



## POLICIES, CONTRIBUTION AND GLOBALIZATION OF MSMEs IN INDIA

**Parala Venkata Sree Vyshnavi**

UGC NET Junior Research Fellow, Dept. of Business Management, Vikrama Simhapuri University, Nellore, Andhra Pradesh, India

**Suja S Nair**

Professor, Dept. of Business Management, Vikrama Simhapuri University, Nellore, Andhra Pradesh, India

**Acknowledgements:** This research is funded by University Grants Commission

### ABSTRACT

*Micro, Small and Medium Enterprises (MSME) are complementary to large units enabling equitable distribution of national income by providing additional employment opportunities and mobilising skills and capital. 324.88 lakh MSMEs were in rural area and 309 lakh MSMEs were in the urban areas. They are gaining prominence in the today world with the digitalization and cash less economy. The Ministry of MSME in India supporting these units with various schemes aimed at financial assistance, technology assistance and upgradation, infrastructure development, skill development and training, enhancing competitiveness and market assistance of MSMEs. The share of MSMEs in GDP of India is 28.77% in 2015-16. Government of India enters into long-term Agreements/Memorandum of Understanding (MoUs) with various countries for promoting cooperation globally. In this context, the paper presents the secondary data largely available in the web sources and official reports to have a broader understanding of the MSMEs with regard to policies, contribution and the globalization of them in India.*

**KEYWORDS:** MSMEs, policy, globalisation, GDP, MoU and international cooperation

### OBJECTIVES

The following are the objectives of the study:

1. To find out the different policies aimed at MSMEs by the government of India
2. To assess the contribution of MSMEs
3. To find out the different initiatives taken by the government for the globalization of MSMEs.

### RESEARCH METHODOLOGY

The research is a review of reports on MSMEs. It is purely based on the secondary sources of data. The data is collected from articles and government websites.

### 1.INTRODUCTION

The Micro, Small and Medium Enterprises (MSME) sector has become a dynamic sector of the Indian economy. It 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 industries are complementary to large as ancillary

units and this sector contributes significantly in the inclusive industrial development of the country. The MSMEs are producing diverse range of products and services to meet demands of domestic as well as global markets.

Following are the objectives of the Micro Small and Medium scale Enterprises

1. To provide additional employment opportunities.
2. To mobilise resources of capital and skill from various parts of the country.
3. To provide a more equitable distribution of national income.
4. To provide a helping hand to large industries and facilitate them in their work.
5. This sector offers possibilities for massive employment, including in rural and semi-urban areas,

Ministry of Micro, Small & Medium Enterprises (M/o MSME) 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 existing enterprises, adopting cutting edge technologies and encouraging creation of new enterprises. A number of statutory and non-statutory bodies work under the aegis of the Ministry of MSME.

The Ministry of MSME runs various schemes aimed at financial assistance, technology assistance and upgradation,

infrastructure development, skill development and training, enhancing competitiveness and market assistance of MSMEs. The Ministry is committed towards an agenda of inclusive development, and has taken various initiatives and measures to ensure that demographically as well as geographically weaker sections benefit from its work.

**Table 1: investment in MSMEs**

Manufacturing Sector	
Enterprise Category	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
Service Sector	
Enterprise Category	Investment in equipment
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees

*Source: Ministry of Micro, Small and Medium Enterprises, GOI, Annual Report 2017-18.*

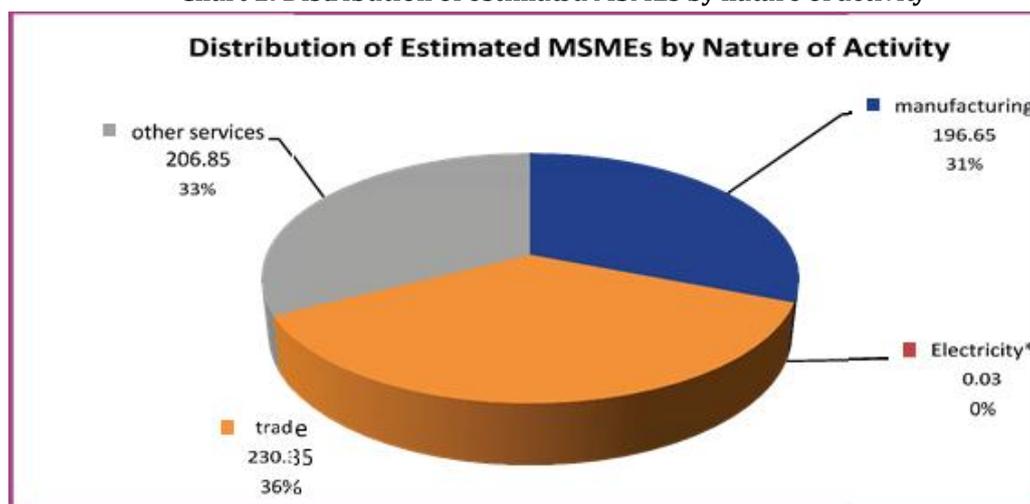
**Table 2: Estimated Number of MSMEs (Activity Wise)**

Activity Category	Estimated Number of Enterprises (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	114.14	82.50	196.65	3
Trade	108.71	121.64	230.35	3
Other Services	102.00	104.85	206.85	3
Electricity*	0.03	0.01	0.03	0
<b>All</b>	<b>324.88</b>	<b>309.00</b>	<b>633.88</b>	<b>1</b>

\*Non-captive electricity generation and transmission and distribution by units not registered with the Central Electricity Authority (CEA)

*Source: Ministry of Micro, Small and Medium Enterprises, GOI, Annual Report 2017-18.*

**Chart 1: Distribution of estimated MSMEs by nature of activity**



*Source: Ministry of Micro, Small and Medium Enterprises, GOI, Annual Report 2017-18*

## 2. RECENT POLICY INITIATIVES

### a. Ease of Registration Process of MSMEs- Udyog Aadhaar Memorandum

The simplified one-page registration form UAM was made after consultations with the states and stakeholders, on the basis of recommendations made by the Kamath Committee

The entrepreneurs in the MSME sector just need to file online, a simple one-page UAM. The information sought is on self-certification basis and no supporting documents are required at the time of online filing of UAM.

## **b. Framework for Revival and Rehabilitation of MSMEs**

In order to provide a simpler and faster mechanism to address the stress in the accounts of MSMEs and to facilitate the promotion and development of MSMEs, the Ministry of Micro, Small and Medium Enterprises, Government of India, notified a 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises'. Reserve Bank of India, after continuous follow up, has also issued guidelines to the Banks on 17.3.2016. Under these guidelines Banks have created a structure for finalising corrective action plan for revival & rehabilitation of MSMEs.

### **c. MSME Data Bank**

For facilitating the promotion and development and enhancing the competitiveness of MSMEs, all MSMEs have to furnish information relating to their enterprises online to the Central Government in the data bank. This data bank will enable the Ministry to streamline and monitor the schemes and pass on the benefits directly to MSMEs. It will also provide the real-time information about the status of MSMEs under various parameters.

### **d. MyMSME**

To facilitate the enterprises to take benefit of various schemes by the Office of Development Commissioner (MSME), a web-based application module, namely, MyMSME. This has also been converted into a mobile app. Entrepreneurs will be able to make their applications and track it on their mobile itself.

### **e. Direct Benefit Transfer in the M/o MSME**

All welfare and subsidy schemes of Governments of India have been brought under Direct Benefit Transfer (DBT) with the aim of reforming Government delivery system by reengineering the existing process in welfare and subsidy schemes, for simpler and faster flow of funds and to ensure accurate targeting of the beneficiaries, de-duplication and reduction of fraud.

### **f. GST Rollout and Ministry of MSME**

All field organisations opened GST Cells in their respective offices to provide requisite support to MSMEs with respect to GST issues. More than 20000 persons have been trained in the various nuances of GST through workshops by M/o MSME

### **g. Digital Payments**

Government of India is making efforts for promoting a less cash economy and to provide the facility of seamless digital payment to all citizens of India in a convenient manner. Promotion of digital payments has been accorded highest priority. The Vision is to provide facility of seamless digital payment to all citizens of India in a convenient, easy, affordable, quick and secured manner. All the offices of Ministry of Micro, Small and Medium Enterprises, including its attached offices have been digitally enabled. Efforts have been made to spread awareness on the ease and benefits of different modes of payments.

### **H. Grievance Monitoring**

The Ministry has started an MSME internet grievance monitoring system (eSAMADHAN) to track and monitor other grievances and suggestions received in the Ministry. The portal gives information about individual CPSEs/ Central Ministries, State Govts. etc. and other buyers regarding the payments pending with them in respect of the MSEs. After 15 days of online filing of the case, it is automatically registered

with the MSEFC concerned. This portal has also helped in getting the delayed payments getting settled mutually between seller and buyer.

### **I. MSME-SAMBANDH**

For effective implementation and monitoring of the Public Procurement policy which mandates 20% of annual procurement from MSEs including 4% from enterprises owned by SC/ST entrepreneurs by the Central Ministries / Departments and Central Public Sector Enterprises (CPSEs), the Ministry launched the Public Procurement Portal titled "MSME-SAMBANDH"

### **J. Technology Centre Systems Programme (TCSP)**

To expand and upgrade the network of Technology Centres (Tool Rooms and Technology Development Centres) in the country, Ministry of MSME is implementing Technology Centre Systems Programme (TCSP) at an estimated Projected Cost of Rs. 2200 Crores including World Bank Loan assistance of USD 200Mn to establish 15 new Technology Centres (TCs) and upgrade existing TCs across the country.

### **K. Partnership with Industry**

In addition to MoU signed with Samsung Electronics India for skilling youth in repairing & maintenance of electronic products, the DC(MSME) also signed MoU with SAP India for skilling of youth in ERP SAP Business One Module. These skill development programmes are conducted through MSME Technology Centres.

### **L. SWACHHTA PAKHWADA by Ministry of MSME**

For the first time, Swachhta Pakhwada was organized by the Ministry with grandeur through its field offices and organisations spreading across the country. Awareness campaigns and seminars on new and Innovative technologies on cleanliness were organised. School children were also associated in activities like tree plantation, painting competition, essay and slogan writing competition, etc. Awareness is being created amongst MSMEs about the importance of setting up of effluent treatment plants and adopting waste management techniques. This is one such initiative to create a healthy competition amongst industrial clusters, industrial estates and offices for Swachhta.

### **M. National Scheduled Caste / Scheduled Tribe Hub:**

The functions of Hub include collection, collation and dissemination of information regarding SC/ST enterprises and entrepreneurs, capacity building among existing and prospective SC/ST entrepreneurs through skill training and EDPs, vendor development involving CPSEs, NSIC, MSME-DIs and industry associations including Dalit Indian Chamber of Commerce & Industry (DICCI), promoting participation of SC/ST entrepreneurs in exhibitions and organizing special exhibitions for this purpose, facilitating SC/ST entrepreneurs participating in public procurement and monitoring the progress, etc.

## **3. CONTRIBUTION OF MSMEs**

The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavours through business innovations. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets.

**Table 3: Contribution of MSMEs in Country's Economy at Current Price**  
(Figures in Rs. Crores adjusted for FISIM at current prices)

Year	MSME Gross Value Added	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total Gross Domestic Product	Share of MSME in GDP (%)
2011-12	2583263	-	8106946	31.86	8736329	29.57
2012-13	2977623	15.27	9202692	32.36	9944013	29.94
2013-14	3343009	12.27	10363153	32.26	11233522	29.76
2014-15	3658196	9.43	11481794	31.86	12445128	29.39
2015-16	3936788	7.62	12458642	31.60	13682035	28.77

Source: Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation

#### 4. GLOBALIZATION

It is the process of international integration arising from the interchange of world views, products, ideas and other aspects of culture. It is also a process of integrating various economies of the world without creating any hindrances in the free flow of goods and services, technology, capital and even labour or human capital. The term globalization therefore, has four parameters:

1. Reduction of trade barriers to permit free flow of goods and services among nation-states;
2. Creation of environment in which free flow of capital can take place among nation-states;
3. Creation of environment, permitting free flow of technology; and
4. Last, but not the least, from the point of view of developing countries, creation of environment in which free movement of labour can take place in different countries of the world.

##### a. Benefits and disadvantages of globalization (mohandas 2014)

- Positive consequences of globalization include:
  - Improvements in local productivity can promote prosperity
  - The movement and sharing of information, knowledge and expertise
  - The improvement of international standards for variables such as education and health
  - Increases the variety of goods available to the world market and provides a bigger range of markets for internationally sourced products
- Negative consequences of globalization include:
  - The loss of employment in manufacturing in developed countries
  - A drift towards a more homogenized culture and society internationally
  - Local economies may be more vulnerable to fast changes in the international economy
  - Increased centralization of power in the hands of large transnational corporations
  - The location of industry in less developed countries, for many reasons, often leads to environmental degradation

##### b. Governmental activities

Government of India enters into long-term Agreements/Memorandum of Understanding (MoUs) with various countries for promoting cooperation in the field of MSMEs

in the broad areas of capacity building, industrial surveys and feasibility studies, enterprise to enterprise collaboration, participation in exhibitions and trade fairs, exchanging business missions, technology transfer etc. The Ministry of MSME has so far entered into 19 long term agreements, Memorandum of Understanding/Joint Action Plan for cooperation in MSME sector with foreign Emirates (2017).

An International Workshop was to negotiate an MoU concerning cooperation in MSME sector among Indian Ocean Rim Association (IORA) States on 19-20 January, 2017 at New Delhi in which 29 delegates from 17 member countries participated.

An International SME Convention-cum-Expo in association with India SME Forum and other global industry organizations was organized at New Delhi in 2018 with an objective to provide a global platform for intense business discussion between international entrepreneurs and selected high-performing entrepreneurs from all over India.

National Small Industries Corporation (NSIC) has also signed MoUs during 2014 to 2018 with 4 counterpart organizations from Botswana, South Africa, Tanzania and Malaysia for cooperation in MSME sector. NSIC has also established Vocational Training Centres/Rapid Incubation Centres under India Africa Forum Summit (IAFS-I) in seven countries namely: Burundi, Burkina Faso, Egypt, Ethiopia, Rwanda, Gambia and Zimbabwe. Establishment of Vocational Training Centre in Mozambique is in progress.

#### CONCLUSION

The Ministry of MSME in India supporting these units with various schemes aimed at financial assistance, technology assistance and upgradation, infrastructure development, skill development and training, enhancing competitiveness and market assistance of MSMEs and also with MoUs signed globally. Strategies to be framed for MSMEs to cope up with the competition globally (Kagechu 2013) includes Becoming more innovative, Leadership with technical and innovative motivational style of management, Forming industry networking with suppliers and other stakeholders, Integrated Information Systems /Information Technology, Join the competition foreign market, ownership of trademarks and patents (Zhelyu et.al 2013), engage in research and development in production of new products and differentiating products to suit the market needs.

**REFERENCES**

1. [www.mospi.gov.in](http://www.mospi.gov.in).
2. [udyogaadhaar.gov.in](http://udyogaadhaar.gov.in)
3. Ministry of Micro, Small and Medium Enterprises, GOI, Annual Report 2017-18.
4. Ministry of Micro, Small and Medium Enterprises, GOI, Indian MSMEs marching ahead- achievements 2014-18.,
5. Zhelyu, V, Ralitsa, S & Kaloyan, G 2013, Significance of globalization-specific factors for SME competitiveness: a conceptual model and an empirical test, faculty documents, Sofia University. Available at: <http://mpra.ub.uni-muenchen.de/63518/> MPRA Paper No. 63518, posted 21 April 2015 16:08 UTC
6. kagechu, C 2013, Strategies adopted by small and medium, manufacturers enterprises to cope with challenges of globalisation in nairobi, Kenya, research project, University of Nairobi
7. Mohandass, S 2014, 'Impact of globalization on micro, small and medium enterprises in india', Asia Pacific Journal of Research, Vol no. 1, issue XVIV.