

*"IOD has decided to focus on **MSME Sector** in view of their crucial role in India's economy. DT is launching an initiative to give regular information on government's policies and actions to support MSME and a report on outstanding performance. This is the first article in that strategy."*

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THE ROLE OF **MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSME)** GOVERNMENT OF INDIA

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Introduction

Micro, Small and Medium enterprises (MSMEs) are important to almost all economies in the world, especially in developing countries and play an important role for growth and development of the economy with inclusive growth of masses, creation of employment opportunities, opportunity of showcasing of business competencies and capabilities by entrepreneurs and raising standards of life. The size and importance of the MSME sector varies from country to country. In the last few decades there is an increasing recognition of the role it plays in industrial countries for their contribution in economies due to which number of MSMEs is increasing.

The role of MSMEs in the Indian economy is unique and unparalleled. Indian economy is gaining momentum in the process of creation and development of enterprises and MSMEs have been contributing significantly to the expansion of entrepreneurial endeavours through business innovations and other interventions. The sector contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country.

The advantages of setting MSMEs in India are many. MSMEs play a crucial role by providing large employment opportunities at comparatively lower capital cost than large industries as well as

through industrialization of rural & backward areas, inter alia, reducing regional imbalances, assuring more equitable distribution of national income and wealth. It is the most important and effective sector for creation of enterprises. Entrepreneurs can expand their capabilities and horizons of empowerment comparatively with less inputs in this sector for their livelihoods besides having opportunity of being job providers and not job seekers thus to facilitate the economic growth and development of the country faster in comparison to other ventures. The significant importance of the MSME sector towards driving the country's economy has thus led the Government to consider it as a priority sector.

As per the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office, Ministry of Statistics & Programme Implementation during the period 2015-16, there were 633.88 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities (196.64 lakh in Manufacturing, 0.03 lakh in Non-captive Electricity Generation and Transmission, 230.35 lakh in Trade and 206.84 lakh in Other Services) excluding those MSMEs registered under (a) Sections 2m(i) and 2m(ii) of the Factories Act, 1948, (b) Companies Act, 1956 and (c) construction activities falling under Section F of National Industrial Classification (NIC) 2008. As per Fourth All India Census of MSME (2006-07), there were 3.62 crore MSME. The sector has grown at an annual compound rate of more than 7%. The MSME segment plays a key role in domestic manufacturing and is imperative for the success of the Make in India programme. Following statement shows the distribution of MSMEs by Broad activity wise.

Estimated Number of MSMEs by Broad Activity Category

Broad Category	Activity	Estimated Number of Enterprises (in lakh)			Share (%)
		Rural	Urban	Total	
(1)	(2)	(3)	(4)	(5)	
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

Non-captive electricity generation and transmission

Ministry of Micro, Small & Medium Enterprises (M/o MSME), Government of India: Role and functions

Ministry of Micro, Small & Medium Enterprises (M/o MSME), Government of India was formed after merging of the erstwhile Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries on 9 May 2007. The Ministry designs policies, promotes/ facilitates programmes/ projects/ schemes and monitors their implementation, with a view to assisting prospective and existing MSMEs and helping them to scale up. It envisions a progressive MSME sector by promoting growth and development of the sector, including Khadi, Village and Coir Industries, in cooperation with concerned Ministries / Departments, State Governments and other Stakeholders, through providing support to prospective and existing enterprises, existing & emerging technologies and encouraging creation of new enterprises.

A number of statutory and non-statutory bodies work under the aegis of the Ministry of MSME. These include the Khadi Village Industries Commission (KVIC) and the Coir Board besides National Small Industries Corporation (NSIC), National Institute for Micro, Small and Medium Enterprises (NIMSME) and Mahatma Gandhi Institute for Rural Industrialisation (MGIRI). The Ministry of MSME runs various schemes aimed at financial assistance, technology assistance and up gradation, infrastructure development, skill development and training, enhancing competitiveness and market assistance of MSMEs.

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address different issues affecting MSMEs *inter-alia* the coverage and investment ceiling of the sector. The MSMED Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. The MSMED Act has the key provision of Establishment of a National Board for Micro Small and Medium Enterprises headed by the



Launch of Mission Solar Charkha by Hon'ble President of India during Udyam Sangam 2018, New Delhi 27 June 2018

Launch of MISSION SOLAR CHARKHA
Udyam Sangam 2018, 27th June 2018

Minister for MSME. The role of the Board is to examine the factors affecting the promotion and development of MSMEs, review the policies and programmes of the Central Government and make recommendations in regard to facilitating the promotion and development and enhancing 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.



A view of MSME Pavilion, Ministry of MSME, Government of India at 38th India International Trade Fair, 2018 Pragati Maidan New Delhi, November 14-27, 2018

Development Commissionerate [Office of the Development Commissioner (MSME)] an attached office of the Ministry,



Another view of MSME Pavilion, Ministry of MSME Government of India at 38th India International Trade Fair, 2018 Pragati Maidan, New Delhi, November 14-27, 2018



Another view of MSME Pavilion, Ministry of MSME Government of India at 38th India International Trade Fair, 2018 Pragati Maidan, New Delhi, November 14-27, 2018

headed by the Additional Secretary & Development Commissioner (AS & DC), MSME implements the policies and various programmes/ schemes for providing infrastructure and support services to MSMEs. It functions through a network of 30 MSME-Development Institutes (DI), 29 Branch MSME Development Institutes, 4 Regional Testing Centres, 18 MSME Technology Centres (Earlier known as Tool Rooms) and other Training Institutes/Testing Stations besides 15 new Technology Centres under Technology Centre System Programme (TCSP)

which are under process and spread across the country. It renders services such as, Advising the Government in Policy formulation for the promotion and development of MSMEs, Providing techno-economic and managerial consultancy, common facilities and extension services to MSME units, Providing facilities for technology up gradation, modernization, quality improvement and infrastructure, Developing Human Resources through training and skill up gradation, Providing economic information services. Office of the Development Commissioner (MSME) runs a number of programmes and schemes for the promotion and development of existing and new MSMEs under different verticals viz. technology up gradation,



Udyam Sangam 2018 and 2nd United Nations Micro, Small and Medium-Sized Enterprises Day Inauguration by Hon'ble President of India, New Delhi 27 June, 2018

credit, marketing assistance, infrastructure development, awards, promotion and development of skills etc. **Some Initiatives of the Government of India to boost entrepreneurship including new start-ups:**

The present Government has taken a number of major initiatives, interventions and policy measures in order to make them more broad based, transparent, user friendly with an aim of simplifying the processes with ease of doing business, digital friendly, environmental friendly, Make in India initiatives with an aim to enable their reach to the ground root level and contribute to the export and growth of the country. Some of the major initiatives of the Government of India are mentioned as under:

- I. **Launch of simplified online Udyog Aadhar Memorandum (UAM) on self declaration basis discontinuing with earlier system of registration;**
- II. **Reviewing every scheme as an ongoing process and making online.**
- III. **Launch of various portals for effective interface with public like MSME Samadhaan, MSME Sambandh, MSME Sampark, My MSME, MSME Databank, Udyam Sakhi and celebration of Udyam Sangam;**
- IV. (a) **Change in the basis of classifying Micro, Small and Medium enterprises from 'investment in plant & machinery / equipment' to 'annual turnover'** : The Union Cabinet chaired by the Prime Minister Shri Narendra Modi (Press Release dated 07-February-2018 Press Information Bureau, Government of India, Ministry of Micro, Small &

Medium Enterprises) has approved change in the basis of classifying Micro, Small and Medium enterprises from 'investment in plant & machinery/equipment' to 'annual turnover'. This will encourage ease of doing business, make the norms of classification growth oriented and align them to the new tax regime revolving around GST (Goods & Services Tax). Section 7 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 will accordingly be amended to define units producing goods and rendering services in terms of annual turnover as follows:

- A micro enterprise will be defined as a unit where the annual turnover does not exceed five crore rupees;
 - A small enterprise will be defined as a unit where the annual turnover is more than five crore rupees but does not exceed Rs 75 crore;
 - A medium enterprise will be defined as a unit where the annual turnover is more than seventy five crore rupees but does not exceed Rs 250 crore.
 - Additionally, the Central Government may, by notification, vary turnover limits, which shall not exceed thrice the limits specified in Section 7 of the MSMED Act.
- (b) At present the MSMED Act (Section 7) classifies the Micro, Small and Medium Enterprises (MSMEs) on the basis of investment in plant and machinery for manufacturing units, and investment in equipment for service enterprises. The criterion of investment in plant and machinery stipulates self

declaration which in turn entails verification if deemed necessary and leads to transaction costs.

(c) Taking turnover as a criterion can be pegged with reliable figures available e.g. in GST Network and other methods of ascertaining which will help in having a non discretionary, transparent and objective criteria and will eliminate the need for inspections, make the classification system progressive and evolutionary, help in overcoming the uncertainties associated with the classification based on investment in plant & machinery/equipment and employment, and improve the ease of doing business. In addition the amendment will provide flexibility to the Government to fine-tune the classification of MSMEs in response to changing economic scenario without resorting to the amendment of MSMED (Micro, Small & Medium Enterprises Development) Act.

(d) Once the above change is passed by the Parliament and implemented, it would imbibe a business culture among the MSMEs.

V. (a) **Start-up initiatives:** A start-up or startup is started by individual founders or entrepreneurs to search for a repeatable and scalable business model. More specifically, a start-up is a newly emerged business venture that aims to develop a viable business model to meet a marketplace need or problem. Founders design start-ups to effectively develop and validate a scalable business model. Hence, the concepts of start-ups and entrepreneurship are similar.

(b) Startup India is a flagship initiative of the Government of India, intended to build a strong ecosystem that is conducive for the growth of startup businesses, to drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower startups to grow through innovation and design.

(c) Several programs have been undertaken since the launch of the initiative on 16th of January, 2016 by Hon'ble Prime Minister, to contribute to his vision of transforming India into a country of job creators instead of job seekers with the intention to build a strong eco-system for nurturing innovation and Startups in the country. These programs have catalyzed the startup culture, with startups getting recognized through the Startup India initiative and many entrepreneurs availing the benefits of starting their own business in India. The Government through this initiative aims to empower Startups to grow through innovation and design and to accelerate spreading of the Startup movement.

(d) The 19-Point Startup India Action Plan envisages several incubation centres, easier patent filing, tax exemptions, ease of setting-up of business, a INR 10,000 Crore corpus fund, and a faster exit mechanism, among others.

(e) **Definition of Startup (only for the purpose of**

Government schemes): Startup means an entity, incorporated or registered in India not prior to five years, with annual turnover not exceeding INR 25 crore in any preceding financial year, working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property. Provided that such entity is not formed by splitting up, or reconstruction, of a business already in existence. Provided also that an entity shall cease to be a Startup, if its turnover for the previous financial years has exceeded INR 25 crore or it has completed 5 years from the date of incorporation/ registration. Provided further that a Startup shall be eligible for tax benefits only after it has obtained certification from the Inter-Ministerial Board, setup for such purpose.

(f) Indian SMEs & Startup's has been the growth engine of Indian economy. They have been rapidly re-innovating to enhance competitiveness in the dynamic global and domestic business environment. Traditional people-oriented and manual process driven styles of business are clearly witnessing a transformation towards a technology enabled process centric working environment.

(g) Entrepreneurship has gained startling traction in the recent years after the launch of the Startup India Scheme and has seen a paradigm shift from being a uniquely metropolitan phenomenon to becoming an all-pervasive culture. A list of more than 50 government schemes/initiatives of MSMEs of different Departments/Ministries of Government of India including that of the Ministry of MSME which supports setting up of new enterprises or Startup have been indicated on Startup India website <https://www.startupindia.gov.in>. These include Support for International Patent Protection in Electronics & Information Technology (SIP-EIT), Multiplier Grants Scheme (MGS), Software Technology Park (STP) Scheme, Electronic Development Fund (EDF) Policy, The Venture Capital Assistance Scheme, Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Raw Material Assistance, Revamped Scheme of Fund for Regeneration of Traditional Enterprises, Single Point Registration Scheme (SPRS), Aspire - Scheme for promotion of innovation, entrepreneurship and agro industry, Infrastructure Development Scheme, MSME Market Development Assistance, National Awards (Individual MSEs), Credit Linked Capital Subsidy and Technology Up gradation Scheme, Atal Incubation Centres (AIC) and Scale-up Support to Establishing Incubation Centres etc. ■

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