

Government Role In Small And Medium Enterprises

Jaspreet Kaur¹

Abstract

The MSMED Act, 2006 defines the Micro, Small and Medium Enterprises based (i) on the investment in plant and machinery for those engaged in manufacturing or production, processing or preservation of goods and (ii) on the investment in equipment for enterprises engaged in providing or rendering of Services. Small and medium enterprises (SMEs) are the lifeblood of our economy. According to a report by SPRING Singapore, SMEs account for over 90% of all enterprises, they contribute to 60% of the total value-added in the economy and employ seven out of 10 of the country's workforce. In order to protect, support and promote small enterprises as also to help them become self-supporting, a number of protective and promotional policy measures have been undertaken by the Government. The promotional measures cover:- (i) industrial extension services; (ii) institutional support in respect of credit facilities; (iii) provision of training facilities; (iv) supply of machinery on hire-purchase terms; (v) assistance for domestic marketing as well as exports etc. In this paper the support of the government to small and medium enterprises is presented.

Keywords: Small and Medium enterprises, Investment, Government, Industry.

Introduction

A business that maintains revenues or a number of employees below a certain standard. Every country has its own definition of what is considered a small and medium-sized enterprise. In accordance with the provision of Micro Small & Medium Enterprises Development (MSMED) Act, 2006 the Small and Medium Enterprises are classified in two Classes:

(a) **Manufacturing Enterprises-** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in

the process of value addition to the final product having a distinct name or character or use.

(b) **Service Enterprises:** The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

The limit for investment in plant and machinery/equipment for manufacturing/service enterprises, as notified are as under:

Manufacturing Sector	
Enterprises	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	
Enterprises	Investment in equipments
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 core rupees

1.1 LITERATURE REVIEW

DagvaBoldbaatar (2005) present the role of Central banks for the promoting SMEs. The focus is placed on central banks initiatives and involvement in national policy. It present the specific issues, including definition of SMEs, comparison of various financing schemes, and highlights of best-achieved financing policy measures in member economies.

Tom Gibson (2008) the economic contribution of SMEs depends critically on initial success in their home markets, the size parameters of SMEs should be scaled relative to their home base. The key qualitative characteristics of SMEs, beyond simple numerical

tests, which support the rationale for tax-dollar funded promotion of SMEs. SMEs are of special importance to private sector growth.

Terry Morreale (2008) primarily focuses on small to medium enterprises that have limited IT resources and frequently has little to no ability to dedicate any of those precious resources to planning for or handling an incident. He recommended steps and make modified suggestions as to how to handle an incident.

Edmore Mahembe (2011) A healthy SME sector contributes prominently to the economy through creating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and entrepreneurship skills. The dynamic role of SMEs in developing countries insures them as engines through which the growth objectives of developing countries can be achieved.

1.2 OBJECTIVE.

- To analyse the growth and development of small and medium enterprises.
- To analyse the role and policies of the government.
- To measure the performance of SMEs.

1.3 RESEARCH METHODOLOGY

The present study is done through secondary data, which is collected from different sites like India.gov.in, [SME Centre@SICCI](mailto:SME_Centre@SICCI), etc.

1.4 GOVERNMENT SUPPORT SMALL AND MEDIUM ENTERPRISE

1.4.1 MINISTRY OF SMALL AND MEDIUM INDUSTRY

Ministry of Small & Medium Enterprises envision a vibrant MSME sector by promoting growth and development of the MSME Sector, including Khadi, Village and Coir Industries, in cooperation with concerned Ministries/Departments, State Governments and other Stakeholders, through providing support to existing enterprises and encouraging creation of new enterprises.

1.4.2 ACTS, RULES, NOTIFICATION AND REPORTS

Acts

- Khadi & Village Industries Commission Act, 1956 - 17 March 2008
- The Industries (Development and Regulation) Act, 1951

Rules

- Coir Industry Rules, 1954
- Coir Industry (Registration) Rules 2008
- Coir Board Bye Laws, 1955

Notification

- Re-Constitution of Hindi Salahkar Samiti - 18 March 2005
- MSME Development Act, 2006 - Rules - 26 September 2006

Reports & Publication

- Abid Hussain Committee Report
- Nayak Committee Report (Credit)
- S.P. Gupta Committee Report

1.4.3 PLAN AND BUDGET ON MSME

The Plan explores various aspects of MSME Sector, relating to the growth of the sector. These may be classified under various important verticals to provide theme-based focus, while devising strategy for the sector. These are (i) finance and credit (ii) technology (iii) infrastructure (iv) marketing and procurement (v) skill development and training (vi) institutional structure.

1.4.4 MSME – SCHEMES

- Scheme for 'Providing financial assistance on International Cooperation.
- Scheme for 'providing financial assistance for performance and credit rating under PCR Scheme.
- Scheme for providing financial assistance on marketing support under Marketing Assistance Scheme.

1.4.5 ENTREPRENEURSHIP SKILL DEVELOPMENT PROGRAMME

Schemes envisages financial assistance for establishment of new institutions (EDIs), strengthening the infrastructure of the existing EDIs and for supporting entrepreneurship and skill development activities.

1.5 GOVERNMENT GRANTS AND SCHEMES

The Government offers loans, grants, tax incentives, equity financing and non-financial assistance to assist entrepreneurs, start-ups and established companies grow their business locally and internationally.

1.5.1 LOANS: Purchase fixed assets, finance rental of office space, expand your business and get capital for your company's daily operations

1.5.2 GRANTS: Get funding for skills, innovation and productivity related projects, develop new products, increase business capabilities, embark on R&D, protect your intellectual property, expand overseas, etc.

1.5.3 TAX INCENTIVES: Enjoy tax deductions through various tax incentives

1.5.4 EQUITY FINANCING: Raise funds for company activities by selling common or preferred stocks to individual or institutional investors through dollar-matching and co-investment schemes.

1.5.5 NON-FINANCIAL ASSISTANCE: Apart from financial support, there are self-help toolkits developed by government and institutional bodies and a list of subsidised services relating to business premises, operations and training.

1.6 GOVERNMENT POLICIES

The policies implemented by Development Commissioner (MSME), Ministry of Micro, Small and Medium Enterprises is given. You can get Information about various policies such as trade policy, policy measures for small, tiny and village enterprises, licencing policies, purchase and price preference policy, etc. Details related to Union budget, reservation policy, India's industrial policy, state government industrial polices, etc. are also there.

There are many policies which is generally made by the government for Small and Medium Enterprises and they are:

- Scheme for technology upgradation.
- Financial assistance to entrepreneurship development.
- Credit Support.
- Credit Monitoring.
- Guidelines for perspective entrepreneur.

1.7 STEPS TAKEN FOR THE DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES

There are three national level 'Entrepreneurship Development Institutes (EDIs)' for the development of training modules, undertaking research and providing consultancy services for entrepreneurship development in the small scale sector. These include:-

- National Institute of Small Industry Extension Training (NISIET) renamed as the National Institute for Micro, small and Medium Enterprises (NIMSME) at Hyderabad
- National Institute of Entrepreneurship and Small Business Development (NIESBUD) at Noida
- Indian Institute of Entrepreneurship (IIE) at Guwahati.

Conclusion

The small and medium enterprises help for the growth and development of the economy. There are two sectors manufacturing and service in which the government make the limit for investment. The government of India takes several steps for the promotion of SMEs. It launch various schemes, acts, rules, policies, grants for the SMEs.

References

http://www.dcmsme.gov.in/ssiindia/defination_msme.htm

<http://www.investopedia.com/terms/s/smallandmidsizeenterprises.asp>

<http://www.dcmsme.gov.in/>

<http://msme.gov.in/mob/home.aspx>

<http://india.gov.in/policies-ministry-micro-small-and-medium-enterprises>

http://business.gov.in/Industry_services/policies_incentive.php

<https://ideas.repec.org/b/sea/rstudy/rp60.html>

http://www.brookings.edu/~media/research/files/papers/2008/9/development%20gibson/09_development_gibson.pdf

<http://www.sans.org/reading-room/whitepapers/incident/incident-handling-smes-small-medium-enterprises-32764>

http://www.ncr.org.za/pdfs/Literature%20Review%20on%20SME%20Access%20to%20Credit%20in%20South%20Africa_Final%20Report_NCR_Dec%202011.pdf

<http://www.smecentre-sicci.sg/en/resources/government-grants-schemes>