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# Phase-wise Analysis of Indian Support System for Micro, Small and Medium Enterprise Development

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## Abstract

India is one of the fastest-growing economies in the world and its economic growth is tightly coupled with the growth of the Micro, Small and Medium Enterprise (MSME) sector. Considering the demographic advantage of having young and educated youth, this sector is regarded as the solution to job creation and inclusive growth. The Indian government is making all efforts in building a robust entrepreneurial ecosystem through various policy initiatives and support measures for the overall growth of this sector. A large number of studies have studied various issues related to the entry and growth of this sector. This study takes a different perspective of analyzing the appropriateness of available schemes at different levels of their growth path. This study also reveals that more support system is available for the creation and growth of MSMEs but not adequate measures are available to cater to the needs for the closure of these enterprises. It is important to have easy exit procedures to better utilize the blocked resources of exiting firms and to remove the fear of failure from prospective entrepreneurs. This paper also suggests further interventions required for enterprise closure to strengthen this sector.

**Keywords:** MSME, Enterprise Phases, Schemes, Classification, Closure

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**Article Classification:** Viewpoint, General Review

## 1. INTRODUCTION

India, the 7<sup>th</sup> largest country in the world in terms of area, stands 2<sup>nd</sup> position in terms population with an estimated \$2.5 trillion economy of a successful democracy speaks volumes about this country's strong constitution, stable government, active judicial system, well established executive machinery and transparent media. With the increase in life expediency, literacy and fairly less child mortality rate the country is steadily progressing in all specters including space technology, nuclear power

generation and recognized as the fastest growing economy and emerged as the World's 6<sup>th</sup> largest economy in 2017 (International Monetary Fund 2018).

India is blessed with 60% of its population in the age group of less than 35 years and for another 50 years, India can dominate in terms of the world's human resource potential (A. K. Singh, 2016). India will become the most populous country in the world by 2025 and has the youngest population in an otherwise aging world. India has been adding 12 million people to its workforce per annum and will have the largest workforce of 899 million by 2025 (Central Statistics Office, 2017; Registrar General & Census Commissioner, 2011). When a nation reaches a high ratio of such people, it is expected to earn the benefit of a demographic dividend thereby bringing tremendous economic development in the country at a faster rate. To convert this opportunity into reality, India has to create more and more number of permanent jobs in the organized sector, particularly in large companies, whereas the availability of jobs in the unorganized sector without formal monthly payment or social security benefits is more likely to increase further (12<sup>th</sup> Five Year Plan, 2013). As per the 2<sup>nd</sup> National Commission on Labour Report (2002), the new economic changes will provide more opportunities than jobs (Report of the National Commission, 2003). Even though, large enterprises including the government sector offer employment in the country is only meager comparatively to cope up with ever-increasing job seekers. Here comes the unique characteristic of the Micro, Small and Medium Enterprises (MSME) sector which acts as a stable platform for providing jobs to all levels of educated including uneducated and most importantly it accommodates the large number of prospective entrepreneurs to test their mettle by starting new enterprises. Axiom of micro-enterprises are breeding ground for entrepreneurship in India is not an exaggeration (Kritikos A. S, 2014).

The significance of MSME sector in India is well demonstrated by its growing contribution of 8% to the country's GDP, around 120 million jobs through over 66 million units, 45% to the manufacturing output and 40% to the exports earning through over 8,000 diverse products and services (Ministry of MSME, Government of India, 2018a). Recognizing the importance of the SMEs in the growth of countries across the globe (OECD 2018), the United Nations General Assembly has declared 27<sup>th</sup> June as International Day for MSMEs. Thus, in every country, there is a positive relationship between the growth of MSMEs and employment generation.

The Govt. of India provides various policy measures to boost the growth of Micro, Small and Medium Enterprise (MSME) sectors thereby achieving the twin objectives of employment generation and higher contribution to GDP for the sustainable growth of the nation (Carree and Thurik, 2010). The heterogeneous nature of MSMEs makes it difficult for the policymakers to customise policies to suit each and every enterprise. The government's responsibility lies in bringing out support measures suitable for a large number of enterprises.

Based on the various policy initiatives, a wide range of schemes and programmes (Ministry of Micro, Small & Medium Enterprises, 2015) have been brought out by the Ministry of MSME and its organizations to address the following aspects:

- Entrepreneurship and Skill development
- Providing sufficient capital
- Providing necessary infrastructure
- Assistance for technology up-gradation and modernization
- Latest testing facilities and quality certification
- Access to modern management practices
- Support for product development, design intervention and packaging
- Support for National and International market and
- Cluster development

All the above schemes and programmes are brought in to address different aspects of enterprise development. This study provides a phase-wise classification of existing MSME schemes.

The rest of this paper is organized as follows. Section 2 presents the support ecosystem for MSME Sector. Section 3 provides a classification of available schemes at each stage of an enterprise. Finally, Section 4 concludes the paper.

## **2. SUPPORT SYSTEM FOR MSME SECTOR**

### **2.1 Institutional Framework**

Today, Indian MSMEs have matured enough to manufacture assorted items anything from needles to components for space-crafts and even export items to other countries. This could not have been possible without the relentless efforts of successive governments by bringing out suitable policies over the years in support of the MSME sector. To effectively accomplish the intent of the Government, an equally robust Institutional Support system must be available in the country in addition to suitable policies (EXIM Development Bank of India, 2012). Institutional support systems have been set up at both national and state levels on the following outline:

- Bringing out Policies and Programmes from the Apex level
- Offering continuous Resource flow and Services to the entire spectrum of the MSME sector
- Handholding while Implementation of the schemes at grass root levels regularly
- Monitoring and Feedback system for Corrective action from top-down and bottom-up

In order to align with the above outline, a strong support system in the form of Institutions present in the country for supporting the MSME sector. Table 1 depicts the role and functions of different agencies closely associated with the development

and progress of the MSME sector in India (Ministry of Micro, Small & Medium Enterprises, 2015).

**Table 1.** Institutional Support System for MSME Development

<b>Institutions</b>	<b>Role/Functions</b>
Ministry of Micro, Small and Medium Enterprises (MSME)	Policy formulation for the promotion and development of the MSME sector in the country.
National Board for Micro, Small and Medium Enterprises (NB-MSME)	Analyzing the issues connected with the promotion of MSMEs and recommending the remedies to the Government for the development of MSMEs.
Office of the Development Commissioner, Micro, Small and Medium Enterprises. (DC-MSME)	Assisting the Ministry to formulate, coordinate, implement and monitor various support measures for the development of the MSME sector and Maintaining of MSME Data Bank.
Khadi and Village Industries Commission (KVIC)	Engaging in promotion of Khadi and Village Enterprises to generate employment in other than urban areas
Coir Board (CB)	Taking steps to protect coir enterprises and caring for labors in this sector
Micro, Small and Medium Enterprises Development Institute (MSME-DI)	Acting as an interface between the stakeholders to offer various support measures for the promotion of the MSME sector at the field level. Implementation of schemes and programmes in support of MSME Development.
MSME- Testing Centres (TC)	Testing the MSME products
Technology Development Centres (TDC)	Providing technical and skilled manpower to MSMEs. Developing tools, dies, and moulds to improve the competitiveness.
The National Small Industries Corporation (NSIC) Ltd	Providing market and raw material assistance, technology and skill development, rating, consortium marketing, etc.
The National Institute of Micro, Small and Medium Enterprises (ni-MSME)	Develop human resources in the areas of entrepreneurship, management, technology and extension for MSMEs.
National Institute for Entrepreneurship and Small Business Development (NIESBUD)	Providing support in human resource development for small Business-related activities.

Indian Institute of Entrepreneurship (IIE)	Engaged in issues related to entrepreneurship development.
Small Industries Development Bank of India (SIDBI)	Envisaging continuous credit support and other support to the MSMEs including venture capital
Commercial Banks	To channelize credit flow to MSMEs and address the finance gap on Priority Sector Lending norms.
State Financial Corporations (SFC)	Extending financial assistance to set up MSMEs.
State Small Industries Development Corporations (SSIDC)	Constructing & development of premises and infrastructure to MSEs and village industries in the state.
District Industries Centres (DIC)	The nodal agency for identifying and providing land, infrastructure for all types of enterprises. Executing state and central govt. schemes. Providing state Govt. incentives and grants. Coordinating with financial institutions for the steady flow of credit to the entrepreneurs.
National Research Development Corporation (NRDC)	Sourcing of technologies relevant for MSMEs from reputed technological institutions.
Council of Scientific & Industrial Research (CSIR)	Source for technology transfer
Rural Development and Self Employment Training Institute (RUDSETI)	Training for promoting self-employment and entrepreneurship among unemployed youths

## 2.2 Policy Support

During the Pre-Liberalization Period (1948-1991), the policy measures of the government were overly protecting the MSME sector from internal and external competition like a mother takes care of her baby, and held this sector back from achieving its true potential. During the Post liberalization period (1991-2006), the policy statement of August 1991 deviated from this trend and emphasized on productivity and competitiveness in order to enable them to face foreign competition and open market (Ahluvalia M.S., 2005). The support measures have changed towards concentrating on improving infrastructure, technological up-gradation and quality. Thus, the overall direction in the promotion of micro and small enterprises has shifted from protection to competitiveness and continued around on this pitch till the much expected MSME Development Act 2006 was legislated. MSME Development Act 2006 aims at developing and fostering competitiveness in MSME (Government of India, 2007). This act provides a legal framework for change in nomenclature from “industry” to “enterprise” so as to go with the terminology used by other countries. And thus, for the first time, service enterprises are also getting the

priority tag at par with manufacturing enterprises and a distinct definition has been pronounced for MSME. To reduce the large number of regulatory issues, the government has set up a Task Force in 2009 to study the important issues including shortage of credit, procurement policy, prompt payment, the implication of service rules, etc. and came out with action plan (Report of Prime Minister’s Task Force, 2010).

In concurrence with policy initiatives, the government has framed certain programmes and schemes to address specific needs of the MSME sector which are described in section 3.

### 3. PHASE-WISE CLASSIFICATION OF AVAILABLE SCHEMES

A typical phases of MSME development include grooming prospective entrepreneurs, facilitating market entry, supporting growth, encouraging expansion and helping the closures in case of adversity. Schemes available at each phase of MSME development are given below.

#### 3.1 Schemes for Prospective Entrepreneurs

Ideally, any prospective entrepreneurs select their business by identifying the product based on the following method; i) Starting a business manufacturing a product which is not existing in the market and thereby become the market leader, ii) Starting a business manufacturing a product which is already available and wants to join in the race and, iii) starting a business manufacturing a product with some value addition as per the changing ecosystem. And all three methods have both advantages and risks. The promoter is required to adequately enrich themselves with relevant information well before selecting a product or service.

India is currently producing nearly 2 million technical professionals annually and the number of technical ideas are generated as part of their course completion. Such ideas can be fostered and developed as technology-based firms. National Manufacturing Competitiveness Programme aims to promote and support individual innovators to become technology-based entrepreneurs. It is an excellent opportunity, particularly for individuals having technical and prior work experience. The notable government initiatives at the pre-start-up stage for the development of entrepreneurship have been given below in Table 2.

**Table 2.** Beneficial Schemes available for the Prospective Entrepreneurs

Schemes	Objectives	Implementing Agency
<b>Entrepreneurship Development Programme</b>		
Industrial Motivation Campaign	To motivate the prospective entrepreneurs for setting up an enterprise.	MSME-DIs

Entrepreneurship Development Programmes	To nurture the talent of potential entrepreneurs to start an MSE.	
Entrepreneurship Skill Development Programmes	To upgrade the skills of prospective entrepreneurs to equip with improved technological skills.	
Entrepreneur's World - smallB.in, a knowledge hub for MSMEs	A repository of information for promoting entrepreneurship to establish a business.	SIDBI
Small Industries Management Assistants' Programme (SIMAP)	To develop a cadre of industrial managers trained to assist the MSME entrepreneurs.	
<b>National Manufacturing Competitiveness Programme</b>		
Entrepreneurial and Managerial Development of MSEs through Incubators	Formation of Incubation Centres to convert innovative ideas to commercial products to form an enterprise.	MSME-DIs
Marketing Assistance & Technology Up-gradation	To enable product selection through Domestic Trade Fairs / Exhibitions, Vendor Development Programmes.	
<b>Promotion of Innovation and Rural/Agro based enterprises</b>		
A Scheme for promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE)	Provide the necessary skill set to start enterprises in the rural area and hand holding for a critical period to ensure sustainability.	NSIC Ltd.

### 3.2 Schemes for Market Entry

The prime reason for anyone make an effort to establish an enterprise is the availability of 'Opportunities' to provide a solution for a problem or to offer comfort by way of manufacturing products or rendering services for a profit. It is not an exaggeration to state that idea is the embryo for the birth of an enterprise with a supportive environment. To facilitate the market entry of an enterprise there are certain needs such as a place to start its operation, money to meet the expenses and human resource to carry out various activities are to be in place. The availability of premises to start an enterprise at a reasonable cost with minimum initial capital, availability of allied services& utilities, less delay in getting started and prevailing cordial atmosphere with neighbors are met with the concept of Industrial Estates, Growth Centers and Cluster Development Programmes. Small industry Development Corporation of state governments helps in enlargement of industrial estates and industrial areas to accommodate more number of MSMEs. The Integrated Infrastructural Development Scheme was launched with the aim of providing developed sites with all amenities with a rider of 50% preference for rural and micro-enterprises.

**Table 3.** Beneficial Schemes available for Market Entry

<b>Schemes</b>	<b>Objectives</b>	<b>Implementing Agency</b>
<b>Infrastructure Support Schemes</b>		
Industrial Estate Scheme	To provide factory premises to MSEs at a suitable site with the facilities and utilities to create a healthy atmosphere for the development of enterprises	SDICs.
Modified Industrial Infrastructure Upgradation Scheme (MIUS)	Supporting non-governmental agencies for developing infrastructure facilities to increase employment.	
Micro and Small Enterprises Cluster Development Programme (MSE-CDP)	To develop integrated infrastructure for clusters To support state governments to develop industrial areas.	MSME-DIs
<b>Credit Support Schemes</b>		
Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE)	Enabling finance without collateral or third party guarantees for starting an enterprise	Select Banks, Financial Institutions, Regional Rural Banks, Non-Banking Finance Companies & Small Finance Banks.
Prime Minister's Employment Generation Programme (PMEGP)	Providing loan cum subsidy to start a Micro enterprise to promote self-employment among rural & urban youth, artisans and weaker sections	Khadi & Village Industries Commission, Khadi & Village Industries Board and DICs
Credit Facilitation through Banks	To meet the credit needs of MSMEs by assists them in the completion of the documentation to the Banks.	NSIC Ltd.
Raw Materials Assistance against Bank Guarantee	Assistance to procure raw materials from local and abroad to help MSMEs focus on quality products and to avail economics of purchase.	



Pradhan Mantri Mudra Yojana	To fund the unfunded to start a non-form sector income generation activity such as trade, service or manufacture	Commercial Banks, Regional Rural Banks & Non-Banking Finance Companies
Stand Up India	To provide credit facility to women and weaker sections of the society to start a green-field enterprise	Scheduled Commercial Banks
<b>Human Resource Development Schemes</b>		
Entrepreneurship & Skill Development	To upgrade the knowledge and fine tune their skill	MSME-DIs & TDCs
Management Development Programme	To develop managerial skills of entrepreneurs and employees	MSME-DIs
Skill-cum-Technology Up-gradation Programme (STUP)	To strengthen the technical and managerial skills of MSME entrepreneurs.	SIDBI
<b>Registration</b>		
UdyogAdhaar	To get registered as MSME entity and UdyogAdhaar Memorandum Number as part of ease of doing business to get any government benefits	MSME Development Institute
<b>Marketing Support Schemes</b>		
Consortia and Tender Marketing of MSEs registered under Single Point Registration	Participating in a tender on behalf consortia of MSEs manufacturing the same product	NSIC Ltd.
International Cooperation Scheme	Promotion of exports among MSMEs	

The time taken to start a business and the cost for starting are the two main obstacles as well as factors determine the start-up activity. The notable measures include the formation of State Financial Corporations (SFC) in each state, the Industrial Development Bank of India (IDBI), State Bank of India (SBI), Small Industries Development Bank (SIDBI), etc. specially to serve the credit needs of MSMEs. Also, Government has prompted a target of 15% annual growth in the number of micro enterprise accounts in all scheduled commercial banks to cover under institutional credit.

Prime Minister's Rozgar Yojana (PMRY) was also launched with the intention of creating enterprises in both urban and rural locations by means of training and bank finance with the subsidy. Rural Employment Generation Programme (REGP) and

Prime Minister's Employment Generation Programme are in operation with higher outlay of credit cum differential subsidy to establish micro-enterprises at rural as well as urban areas with objectives of self-employment for urban and rural youth, traditional artisans and weaker sections in the society. Any eligible individual who is having a business plan for a non-farm sector income generating activity such as manufacturing, services and trading can get the credit facility from any one of the above stated funding agencies under Micro Unit's Development and Refinance Agency (MUDRA) scheme.

Even though women form nearly 48% of the total population in the country, their involvement in non-form activities is very decimal. In recognition of their distress and to mitigate, a scheme called Stand up India was promulgated by the government to handhold these entrepreneurs in setting up enterprises, obtaining a loan and other support services required by them. The required credit is made available to women applicants through well-recognized NGOs working for the advancement of women empowerment under the Trade Related Entrepreneurship Assistance and Development (TREAD) Scheme for Women.

Infrastructure and finance assistances are not alone deemed sufficient for the development of MSEs unless the key resource for MSE's in the form of entrepreneurs and their mentors are properly groomed. Keeping this in mind the Ministry of MSME is implementing a comprehensive range of common facilities, entrepreneurship development and skill upgradation programmes, through its network of MSME Development Institutes and MSME Technology Centres across the country. The National Institute for MSME, National Institute for Entrepreneurship and Small Business Development, and Indian Institute of Entrepreneurship have been established to inculcate entrepreneurial culture among youth particularly first-generation entrepreneurs. There are a large number of Industrial Training Institutes in the country to produce a skilled workforce to cater to the requirements.

Once an enterprise is picking up and giving returns, it's time and responsibility of the promoter to obtain Udyog Aadhaar Memorandum (UAM) Number as recognition to avail government benefits. As part of ease of doing business initiatives of the government, the one-page registration procedure is made hassle-free and one can do it sitting in their office on online. The adequate interventions available at the Start-up stage of an enterprise are given below in Table 3.

### **3.3 Schemes for Growth**

The productivity in addition to its size, age and location of an MSE are all factors that influence its ability to grow. Ultimately increase in the market share of an MSE indicates the growth trend. An increase in market share is the result of competitive price and quality. And each and every MSE's aim must be how to produce a quality product at an affordable price which is the challenge and opportunity for all the stakeholders. In this direction, the government has come out with different schemes to overcome this challenge.

Technology upgradation support is extended through the Credit Linked Capital Subsidy Scheme (CLCSS) Scheme. National Manufacturing Competitiveness Programme (NMCP) enables MSMEs to adjust to the changed situations caused by liberalization and competition. Growth of an MSE is directly proportional to its market share in domestic as well as global markets. Lean Manufacturing Techniques and clusters help in achieving this. The other aspect of building competitiveness of MSE is through energy efficiency and product quality certification. To focus on economizing energy use and reduce the emission of greenhouse gases, financial subsidy to MSEs for employing energy-efficient technologies in their production process. 'Digital MSME' Scheme is aimed to encourage MSEs to use of Digital Technologies for enhancing productivity. Protection of Intellectual Property Rights is an important action for MSMEs under the changed global scenario for gaining a competitive advantage in terms of technological supremacy for higher economic growth. Patent registration enables the protection of their ideas and business strategies and to acquire national and international patents government is assisting MSEs financially as a measure of encouragement. 'Financial Support to MSMEs in ZED Certification Scheme' is aimed at self-assessment of the maturity level of MSMEs in the manufacturing sector in the country to attain Zero Defect in Product manufacturing and Zero Effect on Environment in order to prepare them to create value chain as part of Make in India theme. Marketing is a crucial function of the growth and survival of MSMEs. Most of the MSEs concentrate on marketing their products only in their local area and hesitate to move beyond boundaries. To break this mindset and expand their domain government is supporting them financially to explore new markets in the domestic and international arena. Domestic and International Trade Fairs, Vendor Development Programmes and Public Procurement Policy are the best opportunities available to MSEs in their effort to tap and develop domestic and overseas markets. Procuring raw materials directly from the manufactures is an impediment since they do not supply the small quantity needed by MSEs. National Small Industries Corporation Ltd, a constituent of the Ministry of MSME arranges raw material as per the specific requirements of MSMEs in time at the manufactures' rate. The various Schemes available at the Growth stage for MSMEs are described in Table 4.

**Table 4.** Beneficial Schemes available for MSME Growth

<b>Schemes</b>	<b>Objectives</b>	<b>Implementing Agency</b>
<b>Technology Upgradation Schemes</b>		
Credit Linked Capital Subsidy Scheme	To encourage MSEs to upgrade their process and production method by induction of well-established technology for which 15 % subsidy is provided against the credit availed by them from the Bank	MSME-DIs, Commercial Banks, Nodal Agencies
<b>Marketing Assistance Schemes</b>		

Public Procurement Policy for purchases of minimum 20% of goods produced and service rendered by MSEs by Central Ministries, their departments and Public Sector Undertakings.	To enhance regular market opportunities of MSEs and competitiveness by way of active participation in government purchases and foster linkages between MSEs and large enterprises	MSME-DI, Central Public Sectors
358 items reserved for exclusive purchase from MSEs under Public Procurement Policy	Development of Micro and Small Enterprises, including Khadi and Village enterprises for fostering inclusive growth in the country	
<b>Financial Assistance Schemes</b>		
SMILE Equipment Finance (SEF)	To provide machine, equipment loans to well-performing registered MSMEs who are in operation for the last 3 years.	SIDBI
Performance and Credit Rating Scheme with subsidized rating fee	To get the certification from an independent renowned agency on the capacity of the credit worthiness of MSMEs for availing quick bank credit at the competitive interest rate and getting recognition.	NSIC Ltd
<b>Marketing Assistance and Technology Up gradation (MATU) Scheme</b>		
Domestic Fairs and Exhibitions	To support manufacturing Micro and Small Enterprises (MSEs) in identifying and developing local markets.	MSME-DIs
International Trade Fairs and Exhibitions	To support manufacturing Micro and Small Enterprises (MSEs) in identifying and developing international markets	
International/National Workshop on Marketing/Public Procurement/ Packaging etc.	Developing new marketing techniques, advanced packing techniques, monitoring global trends, and suggesting any changes in public procurements through workshops.	
Vendor Development Programmes	To bring MSMEs, PSUs and Large enterprises to a common platform for fostering a linkage for market development, B2B meet and display products.	
<b>Developing Competitiveness through National Competitiveness Programme</b>		

Support for Entrepreneurial and Managerial development of SMEs through Incubators	To create technology oriented innovative ventures and support the untapped creativity of individuals to become technology-based entrepreneurs.	MSME-DIs
Scheme for building awareness on Intellectual Property Rights for MSMEs	To create awareness among MSMEs on Intellectual Property Rights (IPRs) for business strategies to enhance competitiveness.	
Design Clinic Scheme for design expertise MSME to the manufacturing sector	To provide consultancy services to build capabilities for new design strategies and related product development among MSMEs.	
Technology Up gradation Scheme for MSMEs to reduce cost and emission of GHGs	Sensitizing MSMEs to adopt Energy Efficient Technologies and to acquire Product Certification from national & international bodies.	
Lean Manufacturing Competitiveness scheme	To increase the productivity and competitiveness of MSMEs by adopting lean manufacturing techniques in their process.	
Financial Support to MSMEs in ZED Certification Scheme	To assess and rate MSMEs of their ability to manufacture defect-free as well as with no impact on the environment to enhance competitiveness globally through financial support.	
Promotion of Information and Communication Technology in MSME sector- Digital MSME	To encourage and support potential MSME units to adopt Information technology tools and applications in their operation to enhance overall competitiveness in the market.	

### 3.4 Schemes for Expansion

When an enterprise grows more and more in terms of its operation, number of employees, revenue earning, profit making and wealth creation, the requirement of capital also increases for expansion or diversification and sometimes even for the takeover of a firm owned by the competitor for strategic reasons which are the signals of an MSE reaching maturity stage. SME Exchange was established by the Securities and Exchange Board of India (SEBI) at the insist of the government to access capital markets easily, quickly and at a lower cost for expansion and for wealth creation in addition to a tax benefit and get the tag of a listed company adds value. Table 5 describes the various Schemes available at the Maturity stage for MSMEs.

**Table 5.** Beneficial Schemes available for Expansion

Schemes	Objectives	Implementing Agency
<b>Raising Capital</b>		
SME Exchange	To have a dedicated stock exchange for MSMEs to access capital markets easily & quickly at lower costs for better-focused cost-effective services.	Bombay Stock Exchange- SME & National Stock Exchange - EMERGE
<b>Financial Assistance</b>		
SIDBI Make in India Soft Loan Fund for Micro, Small & Medium Enterprises (SMILE)	To provide soft loans as quasi-equity to meet the required debt-equity ratio to facilitate term loan for both new and existing MSMEs of service and manufacturing sector as part of Make in India initiative for expansion, modernization, technology up gradation for growing their business to take advantage of new emerging opportunities.	Small Industries Development Bank of India (SIDBI)

### 3.5 Schemes for Failure Mitigation

Insufficient credit, poor management, misuse of working capital, improper accounting, replacement of the product itself, obsolete product, competition from unknown corners are few attributes that lead to a decline in sales, decreased profit and abrupt losses. To come out from this phase, 'Framework for Revival and Rehabilitation of MSME' helps the MSMEs to come out of this phase. The Scheme available at the decline stage for MSMEs is described in Table 6.

**Table 6.** Scheme available for Failure Mitigation

Scheme	Objectives	Implementing Agency
Framework for Revival and Rehabilitation of MSMEs	To facilitate easier, time bound and clear-cut method to remove the incipient of sickness in the accounts of MSMEs having credit limits up to Rs.2.5 million without sacrificing the lenders' interest as well as ensuring continuity of the enterprise	Circle Heads of all Scheduled Commercial Banks.

### 3.6 Schemes for Closures

Every MSE passes through various phases including closure either due to personal or business reasons. The Insolvency and Bankruptcy Code, 2016 (IBC) is an economic reform gives an easy way out for the MSMEs to come out from the market due to business failure. The present provision available as per this code is applicable only to companies and firms under Limited Liability Partnerships (LLPs). Currently, the government is planning to implement this code to cover the individuals also. Such efforts will benefit ownership firms and family-owned businesses. Exit Policy Framework is being under consideration to support the voluntary closures other than failures. Such initiatives will encourage more prospective entrepreneurs entering into entrepreneurship thereby improving the employment generation and economic development in the country.

**Table 7.** Scheme available for Closure

Scheme	Objectives	Implementing Agency
The Insolvency and Bankruptcy Code, 2016	To help in resolving the financial and debt crisis of corporates, firms and individuals through a structured process in a time-bound manner. However, at present, the Code applies only to Companies and Limited Liability Partnership (LLP) and does not benefit a large number of MSMEs.	The appropriate forum to initiate Corporate Insolvency Resolution Process (CIRP) is National Company Law Tribunal (NCLT).

### 3.7 Effectiveness of Schemes

The effectiveness of the various schemes on enterprise development and their impact on the agenda (MSME Achievement, 2018) are given in Table no 8.

**Table 8.** Impact of various MSME schemes

Scheme Name	2014-18 (Beneficiaries)		Amount Spent (Million)
	Units	Persons	
PMEGP	1,93,818 units	1.475 lakhs	4,7359.5
SFURTI	72 Clusters	1.5 lakhs	1400
Performance & Credit Rating Scheme	51,348 units	--	1829.2
Marketing Assistance Scheme	2,23,375 units	--	531.6
Scheme of International Cooperation	234 events	3303	166

Assistance to ATI Scheme		2.07235 lakhs	1745.5
CLCSS	20,385 Units	--	11690.3
MSE-CDP	48 Clusters	--	4233.4
Design Clinic Program	285 Design Projects	--	172.1
Lean Manufacturing Program	94 Clusters	--	523.8
IPR	14,192 Units	--	55.2
Incubation Scheme	504 no. of ideas	--	181.2
Skill Mapping/ Skill Gap Survey	658 Districts	--	--
TEQUP	479 Units	--	--
Technology Centers	1,41,656 Units	6.42272 lakhs	--
NSIC	More than 20,000 Crore total business	1.17000 lakhs	--
Ni-MSME	26,630 Units	1.72213 lakhs	--
CGTMSE	16,32,722 Units	51.11026 lakhs	802215.9
MGIRI Scheme		5,000	
EDP Scheme		1.17352 lakhs	
Khadi & Village Sector		137.79000 lakhs jobs	
Access to Finance	Financial institutions - 21.5%, Self-Finance - 3.3%, Informal Sources - 75%		
UAM filing Since 2015	Manufacturing Sector - 55%, Services Sector- 45%, Micro sector- 89.54%, Small sector- 11.23%, Medium sector - 3.90%		
Startup	Year 2014-15 - 4100 units Year 2015-16 - 4750 units Year 2016-17 - 5200 units Year 2017-18 - 8625 units		
Total FDI inflows (US\$ million)	Year 2014-15 - 24748 US\$ million Year 2015-16 - 36068 US\$ million Year 2016-17 - 36317 US\$ million Year 2017-18 - 37366 US\$ million		



#### **4. CONCLUSION**

It is evident from the above discussion, formulation of policies and programmes introduced by the successive governments for MSME Development indicate that maximum effort is concentrated around the inception and growth phase of MSME. The programmes are clustered around enticing towards starting an enterprise in the initial period and later on towards building competitiveness of MSEs, particularly after liberalization. Relatively less effort is expended on the latter stages, particularly 'closure' for understandable reasons. The government's intention and effort is to create more number of MSMEs so that the contribution from this sector is maximized at lesser input cost. After all, the government's role is to facilitate to start more enterprises and this phenomenon is not only applicable to India, it is also across the world. Another observation is that a record of the number of MSEs created year wise is available by means of registration, whereas data of the enterprises closed or willing to exit will also help very much for the suitable intervention of appropriate authorities.

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