble Prime Minister promptly recognized the importance of MSMEs in the country's development. MSMEs were allocated a significant amount in the Atmanirbhar Bharat package, and priority was given to the execution of the measures to revive the economy. Under the package, some announcements have been made. Ministry of MSME issued Guidelines on Self-reliant India(SRI)Fund Scheme.

- Self-Reliant India(SRI)Fund to provide growth capital to MSMEs, through equity/quasi-equity, which facilitates those companies to move towards listing on Stock Exchange.
- SRI Fund will have a life of 15 years and it will be a revolving fund.



(Source: NSICVCF)

➤ **Skill Training Eco-system of Ministry of MSME**

In making a Self-Reliant economy, the ministry gave greater impetus for re-skilling the ecosystem to satisfy the needs of trained workers in a variety of emerging and existing industries and in business enterprises.

The Ministry has been organizing many skill development programs/ Courses for the existing & potential entrepreneurs, to build their capacity. These training courses are as per the demands of the industry.



➤ **Global tenders to be disallowed up to Rs 200 crores:**

Foreign companies have frequently, unfairly competed with Indian MSMEs and other businesses. So step has been taken by the government to disallow Global tenders to procure from MSME up to Rs. 200 Crores. For this, the General Financial Rules were amended, a step towards Self-Reliant India, supporting Make in India and assisting MSMEs in expanding their operations.

➤ **Other interventions for MSMEs:**

During the COVID-19 lockdown, MSMEs faced problems with marketing and liquidity, introduced **e-market linkage** for MSMEs to promote and act as a replacement for trade fairs and exhibitions.

Fintech will be used to enhance transaction-based lending using the data generated by the e-marketplace.

Government monitors the settlement of dues to MSME vendors from Government and Central Public Sector Entrepreneurs and attempts are made to release dues within 45 days.



- **Significant work is undertaken by the Ministry of MSME and its organizations to combat COVID-19**

Encouraging the production of COVID-19 related Medical and Auxiliary Items by Technology Centres(TCs):

- Technology centres developed innovative products to fight against COVID-19 like plasma-based sanitisers, accurate IR thermometers, non-contact dispensers, etc. which are manufactured indigenously, masks components for Corona Testing Equipment, hot tape sealing (PPE covers), WHO quality alcohol based sanitisers, face shields, etc. These industries were funded by the Ministry for MSMs to produce and benefit the nation when there was an acute shortage of these items.



- To protect the healthcare workers, MSME manufactured coverall Gowns, masks, and goggles and supplied them to Health Care Providers.



Emergency Credit Line Guarantee Scheme (ECLGS):

Through this scheme, the Government of India has operationalized Rs. 3,00,000 crore collateral free loan scheme which is to benefit 45 lakh MSMEs. It seeks to provide much-needed relief to the MSME sector by incentivizing Banks & other financial institutes to provide additional credit at low cost, thereby enabling MSMEs to meet their operational liabilities and restart their businesses. Under the scheme, Rs. 1,37,587.54 crore has been sanctioned and Rs. 92,090.24 crore has been disbursed up to 3rd August 2020.

Government e-Market Place:

Ministry of MSME made every attempt to encourage the MSMEs to get themselves onboard on the Government e- Market (GeM Portal) even by providing a button for the MSMEs in the Udyam Registration online form to enable them to express their willingness for joining GeM.

According to the GeM portal as of 11.01.2021, the total MSEs on boarded and their order value are given below:

Number of MSE sellers & Service Providers	Orders value (MSE %)
409,937	57.89

Source: Annual Report of MSME 2020-21

4. CONCLUSION:

The Covid-19 pandemic devastated all world economies. MSMEs should seize the opportunities extended by Government, apply financial incentives and march toward the progress of the country. MSMEs have demonstrated their strength and dedication to the economy in the Covid-19 crisis and became economic accelerators with all the measures extended by the government. Export strategies have to be designed; thereby reducing the burden of importing from other countries which is a dream of becoming Self- Reliant. Customers in India or across the world need products and services that is techno-



economically viable- (affordability, good quality, innovative, reliable, safe & secured); socially accessible-(access, flexibility, security); environmentally sustainable; and institutionally regulated- (good governance, competitive, consistency). These are very much necessary to meet global standards in our products and services.

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