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## A STUDY OF THE GOVERNMENT SCHEMES FOR THE MSME SECTOR AND THEIR CONTRIBUTION TO THE DEVELOPMENT OF INDIA

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*St. Joseph's Journal of Business Research  
Vol. 1(01), Dec 2022, pp. 3-11*

### **Abstract:**

*The paper aims to review the government schemes available for the MSME sector and to figure out how to contribute to the development of our country. The target of this examination is to find out the different issues Faced by MSME in India and to know the scheme framed by the government under the MSME sector, to find how MSME and start up contribute to the development of our country. This study depicts the job of Government plans and MSME Sectors is adding to his advanced world. In India, MSMEs contribute practically 8% of the country's GDP and These MSMEs employ estimated about 45% of the manufacturing output and around 40% of the total exports of India. Along these lines, the principal benefits are that they give greater business potential at a low capital expense. Thus, government plans go about as a backbone for the MSME sector, which goes a long way in developing our nation and also helps in generating more employment opportunities.*

**Keywords:** - MSME, Government schemes, Employment opportunities, GDP.

### **Introduction:**

In India, MSMEs contribute almost 8% of the nation's GDP, around 45% of the manufacturing yield, and roughly 40% of the nation's exports and it also provides 11 crore employment. Henceforth it is known as the 'Backbone of the country'. The Government of India has presented MSMEs or Micro, Small, and Medium Enterprises in agreement with the Micro, Small, and Medium Enterprises Development (MSMED) Act of 2006. These endeavours principally occupied the creation, assembling, handling, or protection of products and commodities. MSMEs are a significant area of the Indian economy and have contributed massively to the country's financial turn of events. It produces business open doors as well as works connected at the hip towards the improvement of the country's backward and rural areas. As indicated by the yearly report by the Government (2018-19), there are around 6,08,41,245 MSMEs in India.

Any person who needs to launch his business or as of now possesses one yet that goes under Micro, Small, and Medium Enterprises (MSMEs) can profit from the advantages of the credit offices. According to the most recent declaration in July 2020 concerning rethinking the MSMEs, a Table is displayed that reclassifies the freshest meaning of Micro, Small, and Medium Enterprises.

Type of Enterprise	Investment in Plant and Machinery	Annual Turnover
Micro	Not more than Rs.1 crore	Not more than Rs.5 crore
Small	Not more than Rs.10 crore	Not more than Rs.50 crore
Medium	Not more than Rs.50 crore	Not more than Rs.250 crore

### Review of Literature:

#### 1. (Shashikala S.R, 2020)

The above research was presented by Shashikala S. R and Dr. M. Amulya. The paper outlines the public authority plans for the advancement of new-age business visionaries in India. In the present India setting, work open doors in the open area and huge scope area are contracting and vast valuable open doors emerging from globalization are standing by the exploited entrepreneurs can truly take more time to the statures of turning into very financial power.

#### 2. (Kumar, 2017)

The paper outlines the endeavors to comprehend the job of MSMEs in giving work open doors and pushing towards the comprehensive advancement of the country. The different issues looked at by these MSMEs in executing their activities have additionally been talked about in this paper.

#### 3. (A. Sathish, 2019)

The paper outlines the strategies that are offered by the MSMEs to advance entrepreneurship in India. In association with the MSMEs to deliver n -number of assistances to advance entrepreneurship in MSMEs sectors which contain Khadi village and coir industries. This assistance will also facilitate skill development programs and also provide subsidy schemes.

#### 4. (B Sudha D. S., 2019)

The paper outlines the endeavor and has been made to feature the business improvement (ED) process in India and the meaning of the business venture advancement program for the country's monetary development. The possibility of pioneering improvement includes engaging an individual with the fundamental data and information utilized for big business constructing and advancing his enterprising abilities.

#### 5. (Zanjurne, 2018) MSMEs

The paper outlines the execution of MSMEs and the development and open doors. The fact that this makes it a contemplated area essentially contributes to business, trades, and fabricating yield. The MSMEs area can help for accomplishing the objective of country manufacturing that assembling to contribute 25% of India's GDP by 2020. For that reason, the public authority of India has taken a decent drive of "Make in India".

### Objectives:

- To find how MSMEs and start-ups contribute to the development of our country.
- To know the scheme framed by the government under the MSME sector.
- To review the different issues looked at by MSMEs in India.

**Analysis:**

**1. To find how MSMEs and start-ups contribute to the development of our country.**

- MSMEs make a crucial contribution to the Indian GDP. MSMEs contribute more than 29% to the GDP and are responsible for 50% of the country's total exports.
- Over the years MSMEs have developed highly which will help the Indian economy. These MSMEs are the driving engine behind economic growth. They are responsible for generating massive growth in employment and a high amount of industrial production as well as exports. Owing to its flexibility and vibrancy they have shown appreciative innovativeness and easy adaptability in surviving the ups and downs of the Indian economy.
- Growth and performance: In the past few decades, MSME are registered a high growth rate in comparison to other industrial sectors. These MSMEs employ an estimated 45% of the manufacturing output and around 40% of the total exports of India. So, the main benefits are that they provide more employment potential at a low capital cost. To help this government has also come up with various schemes, policies, etc.
- Employment opportunities: The MSMEs sectors of the country have generated a number of employment opportunities for the people. Here the basic investment of 1 lakh rupees in fixed assets on a small scale creates the employment of 4 people. They play a significant role in the industrialization of the rural and backward areas; hence it reduces the regional imbalance, and creates equitable distribution of national income, therefore they contribute to the socio-economic development of the country. The MSMEs is the only sector that provides maximum opportunities for both self-employment and wage employment, apart from the agriculture sector.

**2. To know the scheme framed by the government under the MSMEs sector.**

The government of India has launched many schemes to encourage start-up and MSMEs in India. Here we have sheltered the two government's schemes for start-ups and MSMEs which can help then trigger their growth. When it comes to MSMEs and start-ups, the government of India is clear it should be well protected, advanced and encouraged for the development of India.

### **I. I. Zero defect and zero effect**

**Objective:** - The plan targets to empower MSMEs towards assembling quality items by teaching Zero Defect and Zero effect practices, to protect the ceaseless improvement in this manner supporting the Make in India drive.

**Scheme applicable for:** - All existing entrepreneurs

**Key benefits:** -

- To advance the transformation of Value frameworks/instruments and Energy Effective assembling.
- Monetary help to be given to the MSMEs in the obtainment of the ZED accreditation.
- Repayment of Consultancy charges/Affirmation expenses on the effective certificate, dependent upon an upper roof as per the plan rule. This can be pursued just once each for Worldwide and Public Guidelines.
- MSMEs which supply to Protection can profit repayment also on Guard related declarations/Guidelines just a single time.
- Empower and Support MSMEs for using the most recent innovations to make quality items.
- Consistent up-gradation in the course of accomplishing higher efficiency with the least harm to climate.
- Advance an Environment for Zero defect Zero effect manufacturing in MSMEs.
- Advancing flexibility of value and recognizing the endeavors of effective MSMEs.
- Increment public mindfulness on requesting Zero Defect and Zero effect Items through the ZED Rating and Complaint Redressal Entry.

### **II. Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE)**

**Objective:** - The plan targets inspiring original business people towards independent work by giving credit to ensure subsidizing to outsider assurance free/insurance free advances.

#### **Zero defect and zero effect**

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#### **Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE)**

The plan targets inspiring original business people towards independent work by giving credit ensure subsidizing to outsider assurance free/insurance free advances.

#### **Credit Linked Capital Subsidy Component (CLCS & TU Scheme)**

The plan targets working with innovation up degree in MSEs with cutting edge innovation, regardless of extension and furthermore for new MSEs which have set up their offices by giving a forthright capital appropriation

#### **Pradhan Mantri Mudra Yojana**

The plan targets providing advances to the non-corporate, non-ranch little/minature enterprises. These advances are named MUDRA credits under PMMY.

#### **Design Clinic for Design Expertise to MSMEs**

The plan targets working with the MSMEs in India with financially savvy arrangements and master counsel on ongoing plan issues, further improving intensity by item improvements in worldwide business sectors.

**Scheme applicable for:** - Current Entrepreneurs and Aspirant Entrepreneurs

**Key benefits:** -

- Guarantee on credits for loans up to INR 2 crores, without third-party guarantee and collateral.
- Guarantee on coverages range from 75% (others) to 85% (Micro Enterprise up to INR 5 lakh).
- 50% of the coverage is for retail activity.
- Third-party/ collateral guarantee free credit facilitation by eligible institutions with maximum credit capped at INR 200 lakhs qualify for guarantee under the scheme. Lately, guarantee coverage has been made eligible for selected Small Finance banks and NBFCs.
- Guarantee cover extends to 50%/ 75% / 80% & 85% of the sanctioned amount of the credit facility. The extent of guarantee cover is 85% for micro-enterprises for credit up to Rs. 5 lakhs. The extent of the guarantee covers 50% for credit ranging from INR 10 lakh to INR 100 Lakh per micro and small enterprise borrower retail trade activity.
- Extent of guarantee cover is 80% for both MSMEs owned/operated by women and loans/credits in the North East Region for credits up to INR 50 lakhs. In cases of default, the trust settles 75% of the amount extended by the lending institutions for credits up to INR 200 lakhs.

**III. Credit Linked Capital Subsidy Component (CLCS & TU Scheme)**

**Objective:** - The plan targets working with innovation up a degree in MSEs with cutting edge innovation, regardless of extension, on and for new MSEs which have set up their offices by giving a forthright capital appropriation of 15% (on institutional money of up to INR 1 crore availed by them).

**Scheme applicable for:** - Existing Entrepreneurs and Aspiring Entrepreneurs.

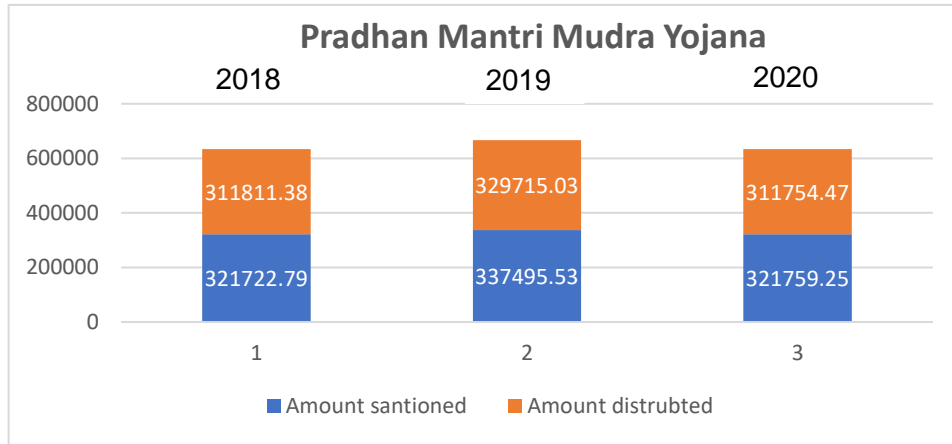
**Key benefits:** -

- Induction of established and improved technologies.
- 15% Subsidy on institutional credit up to INR 1.00 crore with a subsidy cap of INR 15.00 lakh
- The goal of the CLCS part of CLC-TUS is to work with innovation to MSEs through institutional money for enlistment deep-rooted and demonstrated advancements in the particular sub-sector/items approved under the plan -
- Upfront subsidy of 15% on institutional credit up to INR 1.0 crore (i.e., a subsidy cap of INR 15.00 lakh) for identified sectors/subsectors/ technologies.
- Toto ensures fair inclusion of SC/ST category, women entrepreneurs and entrepreneurs from NER, Hill States (Jammu & Kashmir, Himachal Pradesh & Uttarakhand), Island Territories (Andaman & Nicobar and Lakshadweep), and the identifies Aspirational Districts/ LWE Districts, the subsidy has been proposed to be admissible also for investment in acquisition/ replacement of plant & machinery/equipment & technology up-gradation of any kind.

**IV. Pradhan Mantri Mudra Yojana:** -

**Objective:** - The plan targets providing advances to the non-corporate, non-ranch little/miniature enterprises. These advances are named MUDRA credits under PMMY.

Prime Minister Modi sent off Pradhan Mantri Mudra Yojana, wherein Miniature Units Advancement and Renegotiate Organization Bank or MUDRA Banks give credits at low rates to smaller than normal cash foundations and non-banking financial establishments, who along these lines give low-premium advances to new organizations and MSMEs. Subsequently, Pradhan Mantri Mudra Yojana is one of its sort resources of resources, imagined and conceptualized to draw in Indian business visionaries. Credits up to Rs 10 lakh can be beneficial under the MUDRA scheme.



The above chart shows the beyond long-term information and the aggregate sum authorized by the public authority, and the aggregate sum circulated by this PRADHAN MANTRI MUDRA YOJANA. In the year 2018, the aggregate sum authorized is 321722.79 cr and the sum dispersed is 311811.38 cr in the year 2019 the aggregate sum endorsed is 337495.53 cr and the sum conveyed is 329715.03 cr and in the year 2020 the aggregate sum authorized is 321759.25 cr and the sum circulated is 311754.47 cr.

**V. Design Clinic for Design Expertise to MSMEs: -**

**OBJECTIVE:** - The plan targets working with the MSMEs in India with financially savvy arrangements and master counsel on ongoing plan issues, further improving intensity by item improvements in worldwide business sectors.

**Scheme applicable for:** - Existing Entrepreneurs

**Key benefits:** -

- Facilitating MSMEs with developments in design strategies through design consultancy and interventions. Financial support to be provided to MSMEs by design consultants for design intervention (GOI contribution at the rate of 75% for micro, 60% for SMEs for the project range up to INR 40 lakhs).
- Shall also support design work by reimbursing 75% of expenses incurred up to INR 1.5 lakhs for final year student projects done for MSMEs.
- Bringing the Indian manufacturing sector and Design fraternity to a common platform and to avail cost-effective solutions and expert consultation on real-time design issues, resulting in continuous improvement in new product developments.

**3. The different issues faced by the MSMEs in India:**

- Financial issues:

In the Indian economy, access to funds has generally been an issue for smaller firms and organizations. This is a significant block for organizations as well as the MSMEs area. In any case, the reality is that just 16% of SMEs gain admittance to convenient money, bringing about little and medium firms being compelled to depend on their assets. Little firms deal with this issue, however, bigger firms do too because even those greater players face huge hardships in getting less expensive credit from formal banks.

- Regulatory issues:

A few administrative issues have been distinguished over the long run, including issues like tax compliance and changes to work regulations which have wound up costing the MSMEs area truly. While trying to make this area more serious among others, certain work changes were attempted a few years back. In any case, they neglected to make any dent in further developing things for MSMEs making them more competitive than bigger firms. Subsequently, it has become truly challenging for MSMEs to follow these guidelines and register for charge consistency, which has brought about many working on low capital or in any event, closing shops.

- Infrastructure:

In India, the foundation area is critical because we are frequently referred to as the 'world's administrative center on thcenternds that such countless works in this area are completed abroad. Applications, for example, e-commerce and BPO have made more positions in low-wage nations like India.

- Low efficiency:

MSMEs are not extremely productive, however, they play out a specific task that transmits more worth than they produce. Retailers offer customer products to end clients at generally lower costs. Truth be told, MSMEs might be extremely useful just with regards to being cost-productive and are equipped for making high volume at exceptionally low expenses. Yet, considering that their creation is on a limited scale with low edges, low efficiency can put them in a difficult situation, particularly when contrasted and bigger firms.

- Lack of advancement:

Indian MSMEs are not extremely creative, and most of the items that they produce depend on outdated innovations. There is an extreme absence of business people in this area, which has kept it from taking on new advancements and tools which have achieved huge changes in different areas like e-commerce and call focuses, and so on. Therefore, MSMEs have needed to battle outdated innovation as well as low degrees of efficiency, particularly when contrasted and bigger firms.

- Technical changes:

There has been no lack of specialized changes over the long run, and most businesses have gone through a type of progress to remain competitive. Subsequently, Indian MSMEs have needed to manage a few vital changes which have impacted their development potential.

From the outset, there was an adjustment of the possession right of land, which has made the area more prone to mismanagement and, with it, a fall in efficiency.

### **Findings:**

- **Lack of Professionalism:**  
In India most of the powers are decentralized what I mean by that is the power to influence the government in the entry of new players in the market. A greater part of Indian MSMEs needs incredible skill in spite of being fundamental for bigger ventures' development. Thus, they are exceptionally inclined to debasement and maltreatment of force, which tremendously affects the efficiency of their organizations.
- **No standardized policies:**  
There are not very many MSME approaches in India. Accordingly, there is no consistency with regards to MSME advancement as well as business advancement programs. In any case, positive headway has been made in Delhi throughout the long term, however, this should be finished on a public level so Indian firms can turn out to be more serious across the world for worldwide organizations and financial backers.
- **Lack of innovation:**  
Indian MSMEs are not exceptionally creative, and most of the items that they produce depend on obsolete advancements. There is an extreme absence of business visionaries in this area, which has kept it from embracing new advances and devices which have achieved massive changes in different areas like eCommerce and call focuses, and so on. Therefore, MSMEs have needed to battle with obsolete innovation as well as low degrees of efficiency, particularly when contrasted and bigger firms.

### **Suggestions:**

- They can do a workshop to ensure that entrepreneurs are aware of the latest technology.
- They can also provide financial support for the smaller sectors
- The people are not educated to access the funds of the MSMEs
- Our finding is that the SMEs are extremely essential for the advancement of any economy since it helps in the age of work and reshaping useful areas yet they endure issues due to non-accessibility of money and non-accessibility of skilled work at a reasonable expense.
- The MSME area plays a significant part in the Indian economy. It shapes a critical portion of the Indian Industrial sector. It likewise has made a huge commitment towards the export of the products.
- The business person has made different advancements in their interests with the assistance of the MSME. The prominent among them are modernization and mechanization.

Foundation and Competition are the following enormous issues followed by Macroeconomics Shakiness, administrative inadequacy, Research and Development, and absence of data. The absence of data is the main driver of numerous different issues like Technological up-gradation and R&D since for the most part, little MSMEs proprietors are not exceptionally educated, they do not have some familiarity with the most recent and most reasonable innovations and need more



information to drive the R&D office in their organizations. They don't have data about the benefits given by the public authority. The larger part of the proprietors doesn't realize that there is a Service for Micro, Small, and Medium Enterprises. In this manner, even though the public authority understands the significance of MSMEs as development motors and has numerous approaches and plans set up to cover pretty much every part of issues looked at by the endeavors. Because of the low efficiency, debasement, and unfortunate working circumstances, MSMEs have been attempting to guarantee development. This has brought about the area having an exceptionally low degree of productivity and development, which isn't OK for the general economy. If a sound MSME area is available in India, it will make a critical number of occupations that will plainly help the nation and its kin. MSMEs face various difficulties, yet the public authority is giving a valiant effort to guarantee that the MSME area stays cutthroat. The expense of financing is bit by bit diminishing, and both public and confidential areas are pursuing growing better items that can be serious concerning quality and cost. Maybe, in the event that we dispose of defilement and spotlight more on quality, MSMEs will actually want to beat greater firms.

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