

ROLE OF SELECTED FINANCIAL GOVERNMENT SCHEMES FOR DEVELOPMENT OF MSMEs IN PUNJAB

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Finance including Credit Guarantee for Micro & Small Enterprises (CGTMSE): Availability of bank credit without the hassles of collaterals / third party guarantees would be a major source of support to the first generation entrepreneurs to realise their dream of setting up a unit of their own Micro and Small Enterprise (MSE). The main objective is that the lender should give importance to project viability and secure the credit facility purely on the primary security of the assets financed. The other objective is that the lender availing guarantee facility should endeavor to give composite credit to the borrowers so that the borrowers obtain both term loan and working capital facilities from a single agency. The Credit Guarantee scheme (CGS) seeks to reassure the lender that, in the event of a MSE unit, which availed collateral free credit facilities, fails to discharge its liabilities to the lender, the Guarantee Trust would make good the loss incurred by the lender up to 75 / 80 / 85 per cent of the credit facility. The aim of proposed study is to identify the problems faced by MSMEs in availing benefits under selected government schemes related to finance and to examine their effectiveness. The study is based on both secondary as primary data. Since MSMEs are envisaged to contribute 50 per cent to India's GDP and create number of jobs, this study would be helpful to encourage New Units & Units not having collateral get opportunity to expand their business by purchase of machines & modernise existing machine to produce Quality product at economic price.

Keywords: *MSMEs, Credit Link Capital Subsidy Scheme, , Credit Guarantee for Micro & Small Enterprise, Udyog Aadhaar Memorandum.*

INTRODUCTION

Worldwide, micro, small and medium enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India too, the Micro, small and medium enterprises (MSMEs) play a pivotal role in the overall industrial economy of the country. The Micro, small and medium enterprises (MSMEs) sector contributes significantly to the manufacturing output, employment and exports of a country. Further, in recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector.

It is estimated that in terms of value, the sector contributes nearly 8 percent of the country's GDP, about 45% of manufacturing output and 40% of total exports of the

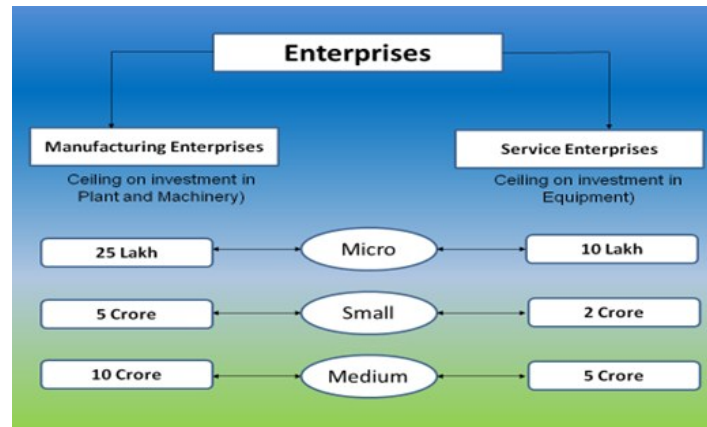
country. The sector is India's largest employer of Human Resource after Agriculture. They are nurseries for entrepreneurship and innovation (Report on "Recommendations of Inter-Ministerial Committee for Accelerating Manufacturing in MSME-sector," Ministry of MSME, Sept, 2013). The major advantage of the sector is its employment potential at low capital cost. As per available statistics, this sector employs about 69 million persons in over 26 million units throughout the country. The labour intensity in the MSME sector is estimated to be almost 4 times higher than the large enterprises. There are about 6000 products ranging from traditional to Hi-tech items, which are being manufactured by MSME's in the country. The inclusiveness of the sector has been underlined by the fact that nearly 50% of the MSME's are owned by Disadvantaged group of society (MSME ACT, 2006).

To make the sector a significant player in global market place, Govt. of India has taken various policy initiatives recently. Even definition of MSME broadened significantly under Micro, Small, Medium Enterprise development (MSMED) Act, 2006. The act recognized the concept of "ENTERGONIC" to include both manufacturing & service sector & setting up a board for developing policy & indicating a Government Procurement policy. In March 2007, 3 package of promotion of MSME's (Micro small Enterprises) was announced comprising proposals having direct impact on promotion & development of MSMEs particularly with a view to fast changing economic environment, wherein to be competitive is the key to success.

GOVERNMENT OF INDIA INITIATIVES FOR DEVELOPMENT OF MSMES:

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of "enterprise" which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises; and with a wide range of advisory functions. On 9 May 2007, subsequent to an amendment of the Government of India (Allocation of Business) Rules, 1961, erstwhile Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small and Medium Enterprises (Chart 1).

Chart 1: Details of Enterprises



The Ministry designs policies & promotes/facilitates programmes, projects & schemes and monitors their implementation with a view to assist MSMEs to help them to scale up. The primary responsibility of promotion and development of MSMEs is of the State Governments. However, the Government of India, supplements the efforts of the State Governments through various initiatives. To identify the issues inhabiting growth of the sector, a task force was constituted by the honorable Prime Minister in 2009. Task force made around 85 recommendations and most of the recommendations were implemented, there are specific issues related to the policy and Govt. Support which need immediate attention. The planning commission constituted the working group on MSME's Growth for the 12th Five Year Plan (2012-17), under the Chairmanship of Secretary, MSME with 46 members representing various Ministries/offices of Govt. of India.

UDYOG AADHAAR MEMORANDUM

MSMED act 2006 provides for registration of enterprises with District Industries Center (DIC). The filling of EM-I & EM-II with DIC for such registration has now been replaced with filling of Udyog Aadhaar Memorandum (UAM). The UAM can be filled on udyogaadhaar.gov.in as per Gazette Notification dated 18.09.15, which makes the registration process easier for small business sector (Chart 2).

Chart 2: Classification of MSMEs

NOTIFICATION ON CLASSIFICATION OF MSMEs
PROCEDURE FOR MSME REGISTRATION ISSUED
effective from 01 July 2020

- Hassle Free MSME Registration, made simple and online
- Register on self-declaration basis, no documents needed
- Facilitation for registration & business mentioned in legal process.
- Permanent Udyam Registration Number assigned to enterprise on registration.
- Udyam Registration Certificate issued immediately on completion of registration process

REVISED MSME CLASSIFICATION - COMPOSITE CRITERION:
Investment in Plant & Machinery/Equipment and Annual Turnover

COMPOSITE CRITERIA	MICRO	SMALL	MEDIUM
INVESTMENT	< Rs. 1 Cr.	< Rs. 10 Cr.	< Rs. 50 Cr.
ANNUAL TURNOVER	< Rs. 5 Cr.	< Rs. 50 Cr.	< Rs. 250 Cr.

* < denotes less than

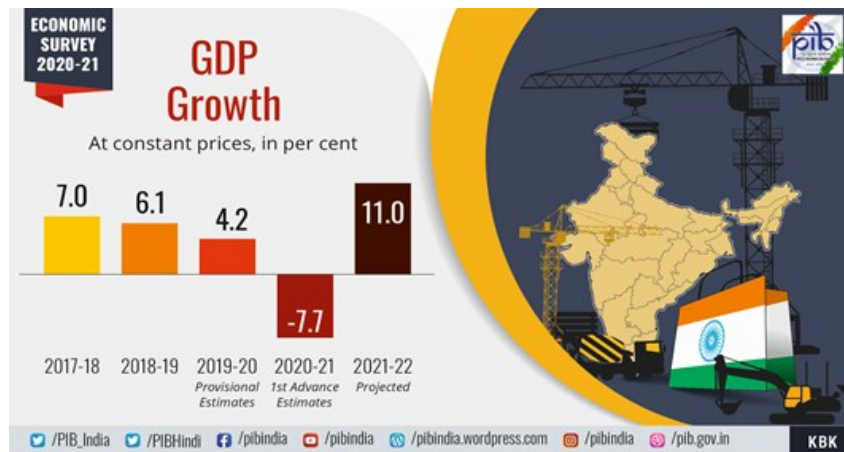
BUILD THE ENTERPRISE OF YOUR DREAMS

NEW UDYAM REGISTRATION

In supersession of the notification of the Government of India, Ministry of Small Scale Industries, dated the 29th September, 2006, published in the Gazette of India, dated the 30th September 2006, the Central Government, notified the following criteria for classification of micro, small and medium enterprises, namely:— (i) a micro enterprise, where the investment in Plant and Machinery or Equipment does not exceed (i) One crore rupees and turnover does not exceed five crore rupees; (ii) a small enterprise, where the investment in Plant and Machinery or Equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; (iii) a medium enterprise, where the investment in Plant and Machinery or Equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees. This notification shall come into effect from 01.07.2020

Further clarification pertaining to validity of EM Part II and UAMs as issued till 30th June, 2020: “The existing enterprises registered prior to 30th June, 2020, shall continue to be valid only for a period up to the 31st day of March, 2021”. Therefore, it is clarified and emphasized that all the existing EM Part II and UAMs obtained till 30.06.2020 shall remain valid till 31.03.2021. There are also doubts whether existing UAM holders may edit or amend their details on the UAM portal. It is clarified that the same can be done till 31.3.2021. Those enterprises that have not entered their Aadhaar or PAN number so far in the UAM portal are hereby advised to obtain “Udyam Registration Number” well before 31.3.2021 (Chart 3)

Chart 3: Economic Growth and Regulatory Forbearance



ECONOMIC SURVEY 2020-21

Regulatory Forbearance

- Regulatory Forbearance continued long after economic recovery from Global Financial Crisis unintended in detrimental consequences for banks, firms, and economy
- Regulatory Forbearance should be discontinued when the economy exhibits recovery, not to be continued for years
- Asset Quality Review exercise must be conducted immediately after the forbearance is withdrawn
- Legal infrastructure for the recovery of loans needs to be strengthened

MUDRA YOJANA

Micro Units Development and Refinance Agency Bank (**Mudra Bank**), is a new institution setup by the Government of India for development of micro units and refinance of MFIs to encourage entrepreneurship in India & provide the funding to the non corporate small business sector. Mudra Yojana had announced by the Finance Minister in Parliament during Union Budget for FY 2016. Mudra Bank will need two type of product like refinance for the micro units having loan requirement from Rs.50 thousands to 10 lakhs and support of Micro Finance Institutions (MFI) for on landing. MUDRA will refinance to micro business under the scheme of Pradhan Mantri Mudra Yojana. Under

the guideline of Pradhan Mantri MUDRA Scheme, MUDRA Bank has launched its three initiative product and its name is Shishu, Kishor & Tarun to signify the stage of growth and funding needs of the micro units or entrepreneur. Mudra Bank is refinancing through State level institutions, MUDRA will deliver the loan through NBFCs, MFIs, Rural Banks, District Banks, Nationalize Banks, Private Banks, Primary Lending Institutions and other intermediaries. Recently Central Government decides to provide an additional fund of Rs. One Lakh crore to the market and it will be allocate according to growth stage & funding need of micro units (Table 1).

Table 1: District-wise Status of Small Scale Units of Punjab

S.No.	District	No. of Units	S.No.	District	No. of Units
1	Amritsar	25364	11	Ludhiana	38393
2	Barnala	1788	12	Mansa	1971
3	Bathinda	4209	13	Moga	3281
4	Faridkot	2188	14	Mukatsar	3368
5	Fatehgarh Sahib	3087	15	Nawanshahar	2380
6	Ferozepur	4340	16	Patiala	7844
7	Gurdaspur	9435	17	Ropar	2816
8	Hoshiarpur	6457	18	S.A.S.Nagar	6063
9	Jalandhar	22906	19	Sangrur	10636
10	Kapurthala	4198	20	Tarn Taran	1835

Source: MSME –DI REPORT OF STATE PROFILE OF PUNJAB 2015-16

In India, limited research work has been found pertaining to the role of selected Govt. schemes covering the field of Technology & Quality Improvement, Marketing and procurement, Finance without collateral, Raw material procurement, Performance & Credit Rating of MSEs and their implementation along with effectiveness of its usage. The Govt. of India has put emphasis from time to time for promotion and developments of MSMEs and accordingly design/develops various strategies and policies to overcome the problems being faced by MSMEs. A framework for the report of the working group was developed in the first meeting of the group and subgroups were constituted for detailed study of important focus areas to identify the bottle necks and suggestions.

PROBLEMS FACED BY MSMEs

Despite constituting more than 80 % of the total number of industrial enterprises and supporting industrial development, many MSMEs in India have problems such as sub-optimal scale of operation, technological obsolescence, supply chain inefficiencies, increasing domestic and global competition, **fund shortages**, change in manufacturing strategies and turbulent and uncertain market scenario (MSME Report for msmes, 2012).

GOVERNMENT OF INDIA INITIATIVES FOR DEVELOPMENT OF MSMEs

Focus of the Government on manufacturing sector needs a clear road map for implementation. In a significant policy initiative, the Government has enacted Micro, Small and Medium Enterprises Development Act, 2006 which aims to facilitate promotion and development and enhance the competitiveness of MSMEs. The Act, which come into force on 2nd Oct, 2006 fulfilled a long cherished demand of this sector. Apart from giving

the legal strength to Micro, Small and Medium Enterprises, this Act also contains penal provisions relating to delayed payment to these enterprises. The 4th All India Census of MSMEs (2006-07), which was launched in May 2008, was released during 2011-12. This is the first Census after the enactment of MSME Act, 2006, and includes, for the first time, medium enterprises also. The Government has set-up for the first time, a statutory National Board for Micro, Small and Medium Enterprises so as to bring together the representatives of different sub-sectors of MSMEs, along with policymakers, along with bankers, trade unions and others, in order to move towards cohesive development of the sector. The Board has been re-constituted on 27th May, 2013.

FOCUS OF BANKS

Of late, several banks have focused on the MSMEs; in fact, some of them have launched specific funds to meet the capital requirements of MSMEs as many banks opened their specialized SME-branches for exclusive finance to MSMEs of the area. Some branches also come-up with specialized mid corporate branches and some as overseas branches to promote export financing for MSMEs. Recently MUDRA BANK has been launched as initiatives by Government of India for providing collateral free loan to MSMEs up to Rs.10lacs at cheaper (ROI) Rate-of-interest. Human development is one of the most important component of social sector development and role of human development in facilitating social and economic progress is well recognized. For many years growth has been a major economic goal of policy makers as delivering a larger quantity of goods and services is the best way to improve people's standard of living. But quality of people's lives can be poor in the midst of plenty so undoubtedly more economic growth is needed but more attention must go to the structure and quality of that growth-to ensure that it is directed to supporting human development, reducing poverty, reducing inequalities, protecting the environment and ensuring sustainability.

OBJECTIVE AND METHODOLOGY

To identify the Problems faced by MSMEs in availing benefits under selected government schemes viz. CLCSS & CGTMSE related to Finance and to examine the effectiveness of said schemes in light of problems being faced by MSMEs. For the proposed study various MSME Reports of the department is used as database in addition to survey questionnaire done from the MSMEs thru' online/offline mode.

RESULTS

There is lack of awareness of CLCSS & CGTMSE schemes of Govt. of India among MSMEs & how to avail the same. "MSMEs need to be completely aware of the various initiatives by the Government and correctly utilize these to their benefits. One of the key constraining factors becomes awareness and therefore lack of knowledge to utilize these effectively. Further, the Government schemes must be monitored and effectively modified to suit the needs to the MSME industry"

CONCLUSION

From the study, it is concluded that the maximum of MSMEs having lack of awareness

about the govt. schemes. However those are aware they are facing problems in implementation of the same as nobody is there to guide/assist them how to get benefit under the said scheme, as they are dependent on the banks & banks don't support them. Further it has been witnessed from the secondary data the units those are availing benefits of such schemes rise/grow multifold not only thru' manufacturing quality product but leads to reduction in rejection/rework by using latest technology & up gradation of their machinery to minimize the dependence on labour as they are also lacking skilled manpower. At the outset, it is recommended to put more emphasis on CNC-Machines by using the latest technology to enhance the quality production & inturn increase in turnover & revenue generation for growth of any organization i.e. MSME, being backbone of Indian economy.

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