

ASSESSING THE ROLE OF GOVERNMENT POLICIES IN ENHANCING THE COMPETITIVENESS OF MSME IN INDIA

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Abstract:

This paper aims to assess the role of government policies in enhancing the competitiveness of MSMEs in India. Micro, Small, and Medium Enterprises (MSMEs) are an essential part of any economy, contributing to economic growth and providing employment opportunities. MSMEs are characterized by their smaller size, lesser investment, and lower level of production compared to larger businesses. These enterprises operate in diverse sectors such as manufacturing, service, and trade, and are a critical source of innovation, creativity, and entrepreneurial spirit. In India, the MSME sector plays a crucial role in the economy, contributing significantly to the Gross Domestic Product (GDP), exports, and employment generation. The Government of India has implemented several policies and schemes to promote and support the growth and development of the MSME sector. These policies aim to enhance the competitiveness of MSMEs, increase their access to finance, encourage technology up-gradation, and promote their participation in national and international trade. Despite the numerous benefits of MSMEs, they face several challenges such as lack of access to finance, technology, skilled manpower, and regulatory constraints. The scope is limited to Karnataka state to carry out this research. This study is carried out by using of both primary data and secondary data. Researcher adopts survey method. Formulated and distributed to 150 respondents from beneficiaries of MSME's to gather data. Researcher adopted Percentage, Frequencies, table, and graph to analyse the data. Secondary data sources used for the study such as articles, websites, research papers, books and other resources. Researcher suggested that the government should continue to innovate and implement policies that support the growth of MSMEs and create a conducive environment for their success.

Keywords: Assess, role, government policies, competitiveness, MSME, India etc.

INTRODUCTION:

MSMEs (Micro, Small, and Medium Enterprises) play a crucial role in the Indian economy, contributing significantly to employment generation, industrial output, and exports. MSMEs are characterized by their smaller size, lesser investment, and lower level of production compared to larger businesses. These enterprises operate in diverse sectors such as manufacturing, service, and trade, and are a critical source of innovation, creativity, and entrepreneurial spirit. In India, the MSME sector plays a crucial role in the economy, contributing significantly to the Gross Domestic Product (GDP), exports, and employment generation. The Government of India has implemented several policies and schemes to promote and support the growth and development of the MSME sector. These policies aim to enhance the competitiveness of MSMEs, increase their access to finance, encourage technology up-gradation, and promote their participation in national and international trade.

Despite the numerous benefits of MSMEs, they face several challenges such as lack of access to finance, technology, skilled manpower, and regulatory constraints. The role of government policies in addressing these challenges and creating a conducive environment for MSME growth and development is critical. The Indian government has implemented several policies to enhance the competitiveness of MSMEs and promote their growth. Here are some of the government policies that have been implemented to support MSMEs in India:

1. **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE):** CGTMSE provides credit guarantee to the lending institutions for loans up to Rs. 200 lakhs to MSMEs. This policy has encouraged banks to lend more to MSMEs, thus enhancing their competitiveness.
2. **Public Procurement Policy:** The government has mandated that a minimum of 25% of its procurement should be from MSMEs, with 4% reserved for units owned by women entrepreneurs. This policy has created a level playing field for MSMEs in government procurement and has provided them with a significant market opportunity.
3. **Technology Upgradation Fund Scheme (TUFS):** TUFS provides subsidized loans to MSMEs for upgrading their technology and machinery. This policy has helped MSMEs to improve their competitiveness by modernizing their production processes.

4. One District One Product (ODOP) Scheme: ODOP is a scheme launched by the government to promote traditional industries and products in each district of the country. The scheme aims to increase the competitiveness of MSMEs by focusing on the development of locally made products and creating market linkages for them.
5. National Manufacturing Competitiveness Programme (NMCP): The NMCP provides support to MSMEs for enhancing their competitiveness by improving their quality, productivity, and technology. This policy has helped MSMEs to adopt best practices and modernize their production processes.

This paper aims to assess the role of government policies in enhancing the competitiveness of MSMEs in India, analyzing the policies' impact and identifying the gaps and areas of improvement for future policy interventions.

OBJECTIVE OF THE STUDY:

To assess the role of government policies in enhancing the competitiveness of MSME in India.

SCOPE OF THE STUDY:

The researcher limited to Karnataka state as geographical area to carry out this study.

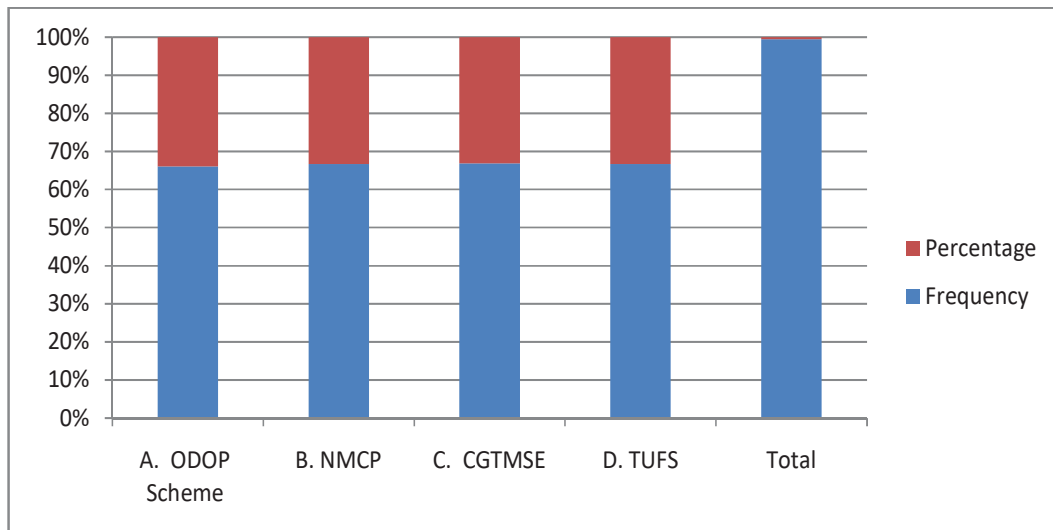
RESEARCH METHODOLOGY:

This study is carried out by using of both primary data and secondary data. Researcher adopts survey method. Formulated and distributed to 200 respondents from beneficiaries of MSME's to gather data by using of convenient sampling technique. Researcher adopted Percentage, Frequencies, table, and graph to analyse the data. Secondary data sources used for the study such as articles, websites, research papers, books and other resources.

DATA ANALYSIS:

Table No.1: Which of the following policies provides credit guarantee to lending institutions for loans up to Rs. 100 lakhs to MSMEs in India?

Particulars	Frequency	Percentage
A. One District One Product (ODOP) Scheme	39	20
B. National Manufacturing Competitiveness Programme (NMCP)	46	23
C. Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)	87	43
D. Technology Upgradation Fund Scheme (TUFS)	28	14
Total	200	100%

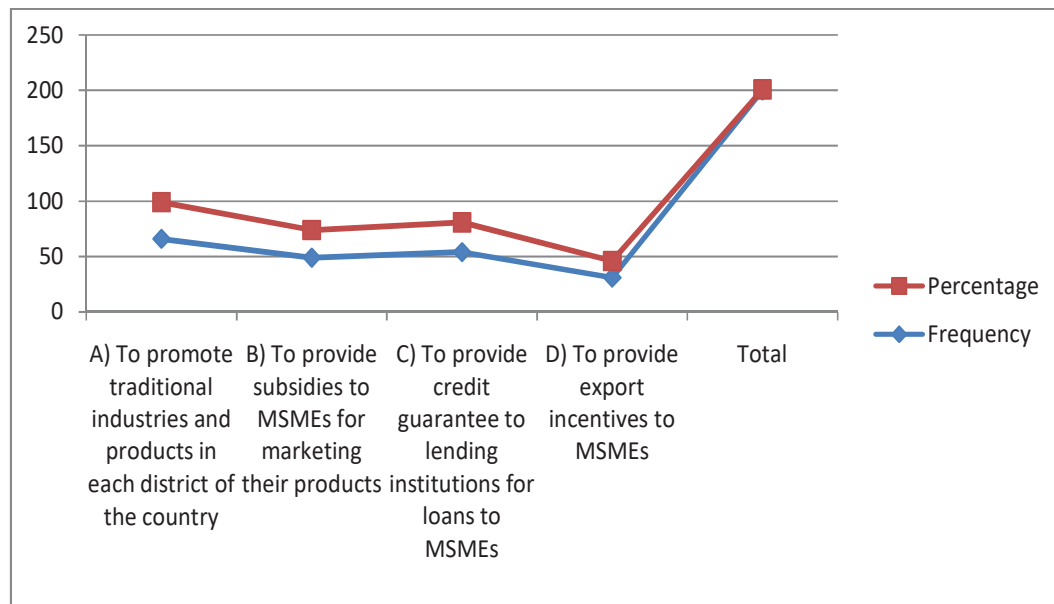


Interpretation:

The above table depicts about the policies provides credit guarantee to lending institutions for loans up to Rs. 100 lakhs to MSMEs in India. Majority of the respondents opined that Credit Guarantee Fund Trust for Micro and Small Enterprises, 23% of the respondents believed that National Manufacturing Competitiveness Programme, 20% of the respondents assumed that One District One Product (ODOP) Scheme and remaining 14% said that Technology Upgradation Fund Scheme.

Table No.2: What is the primary objective of the One District One Product (ODOP) Scheme in India?

Particulars	Frequency	Percentage
A) To promote traditional industries and products in each district of the country	66	33
B) To provide subsidies to MSMEs for marketing their products	49	25
C) To provide credit guarantee to lending institutions for loans to MSMEs	54	27
D) To provide export incentives to MSMEs	31	15
Total	200	100%

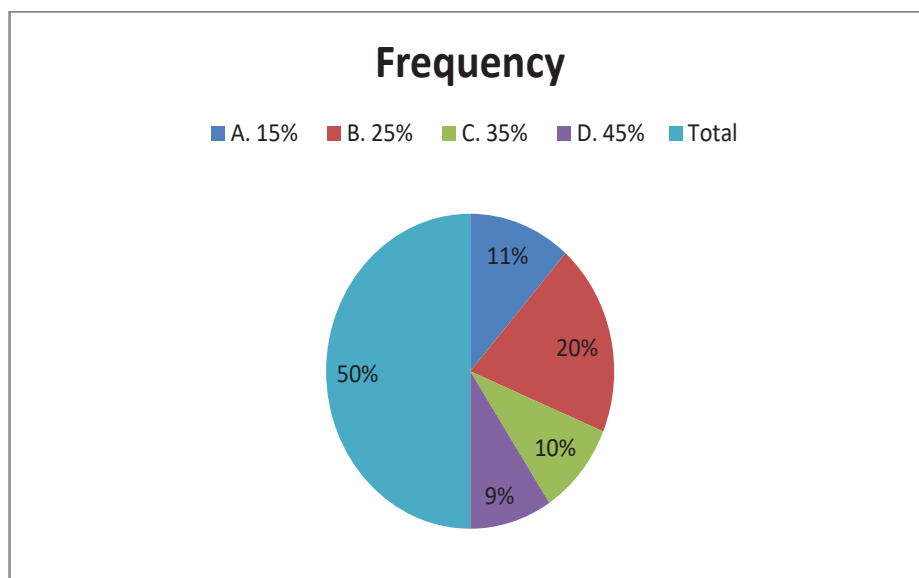


Interpretation:

The above table represents about the primary objective of the One District One Product (ODOP) Scheme in India. Majority of the respondents (i.e. 33%) opined that to promote traditional industries and products in each district of the country, 27% of the respondents believed that to provide credit guarantee to lending institutions for loans to MSMEs, 25% of the respondents assumed that to provide subsidies to MSMEs for marketing their products and remaining 15% said that to provide export incentives to MSMEs.

Table No.3: What is the minimum percentage of government procurement mandated to be from MSMEs in India?

Particulars	Frequency	Percentage
A. 15%	46	23
B. 25%	79	40
C. 35%	38	19
D. 45%	37	18
Total	200	100%

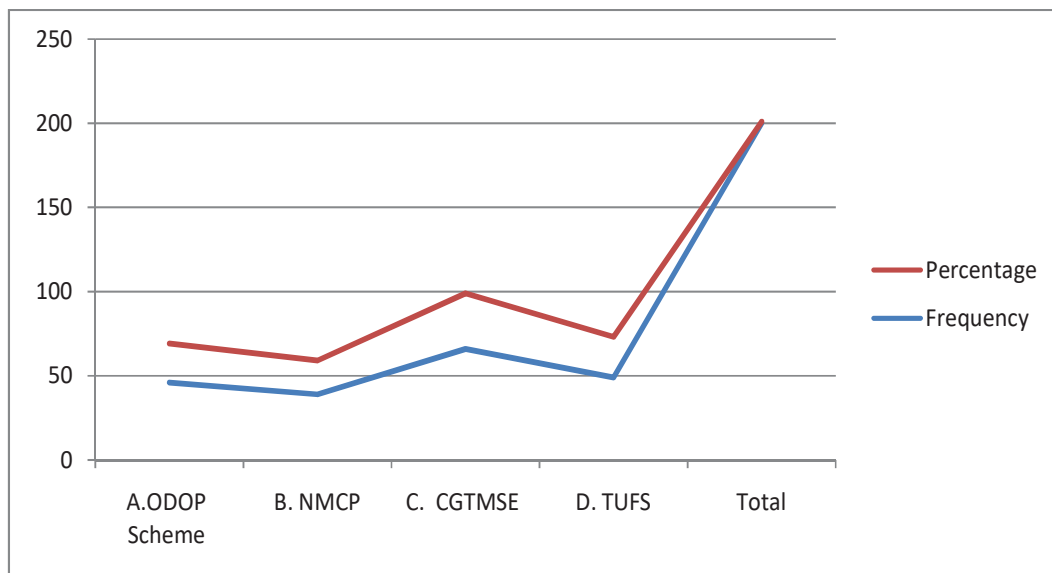


Interpretation:

The above graph represents about the minimum percentage of government procurement mandated to be from MSMEs in India. Majority of the respondents (i.e. 40%) opined that 25% of government procurement mandated to be from MSMEs in India, 23% of the respondents believed that 15%, 19% of the respondents assumed that 35%, and remaining 18% said that 45%.

Table No.4: Which of the following policies provides subsidized loans to MSMEs in India for upgrading their technology and machinery?

Particulars	Frequency	Percentage
A. One District One Product (ODOP) Scheme	46	23
B. National Manufacturing Competitiveness Programme (NMCP)	39	20
C. Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)	66	33
D. Technology Upgradation Fund Scheme (TUFS)	49	24
Total	200	100%

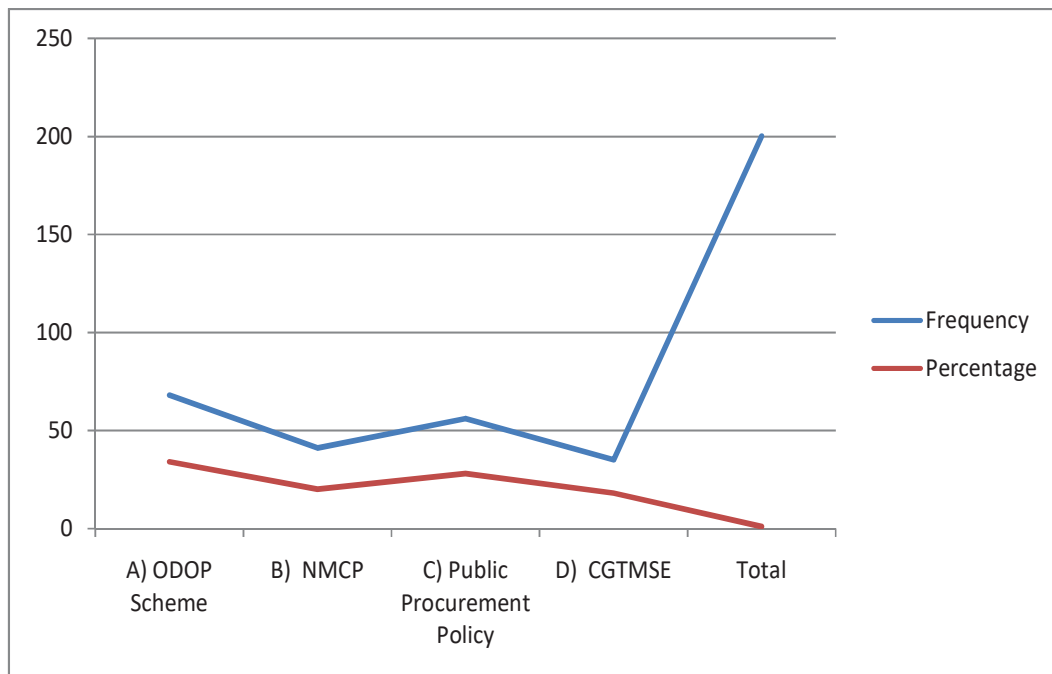


Interpretation:

The above table represents about the policies provides subsidized loans to MSMEs in India for upgrading their technology and machinery. Majority of the respondents (i.e. 33%) opined that Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), 24% of the respondents believed Technology Upgradation Fund Scheme (TUFS), 23% of the respondents assumed that One District One Product (ODOP) Scheme and remaining 20% said that National Manufacturing Competitiveness Programme (NMCP).

Table No.5: Which of the following policies has supported MSMEs in India to improve their quality, productivity, and technology?

Particulars	Frequency	Percentage
A) One District One Product (ODOP) Scheme	68	34
B) National Manufacturing Competitiveness Programme (NMCP)	41	20
C) Public Procurement Policy	56	28
D) Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)	35	18
Total	200	100%

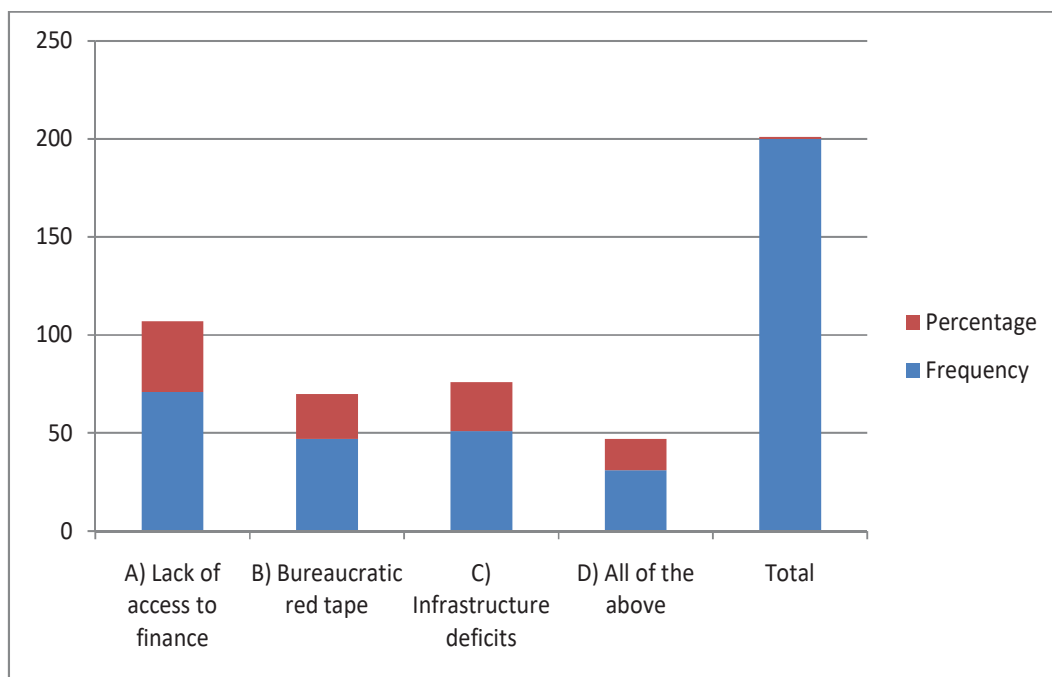


Interpretation:

The above graph indicates about the policies has supported MSMEs in India to improve their quality, productivity, and technology. Majority of the respondents (i.e. 34%) opined that One District One Product (ODOP) Scheme, 28% of the respondents believed Public Procurement Policy, 20% of the respondents assumed that National Manufacturing Competitiveness Programme (NMCP) and remaining 18% said that Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

Table No.6: What are some of the challenges faced by MSMEs in India despite the government's policies to enhance their competitiveness?

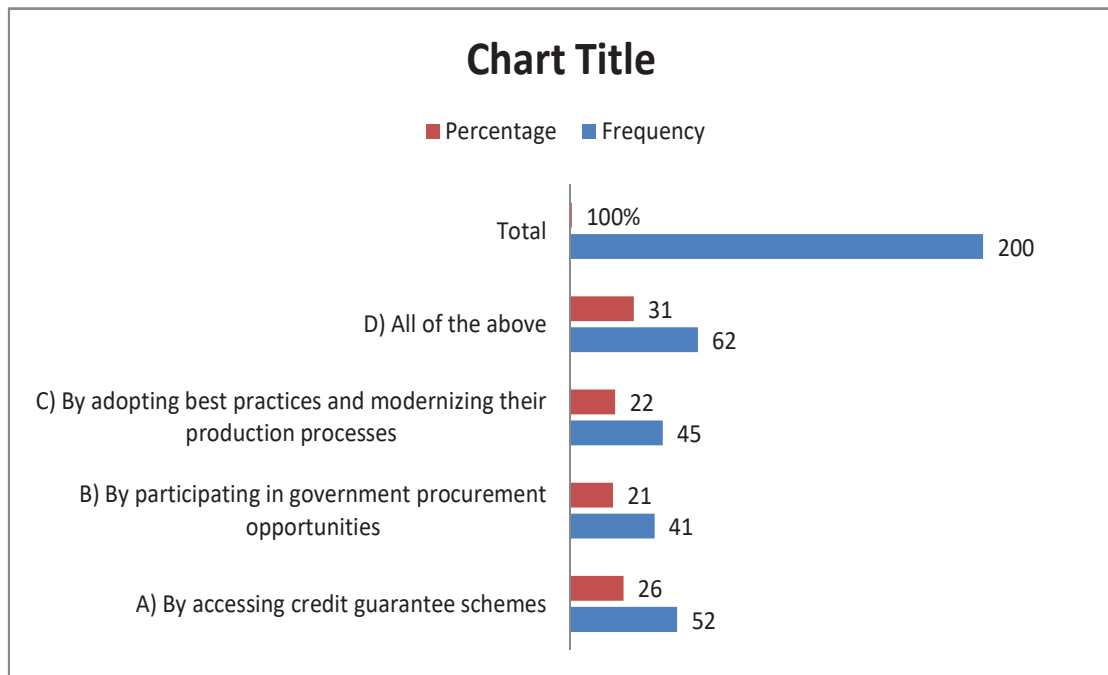
Particulars	Frequency	Percentage
A) Lack of access to finance	71	36
B) Bureaucratic red tape	47	23
C) Infrastructure deficits	51	25
D) All of the above	31	16
Total	200	100%



The above data shows about the challenges faced by MSMEs in India despite the government's policies to enhance their competitiveness. Majority of the respondents (i.e. 36%) opined that Lack of access to finance, 25% of the respondents believed Infrastructure deficits, 23% of the respondents assumed that Bureaucratic red tape and remaining 16% said that All of the above.

Table No.7: How can MSMEs in India leverage government policies to grow their businesses?

Particulars	Frequency	Percentage
A) By accessing credit guarantee schemes	52	26
B) By participating in government procurement opportunities	41	21
C) By adopting best practices and modernizing their production processes	45	22
D) All of the above	62	31
Total	200	100%



Interpretation:

The above table represents about the MSMEs in India leverage government policies to grow their businesses. Majority of the respondents (i.e. 31%) opined that all of the above, 26% of the respondents believed by accessing credit guarantee schemes, 22% of the respondents assumed that by adopting best practices and modernizing their production processes and remaining 21% said that by participating in government procurement opportunities.

FINDINGS OF THE STUDY:

1. It is found that, Majority of the respondents opined that Credit Guarantee Fund Trust provides credit guarantee to lending institutions for loans up to Rs. 100 lakhs to MSMEs in India.
2. It is identified that, Majority of the respondents (i.e. 33%) assumed that the primary objective of the One District One Product (ODOP) Scheme in India is to promote traditional industries and products in each district of the country.
3. The study found that, Majority of the respondents opined that 25% is the minimum percentage of government procurement mandated to be from MSMEs in India.
4. It is found that, Majority of the respondents (i.e. 33%) believed that Credit Guarantee Fund Trust provides subsidized loans to MSMEs in India for upgrading their technology and machinery.
5. Majority of the respondents said that One District One Product (ODOP) Scheme has supported MSMEs in India to improve their quality, productivity, and technology.
6. The Study found that, 36% of the respondentsopined that Lack of access to finance as challenges faced by MSMEs in India despite the government's policies to enhance their competitiveness.
7. Majority of the respondents (i.e. 31%) opined that by accessing credit guarantee schemes, by adopting best practices and modernizing their production processes and by participating in government procurement opportunities are the MSMEs in India leverage government policies to grow their businesses.

CONCLUSION:

The Indian government has recognized the importance of MSMEs in the country's economic growth and has implemented several policies to enhance their competitiveness. These policies have focused on areas such as access to finance, technology Upgradation, market development, and quality improvement. While these policies have yielded positive results, there is still a need to address challenges such as bureaucratic red tape, infrastructure deficits, and skill development to fully unleash the potential of MSMEs. So, Researcher suggested that the government should continue to innovate and implement policies that support the growth of MSMEs and create a conducive environment for their success.

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