

**ROLE OF GOVERNMENT IN FORMULATION OF POLICIES AND PROGRAMMES TO PROMOTE MSMEs/ENTREPRENEURSHIP IN INDIA**

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**Abstract :** The present article deals with the various development initiatives, policies, and programmes taken by the Government of India and Andhra Pradesh State Government to promote entrepreneurial development. Andhra Pradesh embarked upon a mission, which was, to be at the forefront of industrial development in the country by the year 2020. But fulfilling this Mission needs not only ideas and dreams but also a lot of hard work and realistic planning guided by well spelt out policy directions. To accomplish the objective of promoting entrepreneurial awareness and development among existing entrepreneurs as well as the upcoming entrepreneurs, the secondary data has been collected from the records and the published reports of the District Industries Centre (DIC), Chief Planning Officer, Chittoor, Commissioner of Industries (A.P.), Andhra Pradesh Industrial & Technical Consultancy Organisation (APITCO), and Ministry of Industries, New Delhi. Apart from these, interviews were conducted with experts on the subject.

**Key Words:** Entrepreneurship, MSMEs, Promotional Policies, Initiatives, Governance

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Entrepreneurship is an essential tool for overall development of a nation's economy. Entrepreneurship encourages the capital formation by mobilizing the idle savings of the community. It provides immediate large scale employment opportunities. Thus it immensely helps to reduce the unemployment problem which is the root of all socio-economic problems. It promotes balanced regional development and it helps to reduce the concentration of economic power. It stimulates the equitable redistribution of wealth, income and even political power in the interest of a country. It encourages effective resource mobilization of capital and skill which might otherwise remain unutilized and idle. It also induces backward and forward linkages which stimulate the process of economic development in the country. It promotes country's export trade, an important ingredient of economic development. Thus, it is crystal clear that entrepreneurship serves as a catalyst to economic development.

Andhra Pradesh is endowed with abundant natural, mineral and agro-based resources, which are potential for industrial development, particularly small-scale industrial development. In the MSMEs sector, a majority of the small units in the state are in the sick list. In spite of many efforts made to boost industrial development in the state, there has not been as much industrialisation as desired. In order to build a proper and effective strategy for the development of our country's economy through the MSME sector, some of the important strategies could be motivating and changing of the mindset and attitude of the local youth for taking up various entrepreneurial ventures. Improving required infrastructural facilities by providing adequate power supply, timely finance from the commercial banks and financial institutions, providing of required information quickly by local DICs and other promotional measures are essential requisites for the development. The studies in the sphere of entrepreneurship surveyed hitherto appear to have focused attention on general aspects at the macro level without covering any specific problems of entrepreneurship encountered in the backward districts of the nation.

**Objective of the Study:**

The primary focus of the present study is to present the various development initiatives, policies and programmes which were supporting enterprises or entrepreneurs in the country in general and Andhra Pradesh state in particular.

**Data Collection:**

The study was confined secondary data sources only. The secondary data has been collected from the records and the published reports of the District Industries Centre (DIC), Chief Planning Officer, Chittoor, Commissioner of Industries (A.P.), Andhra Pradesh Industrial & Technical Consultancy Organisation (APITCO), and Ministry of Industries, New Delhi Ministry of MSMEs, various brochures of financial institutions, periodicals and reputed journals. Apart from these, interviews were conducted with experts on the subject.

**Role of Government in formulation of Policies and Programmes to Promote MSMEs/Entrepreneurship in India**

There are a good number of promotional institutions for Entrepreneurship development functioning at various levels in the country. They include National Institute of Small Industry Extension Training (NISIET), Entrepreneurship Development Institute of India (EDI), National Institute of Entrepreneurship and Small Business Development (NIESBUD), Indian Institute of Entrepreneurship (IIE), Guwahati, State-level CEDs/IEDs, Association of Women Entrepreneurs of Karnataka (AWAKE) Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP), Consortium of Women Entrepreneurs of India (CWEI) and several other supporting institutions.

**A) Specific Policy Initiatives for Entrepreneurship Development**

i) **Ministry of Small-Scale Industry EDI Schemes:** The central assistance provided under the scheme would only be catalytic and supplementary to the efforts of respective states/other agencies involved in entrepreneurship development. Financial assistance will be provided for creating infrastructure such as buildings, training equipment, and support services on a matching basis from the state governments, restricted to INR 1 million in each case.

ii) **National Entrepreneurship Development Board (NEDB) :** This is the apex body for entrepreneurship development. It devises and recommends government schemes for the promotion of entrepreneurship through self-employment or setting up small-scale industries and small businesses. Grants are provided to reputable organizations engaged in

entrepreneurship development for organizing workshops and seminars, conducting research in entrepreneurship development, etc.

**iii) *Scheme of Surveys, Studies, and Policy Research*** : Under this program the MoSSI provides funds for organizing surveys and research studies on topical issues in the SSI sector. Training institutes, universities/colleges, NGOs, and other industry associations conduct surveys and studies on various issues of entrepreneurship development and problems of first-generation entrepreneurs that are published for wider dissemination.

**iv) *Scheme of International Cooperation*** : Technology infusion and/or upgrading of MSMEs, their modernization, and promotion of exports are the principal objectives of assistance under this scheme. It covers activities like participation of entrepreneurs in international exhibitions; buyer–seller meets, deputation of business delegations to other countries for technology upgrading, facilitating joint ventures, improving markets, etc.

**v) *Small Industries Development Organisation (SIDO)***: This agency advises, coordinates, and formulates policies and programs for the development and promotion of the small-scale sector. It also maintains liaisons with central ministries and other central/state government agencies/organizations, including financial institutions, operates a number of schemes, guidelines, and disseminates information through publications.

**vi) *Ministry of Agro and Rural Industries (MoARI)***: Under this ministry KVIC and Coir Board implement their respective schemes to develop rural entrepreneurship. The flagship program, PMRY, was launched in 1993 to assist educated unemployed youth in setting up small enterprises. It was the one scheme that was able to penetrate the rural masses for developing entrepreneurs. It is implemented by state industries departments through District Industries Centers (DICs) and other government organizations.

**vii) *Rural Employment Generation Programme (REGP) Scheme*** : KVIC launched the REGP in 1995 to generate employment in rural areas under the KVI sector. The scheme is implemented through KVIC with fund assistance from public-sector banks, rural banks, KVI Boards, and other institutions as approved by KVIC. In addition, KVIC also extends fund assistance to public and private institutions for organizing EDPs in the KVI sector. The Coir Board under the MoARI also facilitates EDPs through public and private institutions to develop entrepreneurs in the coir sector.

**viii) *Ministry of Science and Technology***: The Department of Science and Technology (DST) under the Ministry of Science and Technology has made significant efforts to tap the talents of the country's science and technology students through entrepreneurship strategy.

**B) Prominent Private Initiatives**

**i) Confederation of Indian Industries (CII) :** A prominent industrial association, CII works to create and sustain an environment for the growth of industry through advisory, training, and consultancy services. It is one of the oldest organizations, with its massive size, CII acts as a facilitator, catalyzing change by working with the government on policy issues, enhancing efficiency and competitiveness, and expanding business opportunities for industry through a range of specialized services. CII's activities are mostly oriented to medium and large industrial enterprises. However, CII also serves the cause of the SSI sector through its participation with both state and central governments in policy issues and in improving the industry through sponsoring business fairs and organizing specialized courses on WTO, TQM, technology, and IPR.

**ii) Federation of Indian Chambers of Commerce and Industry (FICCI):** FICCI, with its nationwide membership of over 1,500 corporate and over 500 chambers of commerce and business associates, espouses the shared vision of Indian businesses. Its membership is drawn from large, medium, small, and tiny segments of the manufacturing, trade, and service sectors. FICCI provides business solutions to members through research, interactions at the highest political level, and global networking.

**iii) Federation of Association of Small Industries of India (FASII):** Promoting and development of SSIs, cooperating with industries and other institutions, and undertaking consultancy and research studies is FASII's mission. It also establishes trade centres and test centres for strengthening SSIs in the country, offers services such as organization of conferences, economic analysis, and interpretation of policies, and brings members' grievances to the notice of the government for redressal.

**iv) Federation of Indian Micro and Small and Medium Enterprises (FISME):** FISME Headquartered in New Delhi, networks with more than one million SSIs through state-level SSI associations. FISME believes that use of e-commerce, participation in fairs, and trade delegations are important tools for marketing SSI products in the current millennium. It also believes that the biggest challenge for SSIs is understanding the WTO and its implications. It organizes trade fairs exclusively for SSIs, leads delegations to events in other countries, and provides for the interface of SSIs with visiting foreign trade delegations.

**v) Associated Chamber of Commerce and Industry (ASSOCHAM):** It is one of India's premier associations, has over 100,000 companies and professionals in India as members. It represents the interests of industry and trade, interfaces with government on policy

issues, and sits on national and local bodies to convey industry viewpoints. It also participates in issues relating to public–private partnerships for economic development. ASSOCHAM assists its members in dissemination of information, policy analysis, training and consultancy, industry and government interface, and enhancing international business relations; it contributes primarily to enhancing the Indian economy at the macro level.

**vi) *All India Manufacturers' Organization (AIMO)*:** Founded by Shri M. Vishweshwaraiah, who worked relentlessly for industrial development, AIMO is located in Chennai; its members are mostly small, medium, and large enterprises in southern and central India. It organizes research, established the Vishweshwaraiah Industrial Award, and promotes an R&D trust.

**vii) *World Association for Small and Medium Enterprises (WASME)*:** An NGO headquartered in New Delhi, WASME is comprises of members of national government, chambers of commerce and industry, small business authorities and associations, banks and financial institutions, and training and consultancy organizations working in the developing countries. WASME organizes international conventions, information services, and economic research for the development of small and medium enterprises in India and other developing countries.

**viii) *National Science and Technology Entrepreneurship Development Board (NSTEDB)*:** The main objectives of NSTEDB are to promote an entrepreneurial culture among science and technology individuals, to facilitate and launch promotional services for developing entrepreneurship and to network with various supporters, including academic and Research and Development institutions, in fostering entrepreneurship. With these objectives in mind, NSTEDB offers the following training programs:

- Entrepreneurship Awareness Camps (EACs)
- Entrepreneurship Development Programmes(EDPs)
- Faculty Development Programmes (FDPs)
- The Open Learning Programme in Entrepreneurship (OLPE)
- Technology-based Entrepreneurship Development Programme (TEDP)
- Science and Technology Entrepreneurship Development (STED)
- Science and Technology Entrepreneurship Parks (STEPs)
- Technology Business Incubators (TBIs)

**C) *Prime Ministers Employment Generation Programme (PMEGP)* :**

The Government of India have introduced a new credit linked subsidy programme called "Prime Minister's Employment Generation Programme (PMEGP)" from September 2008, by merging the two schemes i.e., PMRY and REGP for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. The PMEGP is a Central sector scheme implemented by Ministry of Micro, Small and Medium Enterprises and will be implemented by KVIC, a statutory body created by the Khadi and Village Industries Act, 1956 which will be the single National Level implementation agency for PMEGP. It will directly execute the programme in rural areas as defined in the KVIC Act in association with KVIBs. The scheme will be executed in other rural areas as well as urban areas by the State Governments through Commissioner of Industries and District Industries Centers.

**D) Sickness in the SSI/MSM Units :** The Government of Andhra Pradesh had announced a scheme for the revival of small-scale industries and an overwhelming response was expected. However, the scheme hardly helped the sick units. A package of concessions for sick SSI units should be evolved by the agency identified for the revival of the sick SSI units on a case by case basis. Commitments will have to be made by the management of the sick units or new promoters, by the Central and State Governments and by the financing institutions for their revival. The concessions to them could include soft loans, writing-off of previous bank loans, tax deferrals, water etc. A "Rehabilitation" or "Reconstruction Fund" should be setup to assist the sick units with contributions by the SIDBI, Commercial banks, Central and State Governments. It should be operated at the State Level by the SIDBI.

The following relief and concessions are being made available:

- Relaxation from ULC Act
- Healthy Industrial Relation
- Interest rebate to Banks/Financial Institutions
- Deferment of Commercial Tax (CT) Arrears
- Relief in Energy Charges

**E) Food Processing Policy of A.P.:** The objective of the policy is to develop value added Agro Industries in Andhra Pradesh as a major vehicle of growth for its trade and economy, to generate large scale employment in the rural areas and provide high returns to farmers, to maximize use of the opportunities and potential in agriculture and related sectors, in

which Andhra Pradesh has significant strength, by creating vital linkages and synergies between Agriculture and Industry.

**F) Promotion of Women Entrepreneurship :** Women entrepreneurship development has been a focus in many Asian countries. Promotion of women entrepreneurship in India is being undertaken by not-for-profit/private-sector organizations such as AWAKE, ALEAP, and CWEI; these institutions focus primarily on counselling, training, handholding, giving guidance on finance, organizing exhibitions, and peer group support. The Consortium of Women Entrepreneurs of India (CWEI) has also started networking with women entrepreneurs in other countries to market the products of India internationally.

**G) Promotion of Technology and Technopreneurs :** The National Science and Technology Entrepreneurship Development Board (NSTEDB) under the Ministry of Science and Technology in India operates the Techno-Entrepreneur Promotion Program (TEPP), which focuses on promoting, supporting, and assisting individual innovators in becoming technology-based entrepreneurs. The National Research Development Corporation (NRDC), the Council of Scientific and Industrial Research (CSIR), the Department of Science and Technology, and the Central Food Technological Research Institute have implemented successful programs for technological innovation in SMEs.

**H) Pavala Vaddi Scheme :** Government has introduced a new interest subsidy scheme of “Pavala Vaddi” to reduce the financial burden for setting up of new micro and small enterprises including food processing industries in the State.

**I) Industrial Infrastructure Development Fund (IIDF) :** Government have introduced a new scheme called “Industrial Infrastructure Development Fund (IIDF)” for providing financial assistance to infrastructure facilities at the doorstep of the proposed industrial estates / unit:

- a. Drinking Water and Industrial Water
- b. Electricity
- c. Telecommunications
- d. Drainage, Laying of drainage line from the Unit/Industrial Estate to the existing point or to the natural drainage point.
- e. Roads.
- f. Any other infrastructure facilities as approved by the Government; SLC.
- g. Common Effluent Treatment plants.

**J) Growth Centres :** Government of India with a view to act as magnets for attracting industries in backward districts, have approved Growth Centres to provide best

infrastructure facilities available in the country in respect of power, water and telecommunication. The cost of each Growth Centre is Rs.30 crores. The financing pattern of the Growth Centre is in the ratio of 2:1. The Government of India have sanctioned 4 Growth Centres to the State which are being set up at Bobbili in Vizianagaram District, Ongole in Prakasam District, Hindupur in Ananthapur District and Jadcherla in Mahabubnagar District. The APIIC Ltd. is the implementing agency for the establishment of Growth Centres.

**K) Critical Infrastructure Balancing Scheme (CIBS):** Government have introduced a new scheme called 'CIBS' under which funds will be made available to the Industrial Associations /Service Societies/ NGOs for the upgradation of the infrastructural facilities such as water supply, power, laying of roads, Effluent Treatment Plants, etc. in the existing IEs/ SSI clusters identified under the SSI cluster development programmes. The funds will be provided/reimbursed in the ratio of 1:1 between Government and Industrial Associations (IAs)/Service Societies/NGOs. In some cases, where the number of sick and closed units and vacant plots is more than 50%, APIIC will share 20% of the estimated cost and the service societies have to contribute only 30% of the project cost.

**L) Integrated Infrastructural Development Centres (IIDC):** The Integrated Infrastructural Development Centre (IIDC) is to facilitate the setting up of industries in rural/backward areas and to provide stronger linkages between Agriculture and Industry. The cost of the centre will be financed by the Central Government by way of grant and the balance, as loan from SIDBI.

**M) START-UP INDIA, STAND-UP INDIA :** Prime Minister Narendra Modi has unveiled the Start-up India, Stand-up India action plan in New Delhi to boost startup ventures in the country. The main aim of Start-up India, Stand-up India action plan is to give impetus to innovation and encourage the talent among young people and remove onerous government regulations and red tape.

#### **Key features Start-up India, Stand-up India action plan**

- Start-up profits to be tax-free for 3 years and also no labour inspections for 3 years of launch of the venture.
- Compliance regime based on self-certification for labour and environmental laws.
- Easy exit policy for start-ups with 90 days.
- Tax exemption to be provided on capital gains if money is invested in another start up.

- Government to create Rs. 10,000 crore corpus fund for development and growth of innovation driven enterprises. It will be Rs. 2500 crore a year for four years.
- Liberalized Fast-track mechanism for start-up patent applications under intellectual property rights protection with 80% cost rebate.
- Encouraging startups to participate in public procurement by easing norms of minimum turnover/experience. Mobile apps, portal for register start-ups in a day from 1st April 2016.
- Establishing Credit guarantee fund and special scheme for women entrepreneurs.
- Sector specific incubators 500 tinkering labs, per-incubation and seed funds under the Atal Innovation mission
- Public-private partnership (PPP) model for 35 new incubators, 7 new research parks, 31 innovation centres at national institutes and 5 new Bio clusters will be set up to help Biotech Sector.
- Government to start Atal Innovation Mission to give an impetus to innovation and encouraging talent among young people by instituting national awards.
- Government to promote the provision of core innovation programmes in 5 lakh schools across the country.

**Conclusion:**

In order to build an appropriate and effective strategy for the development of entrepreneurship the government and decision makers should work in cooperation with other interest groups to train and encourage MSMEs to venture high in the nation. A special care has to be taken by the government and other promotional institutions of MSMEs are owned by the grossly neglected categories of the society i.e., S.C, S.T, and Minorities. It is also recommended to provide a special incentive to the existing entrepreneurs, if they are interested to take one of these categories into their businesses as partners. The Universities must to conduct various entrepreneurial awareness campaigns/seminars/workshops during their education through incubation centres/EDCs. Also, it is recommended that experienced entrepreneurs should be invited to visit colleges to give lectures concerning their field and support in incubation. The government should provide the lands at cheaper rates, to ensure quick approvals for starting the ventures and other subsidies which are useful for the entrepreneurs in the rural areas. Lastly, to motivate the entrepreneurs, the government, financial institutions, DICs and other promotional

agencies should conduct entrepreneurship development programmes frequently and continuously and follow up measures should be strengthened.

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## WEBSITES (Indian Websites focusing on Enterprise Development)

Site and Address	Site Details
All India Association for Micro Enterprise Development (AIAMED)	<a href="http://www.aiamed.org">http:// www.aiamed.org</a>
Association of Women Entrepreneurs of Karnataka (AWAKE)	<a href="http://www.awake-india.org">www.awake-india.org</a>
Bhartiya Smrudhi Investment and Consulting Services Ltd. (BASIX)	<a href="http://www.basixindia.com">http://www.basixindia.com</a>
Bankers Institute of Rural Development (BIRD)	<a href="http://www.birdindia.com">www.birdindia.com</a>
CARE-India	<a href="http://www.careindia.org">http://www.careindia.org</a>
Centre for Entrepreneurship Development (CED)	<a href="http://www.ced-tamilnadu.org">www.ced-tamilnadu.org</a>
Credit watch India	<a href="http://www.creditwatchindia.net">http://www.creditwatchindia.net</a>
DHAN Foundation	<a href="http://www.dhan.org">http://www.dhan.org</a>
Enterprise Development Institute of India (EDII)	<a href="http://www.ediindia.org">www.ediindia.org</a>
Enterprise Works Worldwide Programs	<a href="http://www.enterpriseworks.org">www.enterpriseworks.org</a>
Food and Agriculture Organisation (FAO)	<a href="http://www.fao.org">www.fao.org</a>
Friends of Women's World Banking (FWWB)	<a href="http://www.fwwb-india.org">www.fwwb-india.org</a>
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National Institute of Small Industries and Extension Training (NISJET)	<a href="http://www.nisiet.com">www.nisiet.com</a>
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Self Employed Women's Association (SEWA)	<a href="http://sewa.org">http://sewa.org</a>
SHARE Microfin Ltd. (SML)	<a href="http://www.sharemicrofin.org">http://www.sharemicrofin.org</a>
Small Industries Development Bank of India (SIDBI)	<a href="http://sidbi.com">http://sidbi.com</a>
World Bank	<a href="http://www.worldbank.org">http://www.worldbank.org</a>
Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP)	<a href="http://www.aleap.org">http://www.aleap.org</a>